

The Role of Natural Resource Rent on Economic Growth and Environmental Degradation in Sub-Saharan Africa

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ABSTRACT

This study investigates the influence of natural resource rents (NRR) on two important issues, namely, economic growth and environmental degradation, in the 30 Sub-Saharan African (SSA) countries over the period from 1990 to 2022. Most SSA economies have been stuck in economic stagnation with the consequence that their environmental conditions continue to worsen despite the fact that the region generated an average of about \$143 billion a year in resource rents between 2000 and 2020. This phenomenon, therefore, poses a very significant problem for an empirical investigation. The paper uses the Panel Corrected Standard Error (PCSE) model and Dumitrescu and Hurlin (2012) causality test methodology for investigating the interconnections between NRR, GDP per capita growth, carbon emissions and ecological footprint. Three research hypotheses based on the resource curse hypothesis, the Solow-Swan growth model and the Environmental Kuznets Curve (EKC) are tested. Findings reveal that NRR only marginally influences GDP directly but it significantly contributes to increasing both the carbon emissions and the ecological footprint. The quality of institutions, however, helps substantially to alleviate the disastrous environmental consequences of the resource extraction by moderating the impact of resource extraction on the environment. Among other things, this study takes a fresh look at resource rents from a two-sided angle of economic and environmental dimensions with interaction terms and gives empirically based sustainable resource governance, economic diversifications and regional cooperation policy recommendations.

Keywords: Natural Resource Rents, Economic Growth, Environmental Degradation, PCSE, Sub-Saharan Africa

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