Examining the Effects of Natural Resource Rents, Institutional Quality and Human Development in Sub-Saharan Africa

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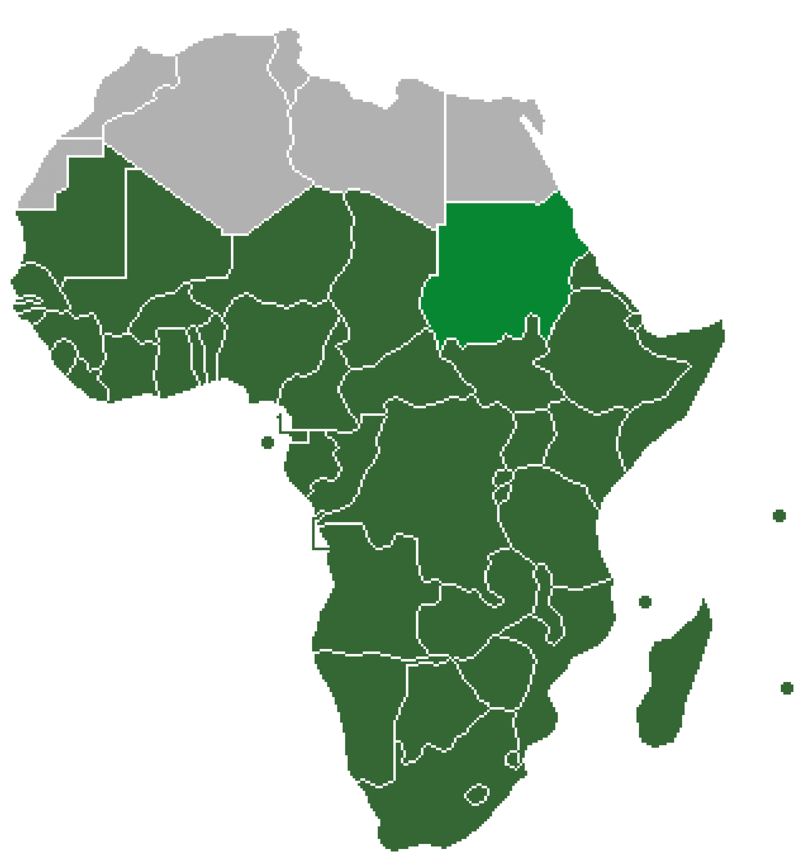
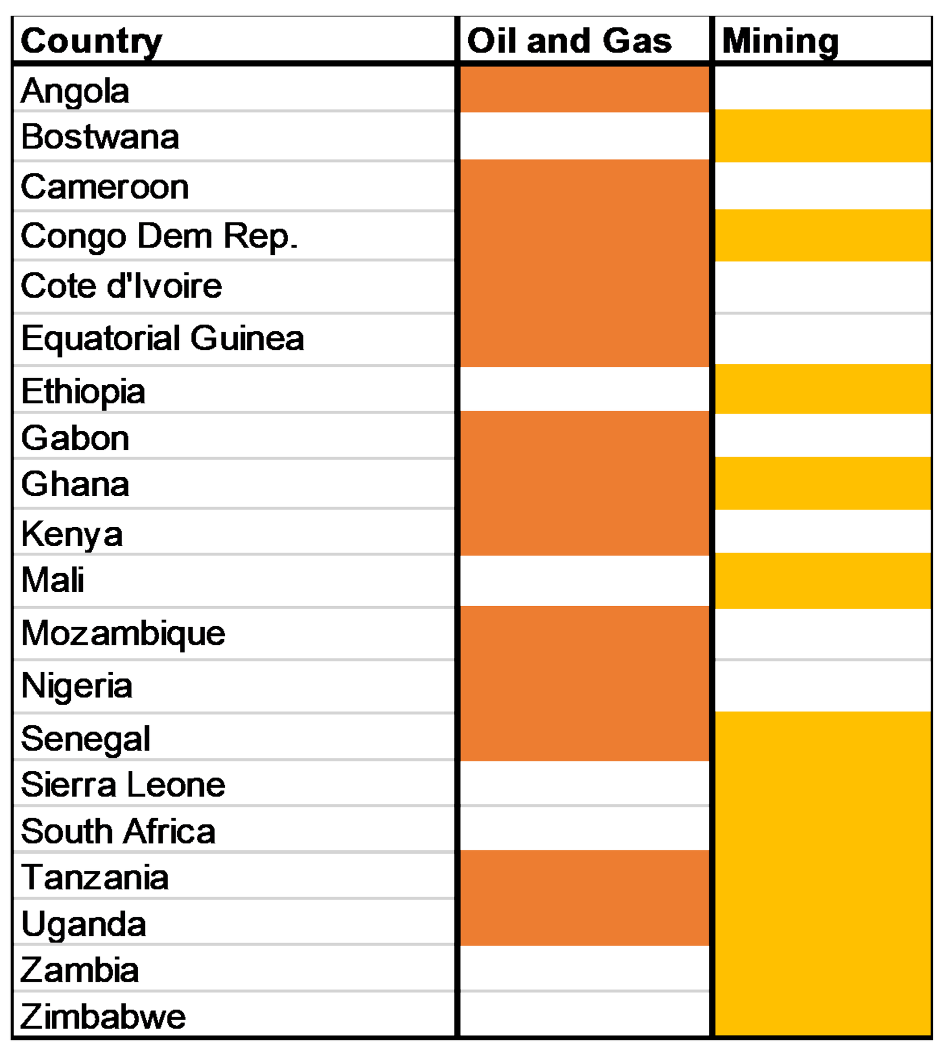
Motivation

