Ijah Ideal Journal of Art and Humanities 2(3) 103-114 Ijah
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http://ijah.truescholar.org

THE SOVEREIGN DEBT CRISIS IN AFRICA AND ITS IMPACT ON AFRICAN STATES ECONOMIC GROWTH AND DEVELOPMENT: A CASE STUDY OF NIGERIA

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ABSTRACT
African States, upon the attainment of political independence have continuously been in pursuit of economic growth and development under different administrations. Faced with the economic challenges of low domestic savings and investment, the polities in Africa have had to resort to the fiscal policy option of borrowing short, medium and long term loans from international financial institutions and buoyant economies alike. Years after, a number of these African countries have piled up an unserviceable external debt which consequently has landed them into a sovereign debt crisis. Nigeria for one is an African State to have suffered and still is suffering from the ripple effect of her ballooning foreign debt owed creditors abroad. This paper therefore examines first and foremost the nature, causes, and the remedies thus far adopted at resolving the sovereign debt crisis bedeviling African States from the 1980s till date. The historical and empirical methodologies adopted over this paper were heavily dependent on secondary sources of quantitative data. Of its significance, this paper serves as an eye opener to the reading community on how the protracted debt crisis on the continent has continually stood against the needful economic prosperity and modernization of contemporary African countries.
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KEYWORDS: Sovereign Debt Crisis, Economic Growth, Economic Development, Gross Domestic Product (GDP), Less Developed Countries (LDCs), Sub-Saharan African Countries, World Bank, International Monetary Fund (IMF), Structural Adjustment Programme (SAP), Heavily Indebted Poor Countries (HIPC) Initiative

INTRODUCTION

The financing of government activities remains a practical necessity of nation-states year in year out. No government whatsoever, irrespective of its country’s status either as developed or developing can claim to be self-sufficient let alone having every now and then the much needed capital to the pursuit of economic growth and development. As such dearth in public finance is bound to occur from time to time; States national government in such situation have resorted more often than not to the fiscal policy option of borrowing short, medium and long term loans from financial institutions and sovereign entities abroad.

“No doubt, governments borrow to fill the vacuum created by the fiscal gaps in the proposed expenditure and expected revenue within a fiscal period. If government does not want to compromise macroeconomic stability by printing more money and government taxation capability is limited, then debt option becomes the only available avenue that the government can explore to provide social overhead capital for the citizenry” (Ogunmuyiwa, 2011). However, it is upon the receipt therefore of the loan negotiated by a State's national government with lending financial institutions abroad or buoyant economies as the case maybe that, the former can be said to have incurred a ‘sovereign debt’ in the interest of the State.

“Sovereign debt, also called public debt or government debt, refers to debt incurred by governments” (Nelson, 2013). In other words, it is “the total outstanding debt obligations or accumulated borrowing of the central government” (Adebayo, 1999) of a State from crediting financial institutions. Incurring a sovereign debt as it were has been a reliable avenue of raising funds for States national government. This notwithstanding, the sovereign debt incurred requires a great deal of managerial dexterity should the benefits of the loan be felt across all sphere of the society as well as in ensuring a debt-free government at the helm of State affairs. In the event therefore where a State’s national government defaults in its debt payment, and does so in a consistent manner, such shortcoming on their part becomes the harbinger of an impending sovereign debt crisis to befall the country.

Like other African nations, Sub-Saharan African countries have been constrained by low profile savings to boost capital formation. This in turn has plagued their growth possibilities and prospects; making them perpetually poor and reliant on aids, external and public debt which stem from multilateral and bilateral sources respectively (Aliyu and Usman,

2013). "In the 1960s and 1970s, African countries became indebted to international lenders as they accepted loans for political and economic stabilization in the post-independence era. In the context of the Cold War, and with massive revenue surpluses of oil money in Western banks in the 1970s, loans were made with little thought to their purpose or to their recipients' capacity to repay the debt. Many were made to retain the loyalty of corrupt regimes, and much of the money went into the hands of unrepresentative and repressive governments. In the 1980s, when the shocks of the 1970s oil crisis, rising interest rates and falling global prices for primary commodities began to take a toll, the debt crisis in the developing world began to unfold" (Colgan, 2001).

"That Africa's debt burden has been a major obstacle to the region's prospects for increased savings and investment, economic growth and poverty reduction cannot be denied. The continent's debt overhang has inhibited public investment in physical and social infrastructure. It has also hampered private investment, as investors could not be assured of policy continuity in an environment marked by severe external imbalances. And by undermining critical investments in health and human resource development, the debt overhang has compromised some of the essential conditions for sustainable economic growth, development, and poverty reduction" (UNCTAD, 2004). The Nigerian State for one happens to be an indebted African country to be suffering from these economic setbacks owing to her mounting sovereign debt.

