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AUTHORS	Emmanuel Innocents Edoun
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Emmanuel Innocents Edoun (South Africa)

Analysis of external debt investment in Africa and its implication on development

Abstract

Africa's external debt rose sharply between 1970 and 1980 and between 1980 and 2007. A small decrease could be observed after 2007 under the Heavily Indebted Poor Countries (HIPIC) and the multilateral debt relieve initiatives (MDRI) in 2006. The debt cancellation under these initiatives was meant to generate between 25 to 30 billion US Dollars per year for economic and human development. However, were these funds properly invested for the purpose for which they were borrowed, meaning reducing poverty by investing on human capital and infrastructures to ignite economic growth? Using a regression analysis, the initial findings reveal that, Gabon struggled to sustain its debt beside the HIPIC and the (MDRI) strategies. The paper starts by introducing a problematic related to the state of debt and poverty in Africa, followed by a concise review of literature and a detailed research method from which appropriated findings were generated. The paper proceeds by compiling comprehensive recommendations followed by a conclusion.

Keywords: external debt, debt cancellation, poverty reduction, Africa's governance, Africa's development.
JEL Classification: C50, C80.

Introduction

Past studies revealed that, international development policies and strategies were unable to help Africa achieve sustainable development; many African countries did not respond well to programs that were meant to correct some discrepancies within their governments. Some of these programs were initiated by the Bretton Woods Institutions such as the International Monetary Fund (IMF) and the World Bank. This situation did not help the African continent and its leaders to fulfill their needs in eradicating poverty and putting Africa in the path of economic development. Successive strategies such as the structural adjustment programs (SAPs) indeed initiated by the IMF to tackle Africa's debt relief have made Africa to become more vulnerable on challenges that the continent is facing.

As Lekomola (2010) convincingly analyzed the effect of debt in Africa, he opined that, the servicing of debt in Africa remains a serious contributor to Africa's poverty. He therefore inferred that the interest increase is usually greater than national revenue; therefore the ratio of debt servicing payments to revenue from exportation should warrant attention.

African countries therefore are experiencing extreme poverty because many are indebted as a result of misleading international policies of the International Monetary Fund (IMF) and the World Bank. The overall consequence of the above was that, SAPs came under robust criticism because, the programs drastically failed to eradicate poverty in Africa. Anup Shah (2013) convincingly argued that, SAPs policies have been imposed to ensure debt repayment and economic restructuring. Anup further argued that, the policies were intended to force poor countries to reduce spending in areas such as health, education and development, while debt repayment and other economic policies have been made the priority. This was clearly an indication that, African countries were pushed to lower their standard of living he added.

As a result, countries from Economic Communities of West African States (ECOWAS) and those from the Economic Communities of Central African States (ECCAS) experienced the reduction of the salary packages of many public servants in the early 1990s when their local currencies were devaluated. The devaluation of these currencies and the reduction in salaries of civil servants clearly explain that, the standard of leaving dropped drastically, plunging the majority of people into extreme poverty. Many parents were no longer in the position of sending their children to school nor pay a bond or even plan for future family's investments. African governments are still experiencing difficulties to invest on infrastructures and human capital to ignite economic growth. To this, was the recurrent problem of maladministration related to lack of transparency and accountability?

With the above in mind, African leaders agreed to adopt a comprehensive regional approach that was initially based on collective self-reliance. Following a series of consultations related to Africa's economic challenges by African Ministers and selected experts, African Leaders adopted at the 16th' Ordinary Session of the OAU, held in Monrovia, Liberia, in July, 1979, the "Monrovia Declaration of Commitment of the Heads of State and Government of the OAU on the guidelines and measures for national and collective self-reliance in economic and social development for the establishment of a new international economic order" (LPA, 1980-2000).

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Emmanuel Innocents Edoun, Department of Quality and Operations Management, University of Johannesburg, South Africa.