- Natural Resources have great potential to impact the economic fortunes of developing countries and regions like sub-Saharan Africa.
- However, these countries' narratives and experiences have been mixed due to the resource curse phenomenon.
- Empirically, most research tends to focuses on its impact on economic growth and the big macroeconomic numbers like gross domestic product (GDP) growth of these resource-rich countries.
- The question then arises, what about citizens' standard of living and whether sub-Saharan African countries have been able to escape the "resource curse" thesis advanced by Auty et al. and others?
- This study, therefore, aims to adequately explain the determinants of human development in **20 sub-Saharan African countries** in the context of abundant natural resources.

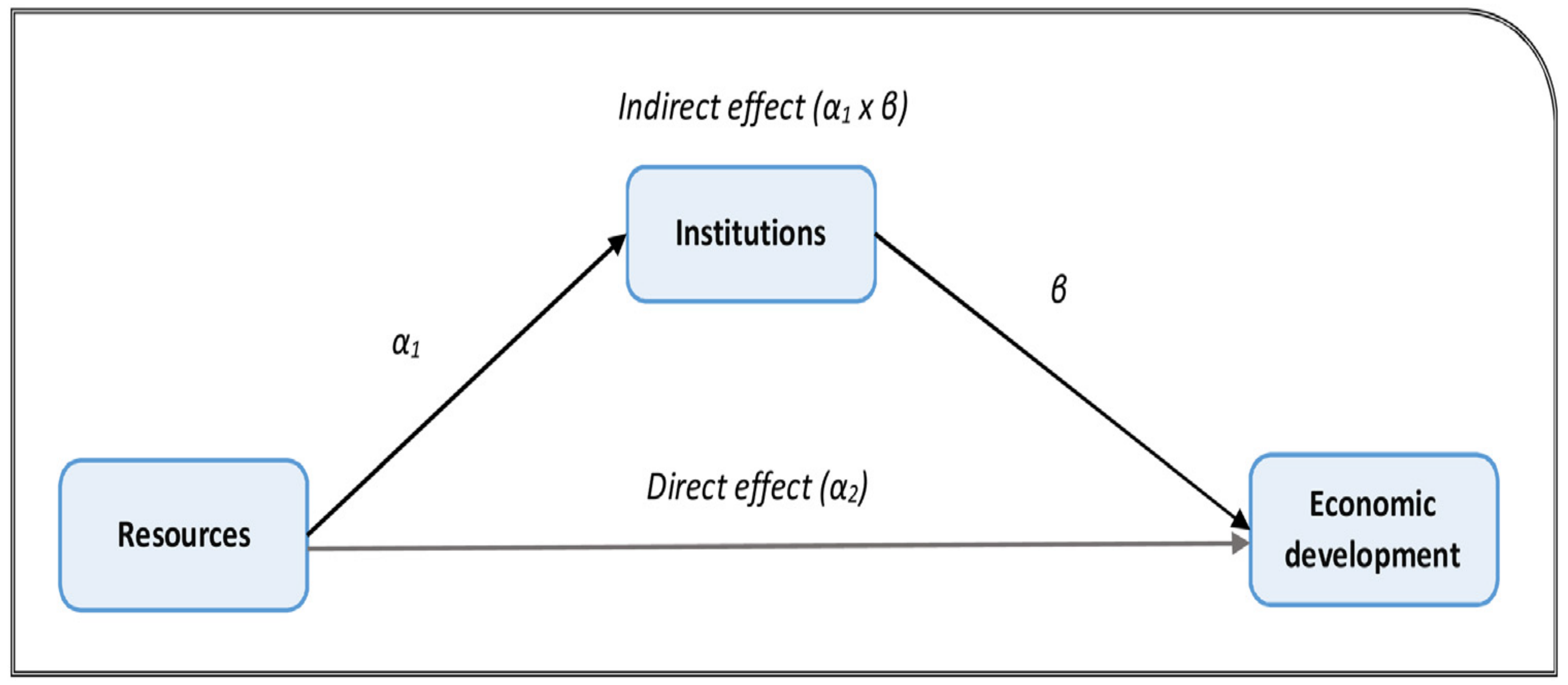


SSA Map showing countries



Sample countries in the model

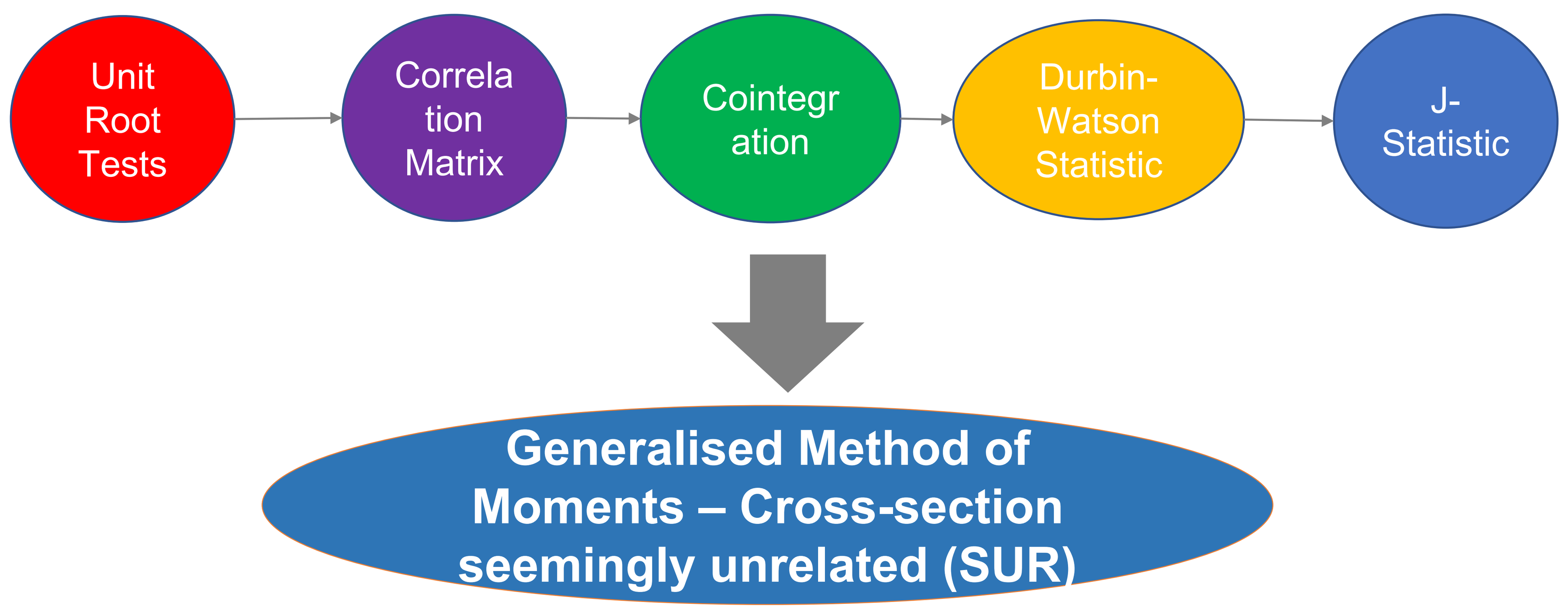
Conceptual framework



From Lashitew and Werker (2020)

Empirical Strategy