"Nigeria's debt crisis has attracted considerable attention since the end of the protracted military authoritarianism and the advent of a new democratic dispensation in the country in May 1999. This is because the debt burden constitutes a major constraint to the revitalization of the nation's battered economy. There is indeed the fear that the crisis may worsen the debilitating poverty and economic decline in which the country is trapped. Although Nigeria is not alone among the countries experiencing acute levels of external indebtedness, when compared to other countries in sub-Saharan Africa, its external debt stock is precariously huge" (Akinboye, 2006). Thus, for the purpose of subjecting the study at hand to an empirical analysis, this paper would take systematically to the following sub-headings: statement of the problems, conceptual issues, theoretical framework, scope and significance of the study, limitation of the study, an historical overview of African States sovereign debt crisis, the root causes of the sovereign debt in Africa, remedies adopted at resolving the sovereign debt crisis in Africa, the sovereign debt crisis in Africa and its impact on African States economic growth and development: a case study of Nigeria and lastly, conclusions and policy recommendations.

Statement of the Problems

In time past as well as in recent years, the sovereign debt crisis in Africa has caused tremendous political and socio-economical problems for polities on the continent. First and foremost, sovereign debt hampers the economic growth and development in Africa. African States experiencing a debt overweight have been caught up in the act of having to transfer huge sums of money from their little foreign earnings to the servicing of their external debt. "During the 1990s alone, Sub-Saharan countries paid an average of $11 billion, and North Africa another $13.4 billion a year in debt service. In one decade, Africa paid almost $250 billion only to owe more at the end, than it had at the beginning" (Friesecke, 2001). The above figures of the debt payments made by African countries tells us this one painful truth and that is, indebted African States have continually been starved of the much needed capital to qualitatively and structurally transform their societies away from the disadvantaged status of Less Developed Countries (LDCs) to that of developed entities.

A second point to highlight as touching the problems emerging from the sovereign debt crisis in Africa is the deteriorating living conditions of African States citizenry. "It is pointed out that as countries are diverting resources away from social provisions to repay debt; those most affected are the poor, especially women and children" (Dawelbait, 2015). "In fact, UNICEF blames the problem of the external debt for the deaths of hundreds of thousands of children in some African countries" (Ndegwa, 2005).

Thirdly, the sovereign debt crisis in Africa has been a factor behind the political instability in most African countries chequered history. The military incursion into African politics through bloody coup d'états and counter coups in the 70s and 80s were repeatedly justified by puritan military juntas to have been due to a number of reasons one of which was the high level of corruption and mismanagement of borrowed public funds that amounted to an overbearing debt burden for their country.

Last but certainly not the least is that the sovereign debt crisis on the continent has been one of the ways Western countries have had a firm grip over their former colonies through debt negotiations. "Detailed and continuous negotiations with creditors, which involve close scrutiny of the debtor countries' economic and social policies, are undermining the independence of African countries" (Ndegwa, 2005).

Conceptual Issues

In the course of studying the sovereign debt crisis in Africa and its impact on African States economic

growth and development, three salient concepts emerged. Thus, clarifying each and every one of them affords us a concrete intellectual foundation to the understanding of the economic issue raised over this paper.

Sovereign Debt

"When the government decides to borrow instead of introducing additional tax measures, to finance the budget deficit, it creates a liability on itself known as public debt. Therefore all external obligations and liabilities of some known maturity and outstanding at a particular point in time and payable in form of any commodity is known as public debt" (Moki, 2012). Incurring external debt becomes a policy option for countries faced with the challenges of low foreign earnings and domestic savings. Upon incurring an external debt, the default in payment for all outstanding loans borrowed becomes an economic challenge for countries which when left unattended to, is bound to trigger a sovereign debt crisis. A sovereign debt crisis therefore "arises when existing levels of debt are too high to be fully repaid" (Hall, 2013). Managing therefore States sovereign debt crisis have been carried out through diverse methods. *Debt Forgiveness* otherwise called *Debt Reduction* or *Debt Relief* is one out of the four notable methods. It is the partial write-off of the outstanding debt owed by the central government of a State. With such a reduction in the debt stock of the State, the indebted country in question is expected to cover for the remaining outstanding debt owed its lenders. *Debt Restructuring* as the second method takes to a quite different approach. "This involves the rearrangement of terms of debt like the adjustment of interest rate grade period, principal repayment and maturity…" (Yusuf *et al.*, 2010). Unlike debt forgiveness, it does not amount to a partial cancellation of the foreign debt owed by a State. The third method in the management of States debt overhang is *Debt Rescheduling.* Debt rescheduling sees to the postponement of the date for the redemption of all outstanding loans by the creditors. In order words, the required maturity date for a State to make payment for her debt is moved to a future date. *Debt Equity Conversion,* being the last of the four methods, sees to the conversion of "foreign debts into equity in local companies" (Yusuf *et al.*, 2010).

Economic Growth

Economic growth simply put is, the numerical or quantitative increase in a country's per capita income (i.e the gross national income of a country divided by the aggregate population). For the purpose of calibrating a State's economic growth, its real GDP or GNP which is the total value of goods and services produced within the confines of its territory is calculated annually in percentages.