In adopting the Declaration, the Ministers and Experts were looking for efficient and adequate strategies that could facilitate growth for economic development. From the Lagos Plan of Action that paved way to the creation of the New Partnership for Africa's development (NEPAD), the African Peer Review Mechanism (APRM) as well as the Pan African Parliament (PAP), the aim of Head of States and Governments was indeed to eradicate poverty and put Africa in the path for socio-economic development. But past and current experiences continually demonstrate that, Africa's economic performance is hampered by heavy foreign debts which cause many challenges for economic development. This severely affects any attempt to engage in public reform.

The research therefore argues that, the cancellation of Africa's debt could generate 20 to 25 billion US Dollars per year for economic and human development. This could support the effective implementation of the Lagos Plan of Action initiated by African Head of States. However, the demands for debt cancellation is usually faced by heavy challenges from government creditors and international financial organizations that tend to protect the financial sustainability of these financial institutions rather than the interest of the heavily indebted countries and their people. Another challenge is related to the investment and adequate management of funds provided by creditors. The management of these funds always remains questionable because of maladministration and corruption that are the enemies of development, of the people and of good governance. These funds are usually effectively not invested for the purpose for which they were borrowed. As a result, debtors governments default payments and the debt burden is passed onto struggling tax payers.

1. Review of literature

External debt burden remains the main issue challenging African governments for the past thirty years or so. The major problem with debt burden is related to the fact, defaulting on debt is serious on African economies as creditors' charges more interest on debt accumulation. With this situation occurring, the probability is certain that, the debt burden is likely to be passed onto the next generation. Failure to sustain debt over time results to governments taking unpopular decisions such as the increase in tax and the reduction of public expenditure. Such decisions are usually taken because of misleading policies from the international financial organizations such as the International Monetary Funds (IMF), the World Bank (WB) and other related creditors governments and private lenders.

However, a number of literatures have pointed out that, the debt crisis in Africa was generated by the oil price shocks between 1973-74 and 1978-79, the rise in public expenditure by African governments following the increases of commodity prices in the early 1970s (Alemayehu, 2003). Besides the above statement, this article strongly argues that, Africa's debt is being always characterized as a bottleneck to economic and human development. This is justified by the higher interest rates and the conditionality attached to the loans that, financial institutions such as IMF, the World Bank and other related International Organizations as well as western governments imposed on African countries.

These loans usually take longer to repay as countries put more efforts in servicing the debt rather than paying the principal amounts. This strongly undermined any effort to ignite socio-economic development and regional stability in Africa. The above is certainly the reason why many African countries strive for debt relief, so that the savings could address issues related to infrastructures, education, health, service delivery and unemployment.

The lack of governance and maladministration related to corruption and the embezzlement of public funds are other causes that make debt to become a burden for many African economies. The funds that are received from both bilateral and multilateral partners are not efficiently invested for the purpose for which they were borrowed. Three quarters of these funds are mismanaged by decision-makers who use them for their own interest. The money is usually embezzled and placed in foreign banks in countries such as, Switzerland, Luxembourg, France, and the United States just to name these few.

These embezzled funds, if invested effectively could have contributed in building infrastructures and maintaining existing ones. As a result therefore, these infrastructures could attract foreign and local investments in different sectors of the economy. Investing will certainly, by the multiplier effect create jobs which in turn will contribute to economic growth and human development across the African continent. With the above unfolding, Africa would not have been experiencing hunger, unemployment and internal conflicts. The issues of debt being one of the main causes of poverty in Africa, African leaders need to have a common position on how to approach their bilateral and multilateral partners for the total eradication of debt. Mutual accountability is also necessary in order to avoid always putting the blame to the debtor governments once they default on repaying the funds.

The roles involve participation in the budget processes and accounting on poor performance. Domestic accountability is crucial in the process of mutual accountability with creditor governments and partners because it provides support in reporting wrong doing related to the management of funds borrowed for investment[1].

The lack of mutually accountability has contributed to countries failing to sustain their debt prompting them in defaulting payments and rushing back to different creditors to seek for more funds to repay the current debt.