- The study employed the Generalised Method of Moments (GMM)- Cross-section seemingly unrelated (SUR) using annual panel data for the period (1991 – 2018).
- The modelling processes involved the pre-treatment of the data (including testing for stationarity using the unit root test, onward data transformations), the primary estimations, and robustness checks.



Findings

Dependent Variable = HDI	1[Econ drivers, HDI and TNRR]	2[Inst. Quality, HDI and TNRR]	3 [Main model]	4 [Oil Rents Sub-Sample]	5[Mineral Rents Sub-Sample]
HDI(-1)	1.008***	1.004***	1.008***	1.011***	1.011***
	(0.001)	(0.0005)	(0.001)	(0.001)	(0.001)
TOTALRESRENTS	0.002***	0.002***	0.002***		
	(0.0001)	(0.0002)	(0.0002)		
OIL RENTS				0.001***	
				(6.06E-05)	
MINERALRENTS					-0.0001***
					(5.52E-05)
GDP GROWTH	0.001***		0.001***	0.001***	0.002***
	(0.0001)		(0.0001)	(0.0001)	(0.0001)
CAPITAL STOCK	-0.001***		-0.001***	-0.001***	-0.001***
	(0.0001)		(0.0001)	(0.0001)	(0.0001)
FDI	0.001***		0.001***	0.001***	0.001***
	(9.46E-05)		(0.0001)	(0.0001)	(0.0001)
GOFF		-0.003***	-0.001	-0.002***	-0.004***
		(0.0003)	(0.0005)	(0.0001)	(0.001)
CORRUPT		0.002***	0.0001**	0.001**	0.001**
		(0.0003)	(0.0004)	(0.0004)	(0.0004)
POSTED		-0.002***	-0.002***	-0.003***	-0.002***
		(0.0002)	(0.0002)	(0.0004)	(0.0002)
R-squared	0.949	0.949	0.949	0.948	0.948
Durbin-Watson stat	2.057	2.066	2.064	2.057	2.058
J-statistic	0.002	1.701	0.122	0.137	0.273
J-statistic P-value	0.965	0.192	0.727	0.712	0.601
Instruments	6		9	9	9
Observations	560	560	560	560	560

**** 1% significance level | ** 5% significance level*

Conclusion and policy implications

- Results suggest that there is a significant positive relationship between total natural resource rents and human development
- Sub-Saharan African countries must take steps to improve political institutions, especially the problem of corruption.
- Crucial elements like ensuring the rule of law and far-reaching policy to guarantee the independence of the judiciary will go a long way.

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