

Foreign Aid, Debt Relief and Africa's Development: Problems and Prospects

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Abstract

In recent years, the Paris club granted a number of African countries, including Nigeria, debt relief. This elicited widespread celebration in the capital cities of affected countries, where it was portrayed as a veritable launchpad to Africa's development. This paper takes a critical look at the debt relief, with emphasis on its problems and prospects for Africa's development. It is argued that while debt relief does offer some prospects for development, there is little or no evidence to suggest that such an outcome is automatic. The conditions that precipitated the debt crisis in the first instance, including an inequitable international economic order and political conditions tied to aid, are still very present in the debt relief regime. Corruption of the foreign aid regime by both internal and external actors has been compounded by the recent global economic crisis, posing further constraints on the effectiveness of foreign aid in Africa. If debt relief must yield the desired result, it has to be accompanied by a sustainable campaign to fundamentally reform the world order to make it more equitable, together with a drive for good governance that is not only democratic, but also efficient and development-oriented in Africa.

Keywords: *Africa; Debt burden; Development; International economic governance; Good governance; IMF; World Bank; SAPs*

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Background to the Study

The debt burden has, for decades, remained a recurrent and discordant note in the discourse on the crisis and contradictions of Africa's development. This is, however, not entirely surprising given its magnitude and the consequences for Africa. The collective debt burden of the continent represents a massive betrayal of Africa's huge resource base, both human and material, and the failure of policy measures targeted at the management of those resources. To be sure, hopes and expectations were high in the decade of the 1960s, when most African countries attained political independence. Africa's new leaders believed that, given the abundance of human and natural endowment at their disposal, they were bound to make steady progress in the direction of sustainable democratic governance and development. But as it turned out, these hopes have been dashed by years of military dictatorship and external complicity.¹ Today, Africa groans under the weight of an excruciating debt burden. Available statistics indicate that between 1970 and 2002, Africa received a total of \$540 billion in loans and paid back \$550 billion \$10 billion more than the original loans over the same period. Yet, Africa owed \$293 billion at the end of 2002. This has been of profound impact on the continent. Not only do debt service payments consume a huge chunk of foreign exchange earnings, they also act to depress investment and lower the rate of economic growth, due to debt overhang effect, leading to extreme poverty.

As the crisis deepens, there has been a heightened African struggle for debt cancellation from creditors, particularly from the Paris Club. This elite consortium of Western creditor countries that have made loans or have guaranteed export credits to developing nations, so named because they meet in Paris to discuss borrowers' ability to repay debts, has no formal or institutional existence and no fixed membership. Its secretariat is run by the French treasury, and it has a close relationship with the World Bank, the International Monetary Fund (IMF) and the United Nations Conference on Trade and Development (UNCTAD).³ But it has great power over the future of many African economies. The Highly Indebted Poor Countries (HIPC) initiative of the World Bank and IMF represents a major international plank in the struggle for debt relief. The HIPC initiative offers debt relief to countries with good governance and a demonstrated commitment to fight corruption and poverty and to invest in health and education for their societies. The initiative currently involves 38 countries out of which 32 are in Africa. In June 2005, the Group of Eight (G8) gathering of the world's most developed economies, resolved, through their finance ministers, to grant total debt relief to 18 countries that had reached 'completion point', amounting to \$40 billion. Fourteen of these countries are in Africa. In the wake of the celebration that greeted this announcement, Nigeria in July 2005 was similarly awarded debt relief by her creditors amounting to \$18 billion. These developments have attracted attention on the continent and further abroad.

It is against the background of the foregoing developments that this paper is conceived. In it, discussion will seek to re-interrogate the linkages between debt relief or cancellation and the prospects for Africa's development. The position of the paper is predicated upon some

¹See Mbaku and Saxena, 2004; Ajayi and Khan, 2000

²Obadan, 2003; 2004a; Okonjo-Iweala, Soludo and Muhtar, 2003; Ajayi, 2003.

³Coutsoukis, 2004.

pertinent questions: what are the prospects for African development through debt relief? And what are the problems with this approach? To what extent can debt relief alter the global trends and flows of capital in favour of Africa? This paper gives insights into these questions, drawing largely upon the Nigerian example. The central argument of the paper is that while debt relief or cancellation holds some prospects for African development, there is little or no evidence to suggest that it will automatically reverse Africa's increasing poverty and marginalisation in the prevailing world order. In this time of global financial crisis and economic recession, this is all the more true. If debt relief is to yield the desired result, it must be delivered in a context of a sustainable regime of good governance via popular empowerment, participation, accountability, and oversight. The ultimate way out of the current cycle of increasing debt, however, is for Africa to examine its own house.