The importance given economic growth in respect to a country's economic prosperity cannot be overemphasized. "Economic growth generates wealth, income, goods and services, which when utilized and shared effectively reduce the country's poverty levels" (Saungweme and Mufandaedza, 2013). "Traditionally, the main drivers of economic growth are the level and quality of a country's physical and human capital, technological advancement and the quality of the labour force as well as the country's level of openness to international trade" (Blake, 2015). Amongst these drivers of economic growth, capital is the most important and by capital, the accumulation of it. "An increase in capital accumulation will result in an increase in the income in economy. The increase in income allows the savings volume to increase as well, and this will increase investments in the economy in return" (Korkmaz, 2015).

Economic Development

"Because the term development may mean different things to different people, it is important that we have some working definition or core perspective on its meaning. Without such a perspective and some agreed measurement criteria, we would be unable to determine which country was actually developing and which was not" (Todaro and Smith, 2012).

Development in economic terms is the qualitative change both in the economic structure and the living conditions of a country's populace. "Traditionally, economic development can also be used to mean economic growth with structural change. This means that economic growth is a necessary condition for economic development. It should be noted, however, that while economic development concentrates on the transformation of economic structures and institutions the study of economic growth emphasises on the use of mathematical models that describes the quantitative relationships between economic variables" (Suma, 2007).

THEORETICAL FRAMEWORK

The neoliberal theory of the interdisciplinary field of International Political Economy (IPE) has been carefully selected among other theories, having found its tenets suitable for explaining the liberal cash flow between borrowing the government of States and lending international financial institutions as evident in the international system.

The theory 'neoliberalism' unlike the other IPE theories, is an offshoot of Adam Smith and David Ricardo's classical economic liberalism that dominated the feudalistic era of the 18th and 19th century. If the prefix "neo" is anything to go by, one would agree to the fact that it signifies the 'rebirth' of classical economic liberalism in a new dispensation. "Neoliberalism is both a body of economic theory and a policy stance. Neoliberal theory claims that a largely unregulated capitalist system (a "free market

economy") not only embodies the ideal of free individual choice but also achieves optimum economic performance with respect to efficiency, economic growth, technical progress, and distributional justice" (Kotz, 2002).

"Neoliberalism as a concept has its roots in Germany between the two World Wars" (Hartwich, 2009). Since the concept was coined by the German thinker, Alexander Rüstow in the late 1930s' and further developed by Friedman in the 1960s, the core objectives of neoliberalism remains: "(i) to remove the state altogether from 'non-core' functions such as the provision of infrastructure services; (ii) to minimise the role of the state in core functions (health, education, income security) through contracting out, voucher schemes and so on; (iii) to remove regulation of economic activity, or, where this proves impossible, to adopt 'lighthanded' and market-friendly approaches to regulation; and (iv) to reject redistribution of income except insofar as it is implied by the provision of a basic 'safety net' " (Quiggin, 2005).

Neoliberalism as a policy option on the other hand has defined the action and inaction of government over the running of their country's economy as was observed among the capitalist countries at the close of the Cold War. With the likes of staunch neoliberals as Prime Minister Margret Thatcher and President Ronald Reagan, the reduction of government intervention in the market, the privatization of State owned enterprises and cuts in taxation were being implemented in Britain and the United States of America respectively in the 80s.

There is no disputing the fact that we have entered an "age of neoliberalism" (Thorsen & Lie, 2006). Neoliberalism in what is today adjudged a globalized world has been the theory underpinning the liberal exchange of goods and capital across States national boundaries. These economic activities have by far been facilitated by the supranational institutions - International Monetary Fund (IMF), the World Bank Group and the World Trade Organization (WTO) on the world stage.

Scope and Significance of the Study

The said sovereign debt crisis in Africa began in the early years of the 1980s. In line with this historical fact, this paper examines African countries sovereign debt crisis and the impact it has had on their economic growth and development since the 1980s till date using the case study of Nigeria. To achieve this, the above delimitation of the study covered the historical antecedence, causation and remedies adopted by multilateral bodies at resolving the decades-long sovereign debt crisis on the African continent. No doubt, the timing of this research paper on African States unserviceable external debt coincides with the rise of Africa, a continent now for some of the fastest growing economies in the world. This study therefore draws the attention of African political leaders to how the servicing of ballooning external debt hinders the economic wealth and modernization of their country. The panacea to this impediment has been identified and accordingly proffered in this study.

Limitation of the Study

The findings to have emerged from the in-depth and robust study of the sovereign debt crisis in Africa and its impact on African States economic growth and development since the early 1980s turned out to be voluminous when put together. In line with the circumscribed pages expected from this research work, this paper thus has been downsized advertently to a short but succinct study, making it the sole limitation encountered.