However, the debtor governments should ensure that borrowed funds are invested effectively for the purpose for which they were acquired. Investors should actually take the lead by engaging the debtor governments about the use of funds. For instance, they could advise that, funds be invested on infrastructures that could generate revenues and profits in order to service the debt and repay the principal debt and re-invest the proceed on additional development projects.

It is important to remember that, the Millennium Development Goals (MDGs), which emerged as the world's countries blue print in 2000 had a fundamental mission to reduce poverty and ignite development within a period of 15 years. A number of development policies were crafted and aligned to MDGs. A study done by the world bank opined that, most of the development policies recognize that good governance, improvements in institutional capacities, an equitable trade regime, and strong partnerships with the private sector as well as with civil society organizations among others play an essential role in the development process. The key and most important tool required for successful implementation of these development policies, which most recognize, is adequate financial resources, both domestic and external. However, most of the developing world has been facing challenges in mobilizing the necessary financial resources to finance their development programs and the support from external partners has not been able to meet the total financial needs required to meet development goals. With the Official Development Aid (ODA) being under review by development partners, African governments have again fallen prey to government creditors and International financial institutions.

A study by Curtis research (2014) convincingly revealed that Africa still spends close to $20 billion in repaying the funds borrowed from creditors besides the debt forgiveness under the HIPIC and MDRI initiatives. The study opined that, this is the result of the funds easily made available by creditor governments, donors as well as other private financial institutions. The study warned that, this sharp increase in lending from $9.9 billion in 2006 to $23.4 billion in 2012[2] could land African countries into trouble if borrowing is not done responsibly. The study further inferred that, government creditors, financial institutions and borrower should respect the principle of mutual accountability in order to insure that, the funds borrowed are effectively invested. The creditors should also account on how they think African governments could invest the funds responsibly so that, the benefits could filter down to the needy poor.

This is justified from the fact that, these private financial institutions and related donors are lending to funds to Europeans and the United States at low reasonable interest rates but are doing so at a very high rates to African countries.

It is obvious that, at this rate of lending, foreign financial institutions and government creditors are looking into maximizing their returns through higher interest rates. Surely this will again put more pressure on African governments that might struggle to repay the loans and as a result, these loans will be carried out to the next generation that will even struggle more to repay these and will end up defaulting payments.

1.1. Fiscal policy and economic development in Africa. Fiscal policy is related to government approach on how the country expenditure, tax and debt are managed in order to create conducive environments where all citizens could live and have access to information as well as to basic needs such as water and electricity. The decisions on how to allocate resources are included in government fiscal policy framework. The Minister of Finance is the person legally recognized by Parliament who is in charge of implementing fiscal policy and monitoring its impact nationally. Black, P. et al. (1913) define public debt as the sum of all outstanding financial liabilities of the public sector in respect of which there is a primary legal responsibility to repay the original amount borrowed and the interest. Experiences have shown that, many African countries fall into debt trap because of maladministration and lack of good governance which are the enemies of development.

The implementation of fiscal policy should therefore set the tone on how the government should manage public debt. Since there is a legal responsibility to repay the debt, the funds should be managed for the purpose for which the money was borrowed. Failure to do so, the issue may end up going for arbitration. Africa has the highest cases where governments failed to repay their money. This is partly due because of corruption and maladministration. Experiences in

[1] Mutual Accountability Concept Paper Draft (AFRIODAD, January 2012).

[2] World Bank. World Development Indicators database.

Africa have shown that, in most of the cases, the funds borrowed from foreign government's creditors and other related donors are not used effectively for the purpose for which they were disbursed. Most of these funds are embezzled by government officials and placed in personal accounts in Europe and elsewhere in the world. This behavior hurts domestic investments on infrastructures that are believed to stand as pillars of development. This unfortunately, led countries to fall into debt trap where they are bound to pay additional interests for servicing the debt as a result of failing to repay the loan within the agreed period of time. Fiscal policy should therefore stand as a guiding policy that helps African countries to use all funds adequately including those borrowed from bilateral and multilateral partners. If a country fiscal policy approach becomes ineffective because of lack of governance, the funds allocated to projects will be misused through corruption activities. As a result, the funds borrowed from donors will be defaulted, interests will be accumulated, and poverty will rise as an exponential function.