Perspectives on Foreign Aid and Economic Development

The literature on development has over the years been characterized by sharp divisions among scholars as to the actual relationship between foreign aid and economic growth and development. Before delving into the debate, it is useful to conceptualise foreign aid. Foreign aid basically encompasses all forms of assistance that a country derives from other governments or multilateral agencies and financial institutions to fill noticeable gaps, especially in production, savings and investments. It takes diverse forms such as grants, loans, foreign direct investment (FDI), joint ventures and technical assistance. While grants are essentially gifts with neither interest charged nor any obligation to pay back, loans attract both. It is for this reason that classification of loans as aid has been vigorously questioned. The argument has, however, been made that loans may qualify as aid to the extent that they are 'soft' in terms of repayment and the rate of interest they attract. By contrast, however, loans cease to be aid if they are commercially motivated especially for the promotion of the donor's interests.⁴ Technical assistance connotes an offer of training facilities, equipment and personnel by a donor country to a recipient country, to assist in skills training and institution building, as well as provision of professional support and advice on policy formulation, reform and implementation.⁵

The exact relationship between foreign aid and economic development continues to be controversial. For liberal scholars, the relationship between foreign aid and economic development is positive, but for more radical elements, the correlation between them is considered to be antithetical. For the former, foreign aid in whatever form engenders the process of economic growth and development in the recipient economy by filling the gaps between available and needed resources.⁶ More emphatically, in the liberal tradition, foreign aid is reputed for bridging the gaps in production, savings, investments, foreign exchange, technology and consumption, all of which have been identified as hampering development in developing countries.⁷ Borrowing, in particular, has been credited with allowing 'a country to invest and consume beyond the limit of current domestic production and, again finance capital formation via (a) mobilisation of domestic savings and (b) tapping savings from capital surplus economies'.⁸ The foregoing postulation is said to hold especially when the volume of the aid is high.

⁴Adedayo, 1999, p. 284.

⁵Olanrewaju, 1993 cited in Adedayo, 1999, p. 284.

⁶Ihinmodu, 1985; cf Saliu, 1999, p. 297.

⁷Todaro, 1977; cf Adedayo, 1999.

⁸Sogo-Temi, 1999, p. 311.

As Brautigam and Knack have argued, 'high levels of aid channeled to government with clear development agendas can be used to improve the quality of civil service, strengthen policy and planning capacity, and establish strong central institutions.'⁹ Devaranjan, Dollars and Holmgren also posit that 'aid can release the binding constraints of low revenue for governments committed to development',¹⁰ a situation capable of facilitating growth under good microeconomic policies, with prospects for generating 'new revenue for funding improvement in government qualities.'¹¹ These claims are widely supported by empirical evidence from the East Asian region, with reference especially to South Korea and Taiwan, and in sub-Saharan Africa, especially in Botswana.¹² Despite the appeals of the pro-foreign aid argument, its intellectual foundations have not gone unchallenged. For its antagonists, foreign aid and especially borrowing is inimical to economic growth and development in the recipient country. This is more so when the conditions are not 'soft.' Accordingly, this perspective argues that foreign aid brings about distortions in the domestic political economy of recipients such as 'debt crisis, poverty, wider technological gap and disequilibrium in the foreign sector.'¹³ This is considered to be so because the only language understood by capitalism, the driving philosophy behind foreign aid, is exploitation of surplus value, often with cruel effect. As Saliu puts it, 'capital has no human face and the only language it understands is that of exploitation'.¹⁴ The exploitation associated with foreign aid manifests in the conditions imposed by the majority of aid regimes. These include donor access to recipient national decision-making processes; direct transfer of resources from the recipient country to the donors' (through repatriation); imposition of dysfunctional economic policies upon recipients (e.g. structural adjustment policies, or SAPs); and high interest rates, among others. Brautigam and Knack posit that high levels of aid might also block governance improvement in at least two major ways.¹⁵ first, they assert that the way in which large amounts of aid are delivered can weaken institutions rather than build them.

They attribute this tendency to what they call 'high transaction costs' that accompany aid and 'the fragmentation that multiple donor project and agendas promote, [the] problem of "poaching" ...opportunities to learn, and [the] impact of aid on the budget process'.¹⁶ This position is supported by Bertin Martens, who argues that the existence of the multitude of aid organizations, serving as intermediaries between the donors and beneficiaries of aid, tends to increase transaction costs.¹⁷ Second, they argue that high South African Journal of International Affairs 89 levels of aid can create incentives that make it more difficult to overcome the obstructions to collective action required to build a more capable and responsive state and a more effective foreign aid system. Consequently, high levels of aid may lead to 'aid dependence', that is, the 'process by which continuous provision of aid appears not to be making significant contribution to the achievement of self sustaining development', or 'a state of mind, where aid recipients lose their capacity to think for themselves and thereby relinquish control'.¹⁸

⁹Brautigam and Knack, 2004, p. 260.