An Historical Overview of African States Sovereign Debt Crisis

Following the years of nationalist struggles on the African continent, a number of African polities now having artificial borders demarcating their territorial landmass, secured what many scholars have dubbed "political flag" independence from the then colonial powers at the close of the 50s into much of the 60s. With the attainment of such a long overdue political liberation, the political leaders of the newly created States became enthusiastic about their country becoming a wealthy and developed economy in a not too distant future amidst the brewing problems of ethno-religious intolerance and bloody civil wars that threatened all nation-building efforts as well as their corporate existence in the international community. With such intentions repeatedly promised by the government in power, many country men and women's hope were aroused in anticipation of better days ahead.

The decade of the 1950s and 1960s are often described as the "GOLDEN YEARS" for developing countries in most economic development literature because the rate of growth of these economies was not just high but was mostly internally generated (Ajayi and Oke, 2012). "The 1960s and 1970s were a time of prosperity for Africa. Many recently decolonized nations were working to build up infrastructure and economies. Not to mention in certain areas of Africa natural resources were in abundance. During this time frame it seemed as if this African boom would last. Political leaders wanted to secure their positions as well as their countries futures" (WordPress, 2009). "As a result, in the years after independence, many of the African countries explored the opportunities for external financing in an attempt to speed up the process of development and achieve higher economic growth. With time, these countries accumulated a significant

level of external debts and the situation precipitated a debt crisis and unmanageable debt overhang" (Ahmed, 2012).

"During the 1970s-1990s much attention was focused on the rising debt crisis in post-colonial Africa. Continental states after gaining independence realized that there could be no genuine development while financial obligations to western-based lending institutions were rapidly escalating" (Azikiwe, 2015). "The phenomenal increase in foreign borrowing that preceded the debt crisis was triggered by the oil price shocks of 1973 and 1979, which resulted in acute current account deficits in most non-oil producing less developed countries. These countries resorted to foreign borrowing to tide them over the problems raised by the internationally generated shocks to their balance of payments. At the same time, during the period following the oil price hike of November 1973, the international commercial banks were awash with "petro dollars" that they were anxious to recycle. Thus the needs of the cash-strapped developing countries and the excessively liquid international financial institutions seemed to complement each other and loans were liberally, if not recklessly, approved. Things appeared to go on smoothly for some years as the debts of these countries were rolled over as they fell due. However, the era of easy availability of credit came to a sudden end with the global financial crisis of 1982" (Iyoha, 1999).

The global financial crisis was an economic crisis that shook the world after the South American country, Mexico, announced in August 1982 her inability to service pending sovereign debt obligations. This disclosure made by the government of Mexico was followed by that of Argentina and then Brazil. Consequently, the debt crisis that swept across the developing world in particular Africa, truncated what could have been the economic take-off of the booming African economies, going by W. W. Rostow (1960) non-communist five stages to economic growth and development, thus earning the 1980s the nickname 'Lost Decade'

"The foreign debt of African nations has increased so rapidly in recent years that threat of bankruptcy hover across the continent, raising the prospect that Africa's most serious crisis would be triggered not by drought, but by debt. The debt problem is not only slowing economic growth and increasing poverty; it is fomenting political upheaval by forcing these nations to neglect social and economic development in order to make debt payments" (Jackson, 1985).

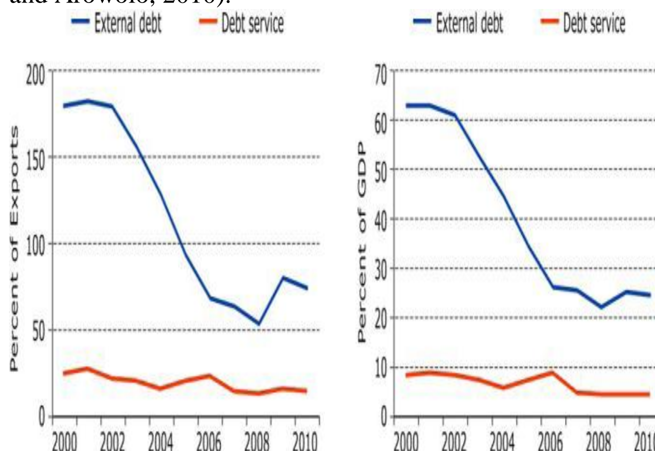
"Africa, as a whole, as at year 2000, owed about $350 billion externally, this marked a sharp increase from the 1970 and 1984 figures of $5 billion and $8 billion respectively

Table 1. Sub-Saharan Africa External Debt 1970-1995 (US$ million)

Year	Total External Debt	Growth in External Debt (%)
1970	8,296	-
1971	9,772	17.79
1972	11,235	14.97
1973	15,168	35.01
1974	19,340	27.51
1975	22,721	17.48
1976	26,996	18.82
1977	33,705	24.85
1978	43,655	29.52
1979	55,485	27.10
1980	84,049	51.48
1981	75,668	-9.97
1982	81,946	8.30
1983	88,233	7.67
1984	83,866	0.72
1985	96,396	8.47
1986	127,145	31.90
1987	162,629	27.91
1988	164,981	1.45
1989	171,236	3.79
1990	190,260	11.11
1991	194,779	2.38
1992	192,781	-1.03
1993	197,886	2.65
1994	212,416	7.34
1995	223,298	5.12

Source: World Bank (1996) – As culled from Iyoha (1999). *External Debt and Economic Growth in Sub-Saharan African Countries: An Econometric Study*

The region is using more than 50% of its export earnings on debt servicing, a figure which goes up to as much as 70 - 79% if analysed on country-to-country basis. It is the belief that if care is not taken, a time would come when African countries will divert their total earnings to debt repayment" (Aluko and Arowolo, 2010).