1.2. Africa's governance and its position on debt cancelation. Governance in many African countries has been criticized for lack of transparency and accountability which characterizes the lack of democracy. This could be justified from the fact that a number of heads of states and governments in Africa have been in power for more than 25 five years through the tempering of the constitutions, which give them breathing space to seek for additional terms in office. This situation is common in Africa and in most cases the root cause of civil wars in the continent. The introduction of the African Peer Review Mechanism (APRM) has not brought radical changes in Africa governance as many countries are yet to be evaluated by the APRM panel of eminent experts. The APRM is the instrument of NEPAD's good governance initiative. The instrument is a self monitoring tool voluntarily acceded to by member states of the African Union. Its objective is to support the adoption of policies, standards and practices that lead to political stability, high economic growth, sustainable development and accelerated regional and economic integration (APRM Country Review, 2009).

However, the legitimacy of this instrument that promotes good and effective governance in Africa is drastically undermined and thus bringing under scrutiny, the issue of governance in Africa. The lack of governance related to debt management in Africa is the reason why, the IMF and the World Bank are always responding to calls from African corrupted governments to step in and bail out African countries that are usually vulnerable to external shocks and economic crises. Unfortunately, the intervention of these international organizations brings more problems than solutions to African economies as most of the programs are under strenuous conditionalities that did not provide enough room for economic and social development. The heavy debt is still tormenting most African countries that are in dire need for debt cancellation.

Africa is certainly aware of the above challenges that it is facing. Beside the fact that, the continent is rich in natural resources, the development of a number of countries has been exposed to corruption, mismanagement and decades of wars. The majority of Africans are living in extreme poverty and inequality is widening as an exponential function, despite the continent's mineral wealth. Current and past civil wars in countries such as Sudan, Cote d'Ivoire, Somalia, Democratic Republic of Congo (DRC), Central African Republic (CAR), the Arab Spring are some of the living examples of the problems that Africa is facing because maladministration and corruption that are seen to be enemies of development.

As a result of the above problems, the Lagos Plan of Action (LPA) (1980-2000) was initiated to serve as a Roadmap for Africa's Development. The intention was to look into strategies that could help countries to become self-reliant. This led to the creation in 2001 of the New Partnership for Africa's Development (NEPAD) with a governance instrument known as the African peer review mechanism (APRM) that serves to assess the level of governance and development in Africa. Unfortunately, some countries are resisting to be evaluated, prompting the proponents of good governance to label such countries as corrupted and undemocratic.

The Pan African Parliament (PAP) was also created to oversee the wellbeing of country members through its committees that work closely with local and regional parliaments. The issue that is of interest in this article is to explore the common position for African leaders which insures that, debt overhang will be considerably reduced in such a way that the saving could be used to finance human and economic development

Aware of the debt burden that hangs over many countries in Africa, NEPAD initiated a number of strategies to take Africa out from the scourge of poverty. Among them is the industrial development strategy. The industrialization of the continent and individual countries according to NEPAD are certainly set to free Africa from the debt dependence and hence from abject poverty. The Industrialization at country level will contribute for citizen to have access to basic needs such as water and electricity; the creation of jobs and subsequently to the effective exploitation and management of natural resources for the development of the countries and the continent.

This industrial development strategy to be effective requires the increase in resources mobilization and the debt relief strategy.

The initial objective of NEPAD through its founding document is to advocate for debt relief in order to fight the scourge of poverty that is crippling African economies. The NEPAD founding document, (NEPAD, 2001) argues that debt ceilings should be fixed as a proportion of fiscal revenue with different ceilings for international development assistance (IDA) and non IDA countries. Since its creation NEPAD is committed to continually engaging with donor's governments and institutions to provide debt relief for poverty stricken countries in Africa. The leadership of NEPAD has also been organizing meetings across the African continent to discuss and share experiences related to Debt relief strategies which also included the Highly Indebted Poor Countries (HIPIC) and the Multi Debt Relief Initiative (MDRI).