¹⁰Devaranjan, Dollar and Holmgren, 2001, p. 29.

¹¹Ibid.

¹²See Durbarry, Gemmell and Greenaway, 1998; and Carlsson, Somolekae and Van de Walle, 1997.

¹³For comparative view, see Adedayo, 1999, p. 285.

¹⁴Saliu, 1999, p. 298.

¹⁵Brautigam and Knack, 2004.

¹⁶Ibid, p. 260.

¹⁷Martens, 2005, pp. 64363.

¹⁸Brautigam and Knack, 2004, p. 257[0].

Following this lead, Brautigam and Knack define aid dependency as 'a situation in which the government is unable to perform many of the core functions of governments, such as the maintenance of existing infrastructures or the delivery of basic public services, without foreign aid funding and expertise'.¹⁹ While it cannot be directly measured, 'aid intensity', or net aid flows as a percentage of gross domestic product (GDP) and aid as a percentage of government expenditure, is useful in determining the extent of aid dependence at a given point in time.

By these standards, most African countries can be said to be or have been at one time 'aid-dependent', with an average of about 50% aid as a percentage of government expenditure in 1999, for instance. The impact of this is the gradual erosion of the autonomy of African states in the public policy decision processes.²⁰ All these have afflicted developing countries, especially those in Africa.²¹ For this reason, it can be argued that the conditions attached to Western aid to Africa are partly responsible for Africa's debt problems. More recently, foreign aid has been deeply implicated in the escalation of corruption in Africa, where both local and international actors have been indicted.²² As Moyo expressly captures the situation²³

The most obvious criticism of aid is its links to rampant corruption. Aid flows destined to help the average African end up supporting bloated bureaucracies in the form of the poor-country governments and donor-funded non-governmental organizations. In a hearing before the U.S. Senate Committee on Foreign Relations in May 2004, Jeffrey Winters, a professor at Northwestern University, argued that the World Bank had participated in the corruption of roughly \$100 billion of its loan funds intended for development. Reflecting the internal dimensions of the problem, Moyo continues:²⁴

As recently as 2002, the African Union, an organization of African nations, estimated that corruption was costing the continent \$150 billion a year, as international donors were apparently turning a blind eye to the simple fact that aid money was inadvertently fuelling graft. With few or no strings attached, it has been all too easy for the funds to be used for anything, save the developmental purpose for which they were intended.

While each of these perspectives has its merits, this paper aligns itself with the latter perspective that sees foreign aid as counterproductive in developing economies. This alignment is predicated upon the realities of African political economies, which have, so far, been adversely effected by the dominant foreign aid regime of the West, or Global North.

The African debt situation that Africa has been under the unbearable weight of a debt crisis is not disputed. By debt crisis, we mean a condition whereby a country has accumulated so much debt that it can no longer sustain the management of the debt, resulting in severe distortions and contradictions in the domestic political economy. This has been the African condition for decades, so much so that the struggle for debt cancellation for Africa has been in the forefront of the public discourse on the matter since the 1990s.²⁵

¹⁹[0]Ibid.

²⁰See Goldsmith, 2001, pp. 12348.

²¹See Mbaku and Saxena, 2004; Olukoshi, 2002; Onimode, 2000; Jega, 2000; Mkandawire and Olukoshi, 1996; Gibbon et al., 1992.

²²Moyo, 2009; Dugo, 2009; Easterly, 2005; 2006.

²³Moyo, 2009, pp. 23.

²⁴Ibid.

²⁵Onimode, 2000.

The origin of Africa's debt crisis can be traced to the colonial period where the foundations of the crisis were laid. Onimode has pointed out that African foreign trade exhibits five major defects, which were largely responsible for its debt crisis. These defects, a result of 'the extreme disarticulation and distortions of Africa's colonial economy and the late decolonisation of the region',²⁶ are:

1. High export dependence;
2. High concentration on a few commodities;
3. Low and declining terms of trade;
4. High instability of exports earning due to these factors; and
5. A chronic balance of payments crisis.²⁷