Graph 1. Africa's External Debt and Debt Service in Percentage of Exports and GDP
Source: International Monetary Fund (2009): World Economic Outlook Database

"External indebtedness represents one of the greatest problems facing Sub-Saharan African countries in recent times" (Lekomola, 2010). "A recently-held Strategic Growth Forum in Johannesburg, South Africa examined these problems by presenting data on the increasing debt-to-Gross Domestic Product

(GDP) ratios. This year, Africa's sovereign debt levels rose to 44 percent of GDP, a 10 percent rise from 2010 when Africa's debt-to-GDP ratio stood at 34 percent" (Azikiwe, 2015). This sharp rise in African States foreign debt profile comes much after the Paris Club had carried out its debt relief packages for African countries.

The Root Causes of the 1980s Sovereign Debt Crisis in Africa

"Suffice it to say that Africa's over-indebtedness is not attributable, as many creditors would have it, merely to poor governance, rapacious and corrupt leaderships, protracted civil wars in too many countries on the continent; no democratic checks and balances on government borrowing and spending, excessive population growth, and the stubborn pursuit of economic policies which contributed to the relentless impoverishment of a rich continent for over two decades. All of these factors have indubitably played a major part. But Africa's crisis has been severely exacerbated by several other reasons as well…"(FONDAD, 1992) that further fueled the crisis beyond proportion. "The origins of the debt predicament in which many African nations (and their creditors) now find themselves can be attributed to several factors. The most frequently cited are the second OPEC oil price hike of 1979-80, the simultaneous emergence of inordinately high "real" interest rates, and declining volumes/terms of trade for exports from African countries. Of the more than $40 billion increase in the external debt of African countries between 1973 and 1982, $33 billion can be attributed to factors beyond the control of African countries, i.e., factors which were exogenous to their activities, policies, and growth" (Ngassam, 1992). In the light of this, the other factors to have precipitated the debt crisis in Africa shall be duly accounted for below.

"There is general agreement that the oil shocks of the 1970s were the primary external factor in creating the original debt crisis" (Kretzmann and Nooruddin, 2005). Early in the 1970s, African countries endowed with commercial quantity of the 'black gold' generated humongous "petro-dollar" off the sales of crude oil in the international oil market. This came at a point in time when an oil embargo was placed on the U.S, Denmark and the Netherlands by the member States of the Organization of Oil Exporting Countries (OPEC) over their military alliance with Israel during the Yom Kippur War that broke out on October 06, 1973. Thus, on December 23, 1973, "OPEC unilaterally raised the price of Persian Gulf oil to $11.65" (Spero and Hart, 2010) which boosted oil producing countries foreign earnings including that of African States which they accordingly deposited into North American and European commercial banks. Six years after this oil shock, came yet another. The rising oil price in the 70s was indeed a profitable period for oil exporting African countries, but the same was not the case for the oil importing polities in Africa. The major "exogenous cause of the debt burden of non-oil developing countries is the sharp rise in the price of oil in 1973-74 and again in 1979-80 (Cline, 1984)". "Overnight the price of these countries' energy imports doubled or tripled, leaving them little option but to generate more debt to pay for their imports. And, quite literally, today's debt crisis was born" (Kretzmann and Nooruddin, 2005).

A second factor to take note of vis-a-vis the causation of the debt crisis that erupted in Africa from the 1980s was the reckless lending of commercial banks abroad to African States. The sovereign debt crisis in Africa "assumed the importance it now has, however, with the money generated from the oil profits of the mid 1970s, which many private banks in the North lent to the South at low interest rates" (Stott, 1994). "Prior to the early 1970s, the external debt of developing countries was relatively small and primarily an official phenomenon, the majority of creditors being foreign governments and international financial institutions such as the IMF, the World Bank, and regional development banks. Most loans were on concessional (low-interest) terms and were extended for purposes of implementing development projects and expanding imports of capital goods. However, during the late 1970s and early 1980s, commercial banks began playing a large role in international lending by recycling surplus OPEC "petrodollars" and issuing general-purpose loans to developing countries to provide balance of payments support and expansion of export sectors" (Todaro and Smith, 2012). This later turned out to be a reckless lending habit of the banks which loaned African States government without duly assessing their credibility to pay-back these loans as at when due.