1.3. The implication of debt cancelation on Africa's development. The higher interest rates attached to the funds borrowed by African countries have crippled African economies for decades and there is no doubt that the cancellation of debt has certainly had a positive impact on development in the continent. However, for this cancellation to be sustained over many years, it should be followed by the strengthening of national institutions such as the office of the Auditor General and the Office of the Public Protector. These institutions should operate autonomously in order to fight corruption, maladministration and the misuse of public funds/goods. The strengthening of these institutions will support good governance initiative that promotes transparency and accountability which are powerful instruments that support development strategies. The cancellation of Africa's debt under HIPIC and the MDRI has generated billions of dollars in savings that could have been used effectively to sustain Africa's Development Agenda initiated by NEPAD. From Fig. 1 it is clearly shown that, Cameroon has managed to sustain its debts from 2007 onward compared to Gabon that had equally managed to sustain its debt only until 2008. In 2009 Gabon has experienced a significant rise in its debt and this scenario has continued in most period part of 2013. The rise in debt during this period could be justified by the fact that Gabon debt is not sustainable. As a result therefore, there was a sharp reduction in government expenditure and the increase in tax collection; this situation did not go down well in meeting national development objectives, especially if Gabon is striving to promote economic growth and reduce poverty.

These savings, if well managed, could have ignited socio-economic development through the construction and maintenance of roads, the building of health care facilities and the improvement of education systems. In order to promote good governance, the government should introduce decentralization as a policy and a strategy. Decentralization should be viewed as a public sector reform strategy in the management of public debt in order to check discrepancies at all levels of government and in all sectors of the economy. It is in support of the above that, Christopher Pollit and Geert Bouckaert (2009) convincingly asserted that decentralization reforms should be related to legal acts and administrative measures that initiate a transfer of responsibility in the form of authority, resources (human and financial) and rules (institutions) from central government to local authorities. However for decentralization to be effective it should be characterized by the devolution of power where there is transfer by law and other formal actions, of responsibility, resources, and accountability (Smith, 1985; and Adamolekun, 1999).

Local authorities should be given the opportunities to identify projects and implement them at local levels using the funds allocated for that purpose. Proper mechanisms should be put in place in order to monitor and evaluate the impact of these projects at local levels.

Once the principle of decentralization is effectively active, the funds allocated through the budget and international donors will be used adequately and countries are likely to experience economic growth in such a way that local and international investors could be attracted to invest in all related sectors. Countries in this way will realize their dreams of becoming emerging economies around 2035. All regional economic communities in Africa are therefore called upon to work together under the African Union and its program NEPAD in order to improve their debt management systems. The harmonization of policies and regulations is critical in the area of trade in order to promote intra-African trade (NEPAD, 2001).

African position to ignite development and to eradicate poverty should strongly support the financing for development approach that has been encouraged in the 2002 Conference in Monterrey and in Doha in 2008.

These conferences were fully aware of the challenges being faced in meeting development goals and the need to source or develop other financing mechanisms. This reality has stimulated multiple efforts by development partners and by developing countries themselves to find ways to raise additional and alternative sources of development finance to assist countries including Africa. The World Bank Group – WBG (2013) and the Independent Research Forum (IRF) have provided comprehensive reports on how the world including Africa could survive beyond 2015 once the millennium development goals end. These reports provide the approaches that counties ought to follow for sustainable economic development.

The following case study is based on the comparative analysis of debt stock between Cameroon and Gabon in relation to their debts sustainability and possible policy recommendations. They both belong to the same economic block of the Economic Communities of Central African State (ECCAS) and are both members of the Monetary and Economic Community of Central Africa (CEMAC).

2. Methodology and method used

2.1. Case study: a comparative analysis of debt stock of Cameroon and Gabon. The following case study is based on the comparative analysis of debt stock between Cameroon and Gabon in relation to their debts sustainability.

