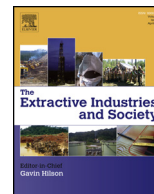




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# The Extractive Industries and Society

journal homepage: [www.elsevier.com/locate/exis](http://www.elsevier.com/locate/exis)



## Viewpoint

# Oil in Niger: A foundation for promise or a new resource curse?

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### ARTICLE INFO

#### Article history:

Received 1 November 2015  
Received in revised form 9 February 2016  
Accepted 11 February 2016  
Available online xxx

#### Keywords:

Oil  
Niger  
Resource curse  
China

### ABSTRACT

It is no secret that many poor, oil-rich countries struggle to develop. This paper offers initial reflections on the case of Niger, long one of the largest uranium producers in the world but which has recently begun to extract oil. Despite being a top-five global producer of uranium for decades, Niger remains near the bottom of the UN Human Development Index. Will a more diversified extractive industries portfolio which now includes oil help to offset or simply perpetuate the country's resource curse?

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## 1. Introduction and context

This paper reflects critically on the prospects and potential pitfalls of newfound oil wealth in the Republic of Niger, one of the poorest countries in sub-Saharan Africa. It is no secret that most resource-rich developing countries have struggled economically. Niger is no exception: despite mining uranium for four decades and becoming the world's fourth largest producer of the rare Earth mineral in the process, it remains extremely poor. A major reason why this is that, unlike developed countries such as the United States of America, Canada, Sweden, Finland and Australia, and a small group of developing countries, namely Botswana or Chile (Hope, 2003), Niger lacks the robust institutions needed to ensure appropriate distribution of resource rents and sound spending. With criticisms over the government's handling of uranium rents mounting, it will be interesting to see how oil affects its 'behaviour'.

## 2. New found wealth for Niger in the South-East: boom or hype?

The emergence of oil certainly provides Niger with a rare opportunity to diversify an export base that has long been dominated by uranium. It is no secret that as a source of energy, uranium has been slowly losing its appeal in the West, a phenomenon which has significant implications for Niger's economic stability and development. Demand for uranium has fallen considerably since the 2011 Fukushima nuclear disaster in Japan; uranium investments have been slow to recover. As

Grégoire (2011) explains, it is now China, Brazil and Russia which are investing heavily in uranium in Niger and elsewhere in sub-Saharan Africa. The former, for example, has committed to a nuclear future, which is often portrayed as a viable, environmentally-friendly, alternative to fossil fuels.

In Niger, oil has emerged alongside what is clearly a volatile uranium mining industry, and perhaps an even more unpredictable gold mining sector. The country's oil sector, however, is still at a stage of infancy. Its development thus far has taken place over the following two distinguishable periods:

- 1st era: during this period, which commenced in the 1970s, the first searches for oil in Niger took place. During this time, oil giants such as Texaco, Elf Aquitaine and CONOCO established projects which they quickly abandoned due to a lack of interest and feasibility. Had production for Texaco come on line, for example, it would have defied the odds, as it would have required financing the construction of oil and housing infrastructure, and working in a hostile desert environment virtually cut off from major towns due to a lack of transport.
- 2nd era: this modern era stretches from the 1990s to the present, during which Niger witnessed new interest thanks to programs which uncovered valuable geological and geographical data. New entrants such as CNPC (China) are now leading the way, and companies such as Sonatrach (Algeria) and Savannah (UK) are now competing for permits. These interests, along with the construction of the Soraz refinery, have transformed Niger into an oil-producing country. An estimated 20,000 barrels are produced daily, 7000 of which are earmarked for national consumption (Reuters, 2015).

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<http://dx.doi.org/10.1016/j.exis.2016.02.007>

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**Table 1**  
Selected development indicators in Niger.