Thirdly, the voracious appetite of the government of African States for commercial banks low interest loans obviously is another factor to have caused the sovereign debt crisis on the continent. The belief most African political leaders had was that, such loans would accelerate their economic take-off. Unfortunately for them, "…the second oil price shock (1979) was followed by a prolonged global growth slowdown that lasted throughout the 1980s and well into the 1990s" (Verick and Islam, 2010). Thus, an unserviceable debt ensued in African countries.

The fourth factor that brought about the African debt crisis was the many years of unfavourable balance of trade with the industrialized countries of the 'Global North' as the dependency theorists rightly asserted. According to them, the underdevelopment in the Less Developed Countries (LDC) which includes Africa, originated from the evils perpetrated by colonial

powers during the era of exploitative and repressive colonial rule. Prior to and indeed after the granting of political 'flag' independence to these territories, African States, forcefully integrated into the international capitalist system became the 'Periphery' which exported cheap raw materials to the 'Core' industrialized States. Accordingly, the 'Core' States, adding value to the agricultural produce, exported manufactured goods back to Africa at a high price. Thus African States, recording annually little foreign earnings from the export of cheap raw materials as against importing costly finished goods from the West have had to deal repeatedly with a balance of payment deficit which has further led to their dependency on the same countries in the 'Global North' for loans which have accumulated into a debt overhang for most African countries.

Fifthly, the decline in the export of African countries also was a contributing factor to the debt crisis of the 80s and 90s. "The significant drop in debtor countries' exports, combined with a strong dollar, (i.e. the value of the dollar increased relative to the value of other currencies) and high global interest rates, depleted foreign exchange reserves that debtor countries relied upon for international financial transactions. Debtor countries consequently began to feel the strain of having to make timely payments on their foreign debt, which became much more expensive to pay off because the loans carried floating interest rates that increased along with global rates. These problems were compounded by massive capital flight – outward transfers of money by private individuals and entities in developing countries" (Awopetu, 2009).

Lastly and indeed quite related to the previous causation of the 1980s and 90s African debt crisis was the plummeting price of agricultural produce exported by African States. The falling price of major African countries export such as cocoa, coffee, sugar, cotton etc in the volatile international market left the national government of African States with no other major alternative order than to explore the option of borrowing from commercial banks abroad to cover up for their budget deficit.

Remedies Adopted at Resolving the Sovereign Debt Crisis in Africa

"Since the debt crisis of the 1980s, the international financial community has been providing help to debtor countries in reducing their external debt burdens in order to foster growth, reduce poverty, and attain external viability. This assistance has taken the form of the provision of concessional financing from international financial institutions, debt relief from official creditors mainly in the context of Paris Club reschedulings and, in some cases, bilateral action by creditors" (Houssou and Heidhues, 2005).

"The World Bank is an old acquaintance of the African continent, where in the post independence period it rushed to replace the departing colonial administrators. In the 1980s, it has played capital's gray eminence in Africa. Hardly a plan or a deal has been made without its intervention, in the capacity of lender, advisor or controller. In 1984, the World Bank announced it would raise $1 billion to provide 50 "soft loans" to sub-Saharan nations prepared to accept its recipe for economic recovery and embark on the path of economic reforms. This "special facility for Africa," which under the name of "Structural Adjustment Program" (SAP) was the model for the Baker Plan, presented at Seoul in 1985, emerged as the vehicle for the much hailed conversion to a free market economy undergone by many African countries since 1985" (Federici, 2001). The 1986 Structural Adjustment Facility of the World Bank was a rescue package for indebted African States which was to be issued upon the satisfaction of the conditionalities that came with it. By these conditionalities, African countries were to receive loans for the promotion of economic growth and development should they carry out certain macroeconomic reforms as suggested in the Structural Adjustment Programme (SAP). The stated conditionalities were: i) Trade liberalization ii) Devaluation of national currency, iii) Cut in government expenditure (e.g health, education etc), iv) Removal of subsidy from public goods and services and lastly, v) the privatization of public-owned enterprises. The SAP ever since it was introduced in the 1980s has taking to different names as the Enhanced Structural Adjustment Facility (ESAF) in 1987 only to be rebranded as the Poverty Reduction and Growth Facility (PRGF). Appraising therefore the impact of SAP, many a scholar are of the opinion that the World Bank/IMF's programme, rather than solve African countries rising external debt brought instead excruciating hardship on their citizenry over the laid down conditionalities.