Table 1. External debt stock percentage of GDP (1992-2007 in millions of US dollars)

Year	Cameroon	Gabon
1991	54.4	78.2
1992	66.0	68.8
1993	56.7	88.2
1994	100.9	99.5
1995	125.9	87.9
1996	114.2	75.7
1997	108.9	80.4
1998	117.4	98.8
1999	102.7	85.9
2000	117.4	77.4
2001	101.2	76.4
2002	79.0	77.1
2003	53.1	54.2
2004	68.8	56.9
2005	59.7	58.3
2006	22.6	55.4
2007	12.4	43.3
2008	12.9	20.5
2009	13.3	17.7
2010	13.9	17.2
2011	12.3	14.5
2012	12.8	17.6
2013	12.4	17.1

Source: World Bank data base.

The current study used secondary data from the World Bank data base to analyze the external debt stocks percentage and the total external debt of Cameroon and Gabon between 1991-2013. Table 1 displays the critical aspect of debt burden on African economies. Cameroon and Gabon are two countries that are located in Central Africa; the Gross Domestic Product (GDP) of Cameroon during 2013 was 12.4 compared with the 17.2 of Gabon during the same period.

2.2. Data and estimation of results. Regression analysis is used in this study to find the equation that fits the GDP data for both Cameroon and Gabon.

When a correlation coefficient shows that data is likely to be able to predict future outcomes and a scatter graph of the data appears to form a straight line, you can use linear regression to find a predictive function. If you recall from elementary algebra, the equation for a line is $y = a + bx$.

From the table above the following equation was used to find the real value of a and b:

$$a = \frac{(\Sigma y)(\Sigma x^2) - (\Sigma x)(\Sigma xy)}{n(\Sigma x^2) - (\Sigma x)^2},$$

$$b = \frac{n(\Sigma xy) - (\Sigma x)(\Sigma y)}{n(\Sigma x^2) - (\Sigma x)^2}.$$

$Y = a + bX.$

GDP = 2015 + 0.3 (Cameroon).

GDP = 2015 – 0.25 (Gabon).

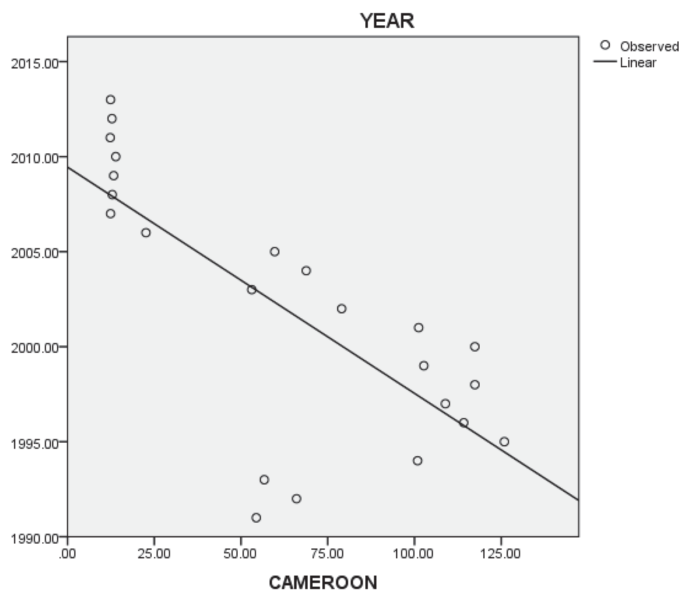

Fig.1. Regression equation

3. Findings from statistical analysis

The data in this study includes descriptive statistics such as means, frequencies, linear regression equation. In determining the impact of the foreign debt on the GDP of both Cameroon and Gabon correlation, the analysis of variances in Table 2 were used as well as data from Table 1.

The findings as shown in the tables as well as the linear regression equation have revealed that the impact of the foreign debt on the GDP was relatively positive at +0.3 compared to a very negative impact on the GDP in Gabon -0.25.