HDI rank	Country	Human development index (HDI) value	Life expectancy at birth (years)	Expected years of schooling (years)	Mean years of schooling (years)	Gross national income (GNI) per capita (2011 PPP \$)	GNI per capita rank minus HDI rank
Low human development							
145	Kenya	0.548	61.6	11.0	6.3	2762	9
145	Nepal	0.548	69.6	12.4	3.3	2311	16
147	Pakistan	0.538	66.2	7.8	4.7	4866	-14
148	Myanmar	0.536	65.9	8.6	4.1	4608	-12
149	Angola	0.532	52.3	11.4	4.7	6822	-30
150	Swaziland	0.531	49.0	11.3	7.1	5542	-25
151	Tanzania (United Republic of)	0.521	65.0	9.2	5.1	2411	8
152	Nigeria	0.514	52.8	9.0	5.9	5341	-24
153	Cameroon	0.512	55.5	10.4	6.0	2803	-1
154	Madagascar	0.510	65.1	10.3	6.0	1328	24
155	Zimbabwe	0.509	57.5	10.9	7.3	1615	13
156	Mauritania	0.506	63.1	8.5	3.8	3560	-14
156	Solomon Islands	0.506	67.9	9.2	5.0	1540	16
158	Papua New Guinea	0.505	62.6	9.9	4.0	2463	-1
159	Comoros	0.503	63.3	11.5	4.6	1456	16
160	Yemen	0.498	63.8	9.2	2.6	3519	-17
183	Burkina Faso	0.402	58.7	7.8	1.4	1591	-13
184	Burundi	0.400	56.7	10.1	2.7	758	1
185	Chad	0.392	51.6	7.4	1.9	2085	-22
186	Eritrea	0.391	63.7	4.1	3.9	1130	-6
187	Central African Republic	0.350	50.7	7.2	4.2	581	1
188	Niger	0.348	61.4	5.4	1.5	908	-5

Source: UNDP (2014).

There is potential for daily production to reach 80,000 barrels (Alkasoum and Daouda, 2015). In fact, Niger's oil sector has showcased unexpected potential, with exploration efforts revealing that reserves stand at 900 million barrels (World Bank, 2015).

The 'arrival' of oil, however, has magnified a number of potential problems moving forward—concerns shared by NGO officials and the general public. The first relates to how surges in oil revenue will impact governance and political behaviour (Pegg, 2015; Watts, 2015). Niger ranks among the poorest countries in the world, scoring at or near the bottom of most indicators on the UN Human Development Index (Table 1). Here, there are already visible indications of embezzlement and corruption, and few signs which would suggest that the government would manage effectively a new steady stream of revenue. Despite being the world's fourth largest producer of uranium, an in-country boom in its extraction and export which has spanned 40 years has failed to facilitate development and lasting growth.

Natural resources have almost systematically offered the illusion of development for resource-rich sub-Saharan Africa. In Niger, we are dealing with "a first world industry in a third world country" (Hecht, 2012) as oil, from prospecting through production, involves the application of technologically-intensive equipment and infrastructure such as the 462.5 km pipeline (CNPC, 2015) that is attached to the Soraz refinery. Parallel developments in the country's uranium mining sector have, for the best part of four decades, mostly privileged the country's elite and produced an environment fertile for power grabbing. What development path will the country's oil sector follow?

A second potential problem which looms large concerns overrating oil's economic potential, similar to what Ghana seems to have done. Niger's oil reserves remain modest (see Table 2) compared to, say, neighbouring Nigeria's 36.2 billion barrels or Angola's 13.5 billion barrels (World Bank, 2015). Now with a national budget enhanced by oil rents, the challenge lies in smart financial allocation coupled with sound investments. Is Niger's oil sector destined to become another uranium, specifically, a sector responsible for significant environmental degradation, associated

with societal damage and which has become the subject of significant civil society contestation? Despite the sector's considerable promise, international companies seem to be wisely approaching investment decisions with some trepidation. The country suffers from political instability and is considered a fragile state; with the February 2016 elections approaching, many mining companies, for example, have elected to adopt a more protective stance, waiting to see what they will bring about. The Republic of Niger currently ranks 23rd on the Foreign Policy's Failed State Index, and exhibits many of the characteristics of a fragile state. Oil is known for exacerbating corruption and at times, conflict. With Niger being seen by some as an "un-governed space" where political discord is now mixed with prospects of abundant wealth from oil, there is concern that this will only fuel greed and resource expropriation.

### 3. Extractives and the rentier state

These abovementioned concerns feed into broader debates on the 'rentier state'. Centralized political economy models of the resource curse focus on the decisions made by officials in resource-

**Table 2**  
Leading sub-Saharan African oil producers.

Rank	Country	Barrels/day
1st	Nigeria	2,427,000
2nd	Angola	1,756,000
3rd	Algeria	1,721,000
4th	Egypt	667,000
5th	Lybia	516,000
6th	Equatorial Guinea	269,000
7th	Soudan and South Soudan	262,000
8th	Gabon	241,000
9th	South-Africa	191,000
10th	Ghana	104,000
17th	Niger	20,000

Sources: OPEC (2016), Kosmos Energy (2016); World Bank (2015).

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