Another measure adopted in dealing with Africa's debt overweight was that of the groups of creditors themselves. "The debt problems of low income countries, which tend to borrow from official creditors at a concessional rate, have been traditionally dealt with *ad hoc* debt relief through Paris Club meetings and, more recently, with the Heavily Indebted Poor Countries (HIPC) and Multilateral Debt Relief (MDRI) initiatives" (Panizza, 2013). "In 1996, the Heavily Indebted Poor Countries (HIPC) Initiative was created as the first comprehensive debt relief framework -- encompassing private and government creditors as well as the World Bank and IMF, for the first time -- and this remains the dominant approach to resolving the debt crisis" (Colgan, 2001). The HIPC initiative is a package meant for countries who: (1) face an unsustainable debt burden, beyond traditionally

available debt-relief mechanisms; (2) establish a track record of reform and sound policies through IMF- and World Bank- supported programs; (3) have developed a Poverty Reduction Strategy Paper (PRSP) through a broad-based participatory process (IMF 2005, as cited by Onyekachi, 2006). "In 1999, as a response to the worsening situation of external debt of the World's heavily indebted poor countries (HIPC), the World Bank and the International Monetary Fund (IMF) endorsed the Enhanced HIPC initiative (EHIPC). This initiative modified the original framework launched in 1996 in order to provide faster debt relief to HIPC countries. As it seeks to improve the debt indicators of these countries, the EHIPC initiative also aims at reducing poverty in these countries. Currently, there is 41 HIPCs around the world 21 of them are OIC-low income member countries in Sub-Sahara Africa" (SESRTCIC, 2002). Irrespective of the EHIPC initiative put in place to improve the management of the debt burden of low income countries, the call for an outright cancellation of Less Developed Countries (LDCs) debt was made in the new millennium by the London based NGO, Jubilee 2000. Considering therefore the plight of indebted developing countries in that regard, the IMF and the World Bank came up with yet another package that replaced the HIPC initiative which they tagged the Multilateral Debt Relief Initiative (MDRI). "In 2005, the Gleneagles Summit of the G8 supplemented HIPC by endorsing the Multilateral Debt Relief Initiative (MDRI) for the 100% cancellation of debt owed to the World Bank, the IMF and the African Development Bank by countries that have reached completion point. Together, HIPC and MDRI represent a significant commitment by the international community to alleviating African countries debt" (OSAA and NEPAD-OECD Africa Investment Initiative, 2010).

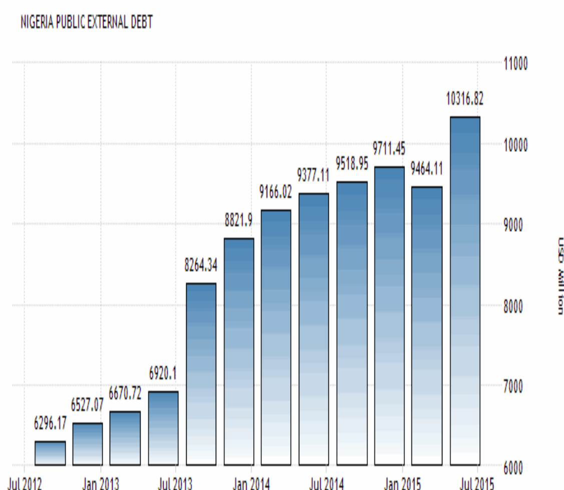
The Sovereign Debt Crisis in Africa and its Impact on African States Economic Growth and Development: A Case Study of Nigeria

"Every country has goals to achieve. Some of the predominant goals include improving its citizen's standard of living, increasing its economic growth and developing its economy" (Edet-Nkpubre, 2013). "Although developing economies strive for higher economic growth trajectory, but escalating current deficit, and low capital formation leaves lesser space for economic growth. Therefore, reliance of these economies increases over the foreign borrowings" (Shabbir, 2013) as the case has been for the Federal Republic of Nigeria.

"Nigeria, during the earlier years of its existence as an independent nation, was not classified as a debtor nation. Nigeria, in comparative terms, was rich. She had no reason to go a-borrowing….. However, surprisingly, the nation's vault soon began to dry up. She then discovered that to keep afloat she had to take foreign loans" (Adejuwon, Kehinde and Soneye, 2010). At this juncture, the mind disturbing question arising from this event remains, how a buoyant economy as Nigeria suddenly ran into an unserviceable external debt?. To answer this question requires that we take a critical look into the history of Nigeria's external debt. As Adesola rightly asserted:

> *"The genesis of Nigeria's external debt can be traced to 1958 when 28 million US dollars was contracted from the World Bank for railway construction. Between 1958 and 1977, the need for external debt was on the low side. However, due to the fall in oil prices in 1978 which exerted a negative influence on government finances, it became necessary to borrow to correct balance of payment difficulties and finance projects. Major borrowing of 1 billion US dollars referred to as Jumbo loan was contracted from the international capital market (ICM) in 1978 increasing the total to 2.2 billion U.S dollars"* (Adesola, 2009).