This could be justified from the fact that, the total external debt of Cameroon rose from 7 billion in December 1991 to 11.6 billion in 1998. This period was characterized by the devaluation of the CFA francs that was peg then to the French Franc now peg to Euro. During that period, Cameroon was going through Structural adjustment programs (SAP) imposed by the International Monetary Fund (IMF) and the World Bank (WB). The above rise of debt during that period is justified from the fact that Cameroon needed funds to give some impetus to its budget deficit in order to invest on long term projects. This is why a decline on debt could be observed from 1998 to 2003, this is also justified from the fact that, debt relief for Cameroon was suspended during that period. A new decline from 2004 to 2007 could be justified as debt forgiveness under initiatives such as the Highly Indebted Poor Countries (HPIC) and the Multilateral Debt Relief Initiative (MDRI). The debt situation (regression equation, Figure 1) in Cameroon according to the above statistics shows that the country debt sustainability from 2007 to date 2013 is pretty stable compared to Gabon that has experienced a sharp increase from 2009 which justified a negative slope of -025 in the regression equation, compared to Cameroon 0.30. This situation could be attributable to the fact; debt remained unsustainable for Gabon leading to the increase of tax and the reduction of government expenditure.

The argument here is that, just few years after debt relief, a number of countries such as Gabon went back seeking for fresh loans to finance their development. This paper however is warning that, countries should be borrowing responsibly, precisely those that are projecting their revenues from existing resources as well as from new discoveries of natural resources such as oil, diamond, etc.

Recommendations and conclusion

The Lagos Plan of Action's objective was to promote economic and social integration of African economies so that countries become self-reliant (Ikome, 2005). Africa is thus divided into five economic blocks called regional economic communities (RECs) and Ajulu (2005) convincingly explained that the idea of RECs on the continent is not new. These blocks form the platform for regional integration in Africa and are expected to serve as engines for economic growth in Africa (Nyongo, 1995). However besides the fact that Africa is rich in natural and human resources, the majority of African live in abject poverty. The continent remains poor and countries are constantly involved in civil wars.

The main reason related to this extreme poverty is the lack of good governance. This situation is equally exacerbated by the debt burden that hangs over many African countries. This debt burden as a result has crippled many African economies that are in dire need for revival. Elbadawi et al. (1996) clearly explained in Ajulu (2005) that rising debt-servicing requirements, along with stagnant exports, has meant either defaulting on payment or parting with scarce foreign exchange. Elbadawi et al. further argued that large debt servicing also hampers the country's ability to import the necessity capital for investment, especially in infrastructure facilities. With the above in mind, it is clear that the debt overhang is so heavy, that countries are unable to repay the loans and should rather look into ways of how to renegotiate with donors. Unless African leaders come together for a common solution, this situation might take longer to resolve and many countries in the continent will remain trapped in the debt circle.

The cancellation of debt should be supported by the strengthening of national and regional institutions. National fiscal policies should be solutions-driven rather than being rhetorical in nature. Decentralization thus is expected to play a key role in public sector reform to ease the pressure on countries fiscal policy so that it becomes a useful instrument for economic development. Decentralization should be seen as a strategy to ignite socio-economic development through the devolution of powers with total transfer of powers and resources from upper to lower of governments.

As a result of the above, the following recommendations should be taken into consideration.

National policies on debts related to international financial organizations such as the IMF and the World Bank should be aligned to policies of regional and continental institutions such as the African Union and its program represented by NEPAD, the Pan African Parliament (PAP) through its committee on finance as well as Regional Parliaments and Regional Economic Communities (RECs). It is through these institutions that Africa will strengthen its position when advocating for total eradication of debt for Africa's development. The fiscal policy at country level should also be conducive for economic development.

A fiscal policy that tracks expenditures should be encouraged as proper mechanisms are put in place to monitor and assess spending. Countries and regional institutions in Africa should take time to study the terms of references when they are borrowing funds from international creditors. They should insure that the debt will not harm the countries or the people in the indebted countries. In the case of a dispute, the issue should go for arbitration. This is why it has being advised that, an international court should be established with the blessing of the United Nations in order to look into arbitrations issues related to debt in developing countries. Regional parliaments should equally establish credible arbitration courts that deal with issues related to business between governments and bilateral as well as multilateral partners.