It was upon this weak economic base that most African countries attained political independence, mostly in the 1960s. The implication of this bad starting position was the inability of many new African economies to withstand the post-colonial shocks that were to come, including internal pressures for improved living conditions in Africa as promised under the anti-colonial ideologies of legitimation.²⁸ As the pressure heightened, several African countries were compelled by domestic politics to jump-start development programmes, relying largely on external funding for implementation. At the same time, to encourage economic growth, there had to be some significant level of investment in the economy. This can be achieved when there is an adequate investible surplus. In the absence of this surplus, alternative means of generating funds must be devised, most often through borrowing.²⁹ For these and related reasons, African countries began to seek and receive external funds to fill their savings and investments gaps. Borrowing may not necessarily be bad for an economy. In fact, it is even considered as one of the best alternatives to the creation of money during periods of recession.³⁰ What is negative about borrowing generally relates to the conditions attached to debt, and the cost of management of that debt. In the African experience, the burden of conditions and the cost of servicing extensive borrowing remain at the heart of the continent's debt crisis.³¹

Africa's external creditors have insisted on deregulation of the economy, devaluation of the local currency, and recently, political liberalisation, which, as has been demonstrated, actually undermined African economies.³² To make matters worse, poor economic management at the domestic front in the form of wasteful and unproductive expenditures, in addition to the mismanagement of the borrowed funds by inefficient public enterprises, were a major feature in Africa.³³ These forces have combined disastrously to lead Africa into a severe debt burden. At this juncture, it is important to illustrate with some statistics. Between 1970 and 1996, the long-term debt of developing countries expanded about 30 times to the tune of \$1,726 billion, despite the sharp decline in net aggregate resource inflow in the 1980s. Short-term debt on the other hand increased by 216% from \$146.5 billion in 1980 to \$463 billion in 1997. The aggregate debt stock rose by 80.6% from \$1,365 billion in 1988 to \$2,465 billion in 1998. The

²⁶Ibid, p. 80.

²⁷See Onimode, 2000, p. 8.

²⁸See Ekeh, 1975; Ake, 1996.

²⁹See Sogo-Temi, 1999, p. 311.

³⁰See Sogo-Temi, 1999, p. 311.

³¹Obadan, 2004a, p. 169.

³²See Owuso, 2006, p. 41.

³³Obadan, 2004a.

Unfortunately, the reverse has so far been the case, as Nigeria is highly indebted with an egregious debt profile. As of 31 August 2001, Nigeria's debt stock, including penalty interests, amounted to \$28.42 billion, made up of obligations to: the Paris Club of Creditors at \$22.04 billion; non-Paris club bilateral creditors at \$111.6 billion; multilateral creditors at \$2.89 billion; and commercial creditors at \$3.37 billion.³⁹ Similarly, about 70% of Nigeria's 125 million people live in absolute poverty on a dollar a day or less. Whereas estimates have shown that Nigeria will require an annual GDP growth rate of 78% in order to halve the number of people suffering under poverty by 2015, the country currently grows at a rate of only 3%. Yet, the total contractual debt service obligations for Nigeria during the same period was \$3.7 billion per annum, and in recent past, Abuja had been paying about \$1.52 billion to creditors.⁴⁰ These excruciating conditions, repeated elsewhere, partly explain the gulf between the rich and poor countries of the world. Certainly, they have necessitated the resonant call for redress in the form of debt relief, forgiveness, cancellation or repudiation. How has the African debt crisis been managed over the years?.

Management of African Debt Crisis

The question of how to successfully manage Africa's debt crisis has been a central theme in the discourse of international political economy. Debt sustainability connotes a country's ability to meet its external obligations in full, without future recourse to debt rescheduling, or relief or the accumulation of arrears over the medium or long term and without compromising economic growth.⁴¹ The major indicators for assessing sustainability have been identified as: the ratio of scheduled debt service to exports of goods and services; the external financing gap (after allowing for expected inflows in the form of grant receipts, loan disbursements and any commercial capital flows); and the ratio of the net present value (NPV) of the debt to exports.⁴² Over the years, most African countries have had debt sustainability problems. This explains why they have not been able to exit from the debt trap, necessitating the resort to debt rescheduling and relief measures. A number of initiatives have been taken, especially by the creditor nations and agencies in response to Africa's debt crisis. At the initial stage, they resorted to an adjustment mechanism as typified by the austerity measures and SAPs. The basic features of the SAP regime include 'import and exchange liberalisation; getting prices right; privatisation and reduction of labor's share in national economy' as contained in the Baker Plan of September 1985.⁴³ The Brandy Plan, which followed in 1989, called for the reduction of current interest payments on the principal but also subject to World Bank, IMF conditions such as import liberalisation and privatisation.⁴⁴ Several other measures have been proposed to manage Africa's debt crisis. Some were designed to promote a regime of lower interest rates for poor countries undertaking adjustment programmes.⁴⁵ Some others

³⁴Ibid, p. 157.

³⁵Enweze, 2003, p. 76.

³⁶. See Green and Khan, 1990, p. 20; Obadan, 2004a, pp. 17273.

³⁷See Soludo, 2003; Onimode, 2000.

³⁸Okonjo-Iweala, Soludo and Muhtar, 2003, p. 1.

