

“DELIVER AFRICA FROM DEBTS”: GOOD GOVERNANCE ALONE IS NOT ENOUGH TO SAVE THE CONTINENT FROM DEBT ONSLAUGHT

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The present article analyzes the debt–economic growth nexus in African countries while controlling for the impact of good governance indicators. In contrast to a long tradition of scholarship that has consistently suggested that government debt has a detrimental impact on economic growth in sub-Saharan Africa, recent studies have actually shown that government debt, when coupled with improvements in the quality of government, is actually a driver of economic growth. By analyzing an original dataset that covers the 2002–15 period and additional debt–economic growth data going up to the year 2020, we are able to suggest three conclusions. First, in the absence of debt, good governance matters in improving economic growth. Second, some dimensions of governance are better predictors of economic performance than others—as the “good enough governance” literature has in recent years suggested. Third, under no circumstances is debt government growth beneficial for the economic performance of African countries. Building on this evidence, we suggest that the COVID-19 pandemic—which has already

slowed down African economies and increased their debt exposure—may prevent African countries from making greater progress along the developmental path.

Keywords: African Debt, Governance, Government Debt, COVID-19, Development, Economic Growth, System GMM, Africa, Pandemic, Coronavirus, Sub-Saharan Africa.

“LIBERAR A ÁFRICA DE LAS DEUDAS”: La Buena Gobernanza Por Sí Sola no Es Suficiente Para Salvar Al Continente De La Avalancha De Deudas

El propósito del presente artículo es analizar el nexo deuda-crecimiento económico en los países africanos controlando el impacto de los indicadores de buena gobernanza. En contraste con una larga tradición académica que ha sugerido sistemáticamente que la deuda pública tiene un impacto perjudicial sobre el crecimiento económico en África subsahariana, estudios recientes han demostrado que la deuda pública, cuando se combina con mejoras en la calidad del gobierno, es en realidad un motor de crecimiento económico. Al analizar un conjunto de datos original que cubre el período 2002–15 y datos adicionales de crecimiento económico de la deuda hasta el año 2020, podemos sugerir tres conclusiones. Primero, en ausencia de deuda, la buena gobernanza es importante para mejorar el crecimiento económico. En segundo lugar, algunas dimensiones de la gobernanza son mejores predictores del desempeño económico que otras, como ha sugerido la bibliografía suficientemente buena sobre gobernanza en los últimos años. En tercer lugar, bajo ninguna circunstancia, el crecimiento del gobierno de la deuda es beneficioso para el desempeño económico de los países africanos. Basándonos en esta evidencia, sugerimos que la pandemia de COVID-19, que ya ha desacelerado las economías africanas y aumentado su exposición a la deuda, puede impedir que los países africanos logren un mayor progreso en la senda del desarrollo.

Palabras clave: Gobernanza, Deuda pública, COVID-19, Crecimiento económico, Sistema GMM, África.

“让非洲远离债务”：仅靠善治无法让非洲摆脱数不清的债务

本文目的是在控制善治指标影响的同时分析非洲国家的债务-经济增长关系。长期以来，学术文献一致暗示政府债务对撒哈拉以南非洲的经济增长产生了消极影响，与此相反的是，近期研究显示，当治理质量提升时政府

债务实际能驱动经济增长。通过分析一项涵盖2002–15年的原始数据集,以及一项包含2002–20年的债务-经济增长数据,我们提出了三个结论。第一,在没有债务的情况下,善治在提高经济增长一事中发挥重要作用。第二,治理的某些维度比其他维度更能预测经济表现—近年来相当多的治理文献也得出了这一观点。第三,政府债务增长在任何情况下都不会有益于非洲国家的经济表现。基于此,我们暗示,已经减缓非洲经济并增加其债务风险的新冠肺炎(COVID-19)大流行可能会阻碍非洲国家在发展道路上走得更远。