"In 1981, the Nigerian total outstanding external debt was N2,331.2 million, and by the end of 1982, it had skyrocketed to N8,819.4million. Progressively increased to N17,290.6 million and N42,229.5million in 1985 and 1986 respectively. By the end of October 1987, it had hit the mark of N100,787.6 million (USD 23,445.3 million). Although under the Nigerian constitution, only the Federal Government could borrow from abroad, many state governments however, have successfully negotiated foreign loans and subsequently obtained Federal Government Guarantees. At the end of September 1988, according to the CBN, the total outstanding external debt stood at N133.956million and attained N212,750.7 million in 1989, and rose to N3,097,384 million in 2000. This figure however, dropped by about 13 percent to stand at N2,695,072 million in 2005, when the Nigerian government reached an agreement with its Paris Club creditor for a debt relief which led to an overall reduction of Nigerian debt stock by US30 billion (N3,966 billion). The deal was completed in 2006 when the government of Nigeria made its final payment and was cleared of its debt with the Paris Club. Hence, as at the end of 2006, Nigerian total external debt burden has reduced to just N451,561.7 million" (Saheed, Sani and Idakwoji 2015). The debt reduction of Nigeria by the Paris Club was a remarkable achievement for the Obasanjo's administration. As a follow up to the write-off of part of the debt, the Obasanjo's administration entered into a debt rescheduling plan which he followed up till the end of his tenure in 2007. (Adeola and Ogunnoiki, 2015). As a result, Nigeria's debt was drastically reduced to about $3.035 billion made up of $2.65 billion multilateral debt, $326 million bilateral debt and $101 million commercial debt (Ezeabasili, 2011)



Graph 2. Nigeria's Public External Debt 2012-2015 (USD Million)
Source: wwwtradingeconomics.com – Central Bank of Nigeria (2015).

"However, by 2010, the external debt has again risen by about 52.8 percent to attain N689,845.3 million, which further rose by about 99.1 percent to stand at N1,373,569.83 million in 2013" (Saheed, Sani and Idakwoji 2015). From the initial N1,373,569.83 million in 2013, Nigerian external debt stock rose to the N 2,031,87.80 (i.e $10,316.82) in the year 2015.

"Nigeria external debt crisis has provoked a pervasive and critical analysis by various scholars to the extent that the general public have started making inquisitive inquiry with a view to knowing what exactly Nigeria's external debt mean"(Nwaeze, Ogwuma and Nwabekee, 2015). The lingering sovereign debt burden on Nigeria over the years has indeed undermined the possibility of economic prosperity and modernization that the country much desires. "In 2003, the debt crisis of Nigeria reached a maximum proportion when the country had to transfer a lump sum of $2.3 billion to service its debt. This began to have deliberating effect on the economy" (Ijeoma, 2013). Although at the moment, the country's debt-to-GDP ratio is relatively low at 17%, the IDB Representative to Nigeria, Mr. Mohammed A. Kilaki, "ranked Nigeria among the countries using the largest percentage of its revenue to service foreign debts. He declared that Nigeria spent 80 percent of her revenue on debt servicing" (Nweze, 2016).

"The cost of servicing debt for Africa's top oil producer has been rising over the past 3 years, with the government looking to borrow as much as $5 billion to finance a record budget of 3 trillion naira"(The News, 2016). With a plummeting price of crude oil since the year 2014 which accounts for 70% of the federal government's revenue and over 90% of Nigeria's foreign exchange earnings on one hand and the need to make payments for her fat debt stock owed lenders overseas on the other, the Nigerian government in the end is left with little or no capital to save domestically for economic growth and development purposes. Thus, the state of the already prevalent problems of insufficient public infrastructure, abject poverty as well as the deteriorating living conditions in the country have worsened nationwide owing among other contributing factors to the required servicing of the country's ballooning foreign debt.

CONCLUSIONS AND POLICY RECOMMENDATIONS

The resort to external borrowing remains a reliable source of finance for States government experiencing a budget deficit. Nevertheless, it is the misuse and mismanagement of these funds that drags an economy into a sovereign debt crisis. The sovereign debt crisis in Africa since the 80s has greatly hindered all efforts put in by the national government of African States towards the actualization of a prosperous and transformed economy. Denied therefore of any breathing space to save domestically let alone invest in what turned out to be a disproportionate ratio were African countries gets to pay more from their little foreign earnings to the servicing of external debt that is greater than the initial amount borrowed from the creditors, this paper using the case study of Nigeria has explicitly established that the drainage of African polities treasury has further entrapped them in the circles of abject poverty and economic backwardness.

In the light of these findings, the following policy recommendations have been put forward for the consideration of political leaders and policy-makers alike in Africa for the purpose of salvaging the economic crisis before them.

i) Imbibe the administrative culture of effectively managing all outstanding debt obligations as at when due through appropriate governmental institutions.
ii) Implement sound macroeconomic reforms that would boost the economic performance of the State.
iii) Reduce the over reliance on foreign loans by encouraging domestic savings and investment through export promotion.
iv) Only incur a foreign debt on productive activities and capital projects with projectable returns that would supersede the cost of borrowing, as can be ascertained by a thorough feasibility study.
v) All anti-corruption efforts should be intensified in order to block the avenues of siphoning the loans incurred from overseas by government officials.
vi) The Nigerian State in question is to make room for other streams of national income by

diversifying her mono-economy away from crude oil and petro-dollar earnings.

vii) Build a strong foreign reserve during years of surplus national income as against future economic doldrums.

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