³⁹Ibid, 7.

⁴⁰Soludo, 2003, p. 31; Okonjo-Iweala, Soludo and Muhtar, 2003, pp. 89.

⁴¹See Obadan, 2004a, p. 173.

⁴²Obadan, 2004a, pp. 17374.

⁴³Onimode, 2000, pp. 116117.

⁴⁴See *ibid*, 2000, pp. 11617.

⁴⁵For example, Venice Terms, 1987.

emphasize the need for a high degree of concessionary rescheduling and a fundamental restructuring of the entire stock of the Paris Club debt.⁴⁶ Beyond these, however, African countries have also attempted to restructure their debt through a process of selling foreign debts at reduced prices in the secondary market. They have also exploited opportunities for debt equity swaps whereby foreign debts are exchanged at reduced price in the secondary market for local equities or shares in the same enterprises, for purposes of environment, science and development.⁴⁷ The HIPC initiative was conceived in 1996 in response to Africa's deepening debt crisis. The HIPC initiative in its original version, was to be anchored on six principles, such as: targeting overall debt sustainability and providing a true exit from debt; track record of performance to address moral hazards; and building on existing mechanisms such as the London and Paris Clubs. Others include: ensuring a broad and equitable integrity of multilateral creditors; and pressuring the financing of concessional terms in order not to compound the problem it is trying to solve.⁴⁸ After years of experimentation with these measures, however, it is disappointing to note that Africa's debt burden, rather than diminishing, has assumed a frightening dimension. This may not be unrelated to the absence of any African country among those developing economies receiving debt relief under the original HIPC Scheme. This has been attributed to a variety of reasons including the stringent conditions of the HIPC Scheme and the slow response to prevailing realities.⁴⁹

For their disappointing level of performance, Onimode described these measures as a 'Non Solution to Debt Crisis' and proceeded to argue for collective debt repudiation.⁵⁰ The foregoing reality may have informed the revision of the original HIPC initiative to produce the Enhanced HIPC (HIPC II) in 1999. The HIPC II, which was a product of a comprehensive review of the original HIPC and extensive public consultations, essentially, seeks 'to provide deeper, broader and faster debt relief to eligible countries and to strengthen the links between debt relief, poverty reduction and social policies'.⁵¹ Such relief packages as approved by the African Development Bank (ADB), would be delivered to eligible countries through: annual debt service reduction; release of up to 80% of annual debt service obligations as they come due until the total debt relief is provided; interim financing, between the decision and completion points, of up to 40% of debt relief; and debt service to be provided, whenever possible, within a 15 year time horizon to assist countries in attaining the internationally agreed development goals for year 2015.⁵² Under the HIPC II, many African countries have obtained debt relief packages of various kinds and some are still being considered for debt relief. This suggests that the HIPC II marks a significant improvement over the original HIPC in terms of expected debt relief for Africa's development. Table 1 shows the differences between the two HIPC initiatives.

⁴⁶For example, the Naples Terms of 1994.

⁴⁷Onimode, 2000; Obadan, 2004a.

⁴⁸For comparative view, see Obadan, 2004a, p. 190.

⁴⁹Obadan, 2004a, p. 192.

⁵⁰Onimode, 2000, pp. 11719.

⁵¹Quoted in Obadan, 2004b.

⁵²See Enweze, 2003, p. 87.

Table 1: Enhancement to the HIPC initiative in 1999

Criterion	Original HIPC (%)	Enhanced HIPC (%)
NPV* debt/export	200-250	150
'Fiscal withdraw' NPV		
Debt/Revenue	280	250
Qualifying thresholds		
Export/GDP	40	30
Revenue/GDP	20	15
Base for assessment of debt relief	Completion point	Decision point

Net present value**Source:** Obadan, 2004a:194**Debt Relief and Africa's Development**