Available resources are expected to continue to fall far short of development needs, implying that policy makers will need to make better use of existing resources while working to catalyze new funding. This will require greater attention to domestic resource mobilization and making countries more attractive destinations for both ODA and private sector resources by improving the underlying conditions for development and growth.

No quantity of financing grant, concessional, or non-concessional is sufficient to achieve ambitious development goals without a supporting country level policy framework and credible commitment to build domestic capacity and combat poverty. In the absence of these factors, the question of resource mobilization is moot. A supporting policy and institutional environment cannot only enhance the effectiveness of development spending, but also catalyze additional resources from the official and private sectors. Indeed, when it comes to policies, donor assistance, and private-sector resources, the whole is greater than the sum of the parts. Reflecting this, any feasible approach to financing development goals requires a two pronged strategy, first, to significantly enhance the impact of available resources, and second, to increase those resources.

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Appendix

Table 2. Presentation of regression results

Coefficients[a]

Model		Unstandardized coefficients		Standardized coefficients	t	Sig.	95.0% Confidence interval for B		Correlations			Co linearity statistics	
		B	Std. error	Beta			Lower bound	Upper bound	Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	2014.720	1.629		1236.659	.000	2011.321	2018.118					
	Cameroon	.029 Needed	.034	.182	.857	.401	-.042	.101	-.737	.188	.087	.228	4.382
	Gabon	-.245 Needed	.050	-1.047	-4.922	.000	-.349	-.141	-.887	-.740	-.500	.228	4.382

Coefficient correlations[a]

Model			Gabon	Cameroon
1	Correlations	Gabon	1.000	-.879
		Cameroon	-.879	1.000
	Covariances	Gabon	.002	-.002
		Cameroon	-.002	.001

a. Dependent variable: year

Collinearity diagnostics[b]

Model		Eigenvalue	Condition index	Variance proportions		
				(Constant)	Cameroon	Gabon
1	1	2.801	1.000	.02	.01	.01
	2	.172	4.033	.62	.13	.01
	3	.026	10.302	.36	.86	.99

b. Dependent variable: year

Residuals statistics[c]

	Minimum	Maximum	Mean	Std. deviation	N
Predicted value	1993.3127	2011.5293	2002.0000	6.04207	23
Residual	-7.80681	4.18777	.00000	3.08113	23
Std. predicted value	-1.438	1.577	.000	1.000	23
Std. residual	-2.416	1.296	.000	.953	23

c. Dependent variable: year

ANOVA[d]

Model		Sum of squares	df	Mean square	F	Sig.
1	Regression	803.147	2	401.573	38.455	.000[e]
	Residual	208.853	20	10.443		
	Total	1012.000	22			

d. Dependent variable: year; e. Predictors: (constant), Gabon, Cameroon

Table 2 (cont.). Presentation of regression results

Model summary[f]

Model	R	R square	Adjusted R square	Std. error of the estimate	Change statistics					Durbin-Watson
					R square change	F change	df1	df2	Sig. F change	
1	.891[a]	.794	.773	3.23151	.794	38.455	2	20	.000	.704

f. Predictors: (constant), Gabon, Cameroon

Correlations

		Year	Cameroon	Gabon
Pearson correlation	Year	1.000	-.737	-.887
	Cameroon	-.737	1.000	.879
	Gabon	-.887	.879	1.000
Sig. (1-tailed)	Year		.000	.000
	Cameroon	.000		.000
	Gabon	.000	.000	
N	Year	23	23	23
	Cameroon	23	23	23
	Gabon	23	23	23

Variables entered/removed

Model	Variables entered	Variables removed	Method	
1	Gabon, Cameroon[g]		Enter	

f. Dependent variable: year; g. All requested variables entered

Descriptive sta tistics

	Mean	Std. deviation	N
Year	2002.0000	6.78233	23
Cameroon	62.5609	42.00984	23
Gabon	59.4348	28.97825	23