How do we interpret the latest regime of debt relief for Africa, especially in terms of its likely implications for Africa's development? In official circles and beyond, the debt relief granted to some African countries has been widely celebrated. President Obasanjo of Nigeria, for example, describes debt relief for Nigeria as a dividend of democracy, noting that it would enable the country to have an additional \$1 billion to be invested in the human welfare budget for health, education, food security and infrastructural development.⁵³ Obviously, there is no controverting the fact that if properly governed, the new regime of debt relief does have some positive prospects for African development. To be sure, debt relief, be it partial or total, has the potential to halt negative movement of capital flight in Africa. As studies have shown, there is a positive correlation between external debt and capital flight, with negative consequences for economic growth and development.⁵⁴ For decades, African countries have had to commit a significant proportion of their annual budgets to debt servicing. Nigeria, for example, made annual debt service payments of \$1.5 billion between 1998 and 2000, an amount which constituted about 2030% of total exports. From projections, Abuja was expected to pay \$2 billion per annum (2001-2002) or a total of about \$43 billion for the rescheduling period.⁵⁵ Even after the very aggressive debt-relief campaigns in the 1990s, African countries still pay close to \$20 billion in debt repayments per annum, 'a stark reminder that aid is not free'.⁵⁶ With increased debt relief the hope is that there will now be more resources to be channeled towards development agendas.⁵⁷ Similarly, it is believed that debt relief would engender increased saving and investment in the domestic economy. This has the potential to engineer growth and reduce poverty, capable of leading to improved conditions of living. This is especially so if the proceeds from debt relief are well managed in the overall interest of the national economies of African states. While this positive thinking has some merit, there is also the observation that the much-touted debt relief has been selective and discriminatory. For instance, under the various debt deals, different conditions apply to different countries with respect to qualification and classification. To make matters worse, these conditions were drawn up solely by the Paris Club and related agencies acting according to the interests of the West, and particularly the US.⁵⁸ Indeed, the assumed tremendous prospects of Africa's development under the new debt relief are too optimistic. For instance, virtually all the measures that have been devised by the

⁵³Obasanjo, 2006.⁵⁴See Ajayi, 2000; 2003.⁵⁵Okonjo-Iweala, Soludo and Muhtar, 2003, p. 8.⁵⁶Moyo, 2009, p. 3.⁵⁷See McLaughling, 2005; Eurodad, 2005; Kramer, 2005.⁵⁸See Eurodad, 2005.

World Bank and IMF for the management of Africa's external debt have been predicated upon such conditions as political and economic liberalisation, deregulation, privatisation, and devaluation.⁵⁹

The HIPC (I and II) initiatives also focused on these conditions to the extent that only countries undergoing reforms in the political, economic, social and other spheres could take advantage of the scheme. Yet as with other such programs in history, these conditions, like the SAPs regime, are likely to produce several unintended consequences that may neutralise the intended benefits. A major challenge that emanates from the foregoing has to do with how to consolidate whatever gains the debt relief may engender. Debt relief cannot be assumed to automatically lead to development. It may even retard development if not properly handled. Reflecting on this, the Centre for Global Development (CGD) observes that while debt relief may not guarantee development, it is however 'an important step in the right direction'.⁶⁰ But debt relief must not be the only step. For instance, now that much of the hope of recovery has come to be associated with the debt relief, what becomes of local development frameworks, especially the New Partnership for African Development (NEPAD)? There are indications that debt relief, if not handled with caution, may detract from initiatives under NEPAD, thereby limiting its efficacy.⁶¹ Today, African leaders who claimed to have originated and owned the NEPAD framework would appear to have shown more confidence in the external component of the framework than in its domestic challenges.⁶² This tendency may have negative implications for Africa's and even global commitment to NEPAD.

Also of crucial importance is the management of the debt relief packages. Across Africa, many countries appear to be democratic, but only due to the conduct of multi-party elections, often with little or no choice. By implication, basic elements of a democratic society such as constitutionalism, popular participation, empowerment, accountability and oversight are still widely derided.⁶³ This trend raises the question of whether African leaders whose countries have benefited from the debt relief package will give good account of such largesse. Proper governance and management of the debt relief would see more leaders willing to invest in the welfare of their electorates, benefiting health care, education, energy delivery, employment generation and general infrastructural development. But given the pervasive culture of corruption and opportunism among African leaders, it is questionable whether much can be accomplished in these critical sectors.

The foregoing put together therefore raises another question of whether what Africa actually needs is debt relief. As it is being made operational, the debt relief has been made to appear as if the western world is doing Africa a special favour. This ought not to be so. For, the deepening crisis and contradictions in Africa are largely attributable to decades of exploitation of Africa through the slave trade and colonialism. These were to be followed by years of marginalisation and continuing exploitation of African resources through the neo-colonial enterprise.⁶⁴

⁵⁹See Mkandawire and Olukoshi, 1996; Gibbon et al., 1992.

⁶⁰CGD, 2006.

⁶¹McLaughling, 2005.

⁶²See Akokpari, 2004; Olukoshi, 2002.

⁶³See Osaghae, 1999; Omotola, 2008; 2009.

⁶⁴See Ake, 2000.

leaders are striving to negotiate better deals in the international economic system by seeking a voice in the management of the crisis. Although only one African country, South Africa, was invited to the November 2008 emergency summit of the Group of 20 (G-20) in Washington, DC, a number of African leaders took part in another international conference on 'financing for development' in Doha, Qatar, two weeks later.⁶⁷ At the Doha conference, leaders called for the UN to organize a summit on the world financial systems. Africa's presence in Doha, according to African Union (AU) Commissioner Jean Ping, was 'evidence of Africa's interest in reforming global economic arrangements'.⁶⁸

The significance of Africa's presence, at least for Africa, is the fact that it broke at least one barrier. For, as Harsch puts it, 'up to then, most major talks about the world economy were open only to the rich industrialized Group of Seven (Canada, France, Germany, Italy, Japan, UK, US), with Russia joining on some issues to form the Group of Eight.'⁶⁹ Moreover, the increasing influence of emerging economies particularly in Asia, notably China and India, also offers some ray of hope. A recent report suggests a dramatic increase in Chinese foreign aid and related activity.⁷⁰ According to the research, which is largely based upon news reports of Chinese foreign economic activity, Chinese foreign assistance and government-supported economic projects in Africa, Latin America, and Southeast Asia grew from less than \$1 billion in 2002 to \$27.5 billion in 2006 and \$25 billion in 2007, where Africa tops the list of beneficiaries: 'Aid and related investment to Africa showed the most significant increase.'⁷¹

The report, however, calls for caution, pointing to the possibility of overvaluation or undervaluation. The economic downturn following the financial crisis of late 2008 may also have a dampening effect on these trends. In light of these opportunities, there is need for developing and strengthening local frameworks for Africa's development. This is one area where the poverty reduction strategy paper (PRSP) has made important contributions, defining national development programmes in a way that may help reduce aid dependency. Under the auspices of the IMF and World Bank, this process has included member nations in developing strategies to address poverty over the past nine years. It is against this background that African initiatives such as the AU, NEPAD and the African Peer Review Mechanisms (APRM), whatever their shortcomings, should be commended. They point to the fact that African leaders have realized the need for local initiatives for speedy transformation in African affairs for the better. These instruments have, in varying degrees, mechanisms for promoting good governance.⁷² If they are well utilized, they may help to thwart any attempt by African leaders to squander the opportunities offered by debt relief. The increasing level of public consciousness exemplified by their activism in the process that attended the debt relief is also an indication that African civil society is gradually developing a voice. With increased awareness and sensitisation, this element in Africa may lead the way to resist government mismanagement of scarce resources. Yet, these are not enough assurances for Africa's development.

⁶⁵See Ochonu, 2005.

⁶⁶World News, 31 March 2009.

⁶⁷Harsch, 2009.

⁶⁸Ibid, p. 2.

⁶⁹Ibid, p. 2.

⁷⁰Based on research done by the New York University Robert F Wagner Graduate School of Public Service in 2007/2008.

⁷¹Lum et al., 2009, p. 2.

⁷²See Olukoshi, 2002; Chabal, 2002.

Beyond Debt Relief: Enhancing African Development

Now that a number of African countries enjoy some relief from years of suffocating debt burden, the most important challenge should be about the consolidation of the gains so far. In this regard, three things are very important. One is how to institute a sustainable debt strategy. The second relates to investment in Africa and between Africa and other parts of the world. The third has to do with how to institute a sustainable regime of good governance in Africa. We begin with the first challenge, which is that of instituting and consolidating a sustainable debt strategy for Africa. First and foremost, there is need for each African country to develop an adequately equipped Debt Management Office (DMO), with competent staff, up-to-date information technology and other performance enhancing requirements. The major task of the DMO should be to collect, store and analyse data regarding all transactions especially internal and external borrowing. From the experience of the past, some African countries became enmeshed in debt crisis not because they had borrowed so much, but because of poor documentation.

This was the case with Nigeria especially under successive military regimes. At one point, there was such confusion that public officers and agencies were supplying conflicting figures.⁷³ To avoid a repeat of this, there is therefore the need for the institutionalization of regulatory frameworks for African debt crisis. This can even be instituted at sub-regional and continental levels where DMOs can be established to strengthen national initiatives. African countries should endeavour to sustain the current wave of economic reform, which further strengthens their case for development assistance. However, caution must be taken in doing this. It is important that temporary relief measures are put in place to absorb the short-run negative consequences that usually accompany such reforms. Africa is not yet in a position to totally remove subsidies on goods and services. Moreover, African countries would have to limit external borrowing, given the usually stringent conditions attached. To make up for investment, saving and consumption gaps that they may encounter, it would be better for them to intensify domestic production by mobilizing very effectively untapped national resources.

In Nigeria, for example, the agricultural sector, which was once the mainstay of the economy, is now a largely untapped resource due, in large part, to the discovery of Nigeria's oil reserves. While Nigeria's revenues during the economic boom were unprecedented nationally, there is danger in reliance on one sector to the exclusion of all others. There is need for diversification. If African countries must take fresh loans, they must be tied to productive ventures that are not only viable, but able, feasible and capable of generating quick returns to finance the debt.⁷⁴ another major challenge relates to measures that can be taken to boost trade and investment in Africa. As presently constituted, the global economy has left Africa almost a spectator in international trade. This fact has contributed in part to the continent's debt problem. If the debt relief currently granted is to be sustained, this trend must be reversed. First, it is important that African countries step up their level of domestic production, both in terms of quantity and quality. Africa could start by investing more in entrepreneurial development. The place of human capital in promoting skills and development cannot be overemphasized. Africa requires a great deal of such entrepreneurship in trade to reposition itself in the global capital

⁷³See Okonjo-Iweala, 2003; Okonjo-Iweala, Soludo and Muhtar, 2003, pp. 57. 74. See Wheeler, 2003; Okonjo-Iweala, 2003.

⁷⁴Omotola and Enejo, 2009; Jike, 2004.

flows. Without it, the marginalization of Africa can hardly be halted, let alone eradicated. Each African country should therefore endeavour to institute entrepreneurial capacity building as a matter of deliberate national policy. At the same time, Africa must devise means of boosting intra-African trade by removing all roadblocks to free movement of goods and people. African goods must become competitive on the world market. As well, African countries should enhance their processing and refining capacity to attract more value for their products. The western world should meet this effort with fair trading rules that allow access to the developed world's markets for competitive products. In this regard, Africa must intensify its struggle to see to the removal of trade barriers in the international system. The World Trade Organization (WTO) in particular should be reformed because, as currently operated, its 'one country one vote' policy is deceptive. Some even argue that it is under the hegemonic control and influences of the West and particularly the US.⁷⁵ Efforts should therefore be geared towards its real and full democratisation in such a way that it will become responsive to the aspirations of its constituents, including Africa. It is within this framework that Africa can bargain for a more favourable pricing regime for its agricultural products. Until this is done, international trade may continue for some time to be biased against Africa. Above all, there is need to institute and strengthen a sustainable regime of good governance across the continent. By good governance we mean 'a system of administration that is democratic, efficient and development oriented',⁷⁶ the absence of which has always been the bane of Africa's development. This poses a number of challenges. Firstly, efforts must be made to identify and dismantle all structures that engender and nourish opportunism and corruption in both the public and private realms.⁷⁷ Secondly, the current wave of democracy must be sustained, which will require the institutionalization of an open political process, including multiple political parties, a free civil society, an informed citizenship, a free press, an independent judiciary and a democratic political culture. Thirdly, all institutional mechanisms related to the promotion of good governance in Africa should be strengthened to enforce their responsibilities. In this case, the AU, NEPAD and the APRM should be adequately repositioned through focused and dedicated leadership and popular participation of the people.⁷⁸

Conclusion

In this paper, we have critically engaged the question of Africa's debt crisis with specific emphasis on the current regime of debt relief granted to some African countries. From the preceding analysis, it has been made clear that debt relief does offer some prospects for Africa's development. At least, it represents an important 'burden-lifting' in the form of debt servicing and capital flight from Africa, which has hindered economic growth. With this development, room may have been created for boosting investment in human welfare on the continent, especially in the areas of health, education and infrastructural development. In spite of these prospects, debt relief also presents threats to Africa's development. For one, it is currently discriminatory and selective. The import of this is that only a few selected African countries have benefited from the scheme, leaving others suffering under their debt burdens. Also, conditions imposed in the past that worsened Africa's debt problem such as those contained in

⁷⁵See Akokpari, 2004, p. 1.

⁷⁶See Mbaku and Saxena, 2004; Mbaku, 2004.

⁷⁷Akokpari, 2004.

⁷⁸See Omotola and Enejo, 2009; Ojo, 2004; NES, 2004.

the SAPs - privatisation, deregulation, economic reform - remain largely intact within debt relief policies. Yet, previous concessional measures proffered to Africa, which debt relief typifies, have not altered the underlying inequalities in the structure and composition of the prevailing world order. Indeed, many aspects of globalization have reinforced Africa's position on the lowest rung.⁷⁹ Beyond these constraints, the corruption within the foreign aid regime by both internal and external factors as well as the recent global economic crisis constitutes serious challenges to the effectiveness of foreign aid in Africa. In the short-run, Africa needs to devise means of promoting a sustainable debt management strategy and take full advantage of the opportunities of debt relief through prudent management of resources and effective co-ordination of all debt management related offices. Africa must also invest in entrepreneurial development to boost trade and investment not only in the continent, but also between it and the rest of the world. All these are possible where there is a system of governance that is democratic, efficient and development-oriented. It is on the strength of such internal cohesion, discipline and progressive commitment that debt relief can become meaningful in Africa.

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