关键词: 治理, 政府债务, 新冠肺炎(COVID-19), 经济增长, 系统广义矩估计, 非洲。

In the past few decades, few topics have received more attention among scholars, practitioners, development experts, and Africanists than the relationship between debt and development in the African continent (Collier 1991). One stream of inquiry has suggested that the rising and unmanageable debt that African countries has incurred, to create the conditions for sustainable economic growth and socioeconomic development, was one of the most important reasons why African economies had grown sluggishly and ended up facing the most severe crisis in their post-colonial history (Callaghy 1984; Cohen 1999). A second stream of inquiry has suggested instead that, to make progress along the developmental path, African countries need to modernize their infrastructure and that, to do so, they are bound to face rising debt levels. The emergence of good governance literature in the late 1990s has suggested that whether debt is a driver of economic growth and development or not is conditional on the progress that African countries are able to make in improving the quality of their governance. When debt levels escalate in the absence of significant improvements in terms of governance, it is reasonable to surmise that public resources are mismanaged, misallocated, and possibly wasted. This intimates that expenditure and debt are bound not to have any beneficial impact on a country's economic prospects. By contrast, when increases in debt levels are coupled with significant improvements in the quality of government or in the level of governance, then government expenditures and debt can be expected to stimulate growth, to create the conditions for long-term economic performance, and to be conducive to socioeconomic development. The work conducted by Nounamo *et al.* (2021) best exemplifies this second stream of scholarship. Using economic data from the World Bank Development Indicators database and governance data from the Worldwide

Governance Indicators, Nounamo *et al.* (2021) explored the relationship between debt and economic growth. They found that, when coupled with improvements in the quality of government or with good governance government, debt has—in contrast to what the literature had long believed—a positive impact on the economic performance of African countries.

Over the past two decades, the study of (good) governance has become one of the most exciting research agendas in the social sciences. Given its focus on the quality/performance of institutions, it has an obvious appeal to comparative constitutional engineers (Sartori 1997), to political development specialists (Huntington 1968), to comparative politics scholars, and to political scientists more generally. The study of good governance also has a considerable appeal to scholars working in a wide range of fields, from macroeconomics and economic development to public administration and public policy. Public administration specialists were mostly concerned with good governance as a dependent variable and focused on the kinds of reforms that could be adopted to promote good governance. Economists were mostly concerned with good governance as an independent variable and focused on whether, how, and to what extent good governance was instrumental in promoting economic growth and development and in generating/favoring other economic outcomes.

Good governance has had a far-reaching appeal not only for a wide range of social sciences, but also, in some not-so-exceptional cases, for geologists and engineers (Ambraseys and Bilham 2011), given this appeal, the literature on governance branched out into several directions depending on whether the scholarly interest was primarily devoted to the conceptualization, the operationalization, the measurement, or the empirical utilization of good governance. While this growing body of research has considerably furthered the scholarly understanding of good governance, it has possibly complicated the work of development agencies, institutional reformers, and policy makers (Grindle 2004, 2007).

Ever-growing definitions of good governance led international organizations to formulate and advocate an increasingly more ambitious reformist agenda that, instead of promoting development, could actually be preventing countries from making swifter progress along the developmental path. Grindle (2004) noted that asking developing countries to devote their attention to too many governance issues could actually prevent them from promoting good governance and creating the conditions for socioeconomic development. Grindle (2004) went on to suggest that “good enough governance” was enough to secure development and that developing countries should focus on addressing first their more pressing governance needs and then to address the remaining

ones in order of their respective importance. In what is possibly the first effort (Baris, Knox, and Pelizzo 2021) to empirically test Grindle's claim(s), it was shown that in the context of post-Soviet states' political stability and the absence of violence were the only governance dimensions that had a positive, significant, and robust impact on economic performance in the region.

Given the attention that the governance literature has paid to the role of good enough governance in promoting development, here we wish to explore whether the debt–economic growth nexus is affected by good governance as claimed by some scholars (Nounamo *et al.* 2021) or is affected by good enough governance (Grindle 2004). The question is of some importance for two different reasons. The first is that the results of the present analysis could contribute to corroborating/falsifying claims as to whether and how much good governance is needed to boost economic performance. The second reason is that our analysis can also contribute to corroborating/falsifying claims as to how debt and economic growth are related to one another in the African context. This question has historically attracted considerable scholarly interest and is particularly relevant in an era when the COVID-19 pandemic, in addition to slowing down economic activities and growth, has also been responsible for a greater debt exposure in most of the African continent.

The present study is structured in a fairly straightforward way. In the next section, we provide a review of the literature on Africa's debt and its consequences for the African continent. After that, in addition to discussing data, data sources, and methodology, we present the results of our statistical analyses. In the final section, we formulate, as is customary, some tentative conclusions.

Literature Review

Recent studies on Africa's development (Kinyondo and Byaro 2020; Kinyondo and Pelizzo 2018*a*; Pelizzo, Kinyondo, and Nwokora 2018) noted that the African crisis, that Arrighi (2002) had alluded to, was the result of the interaction of several causes or factors. One such cause was identified in the high debt levels that many African countries had to cope with by the mid-1990s. According to Collier (1991, 344), "Sub-Saharan Africa's debt has increased from \$14.5bn in 1970 to \$126bn by the end of 1987" and as debt rose, debt service grew accordingly, thus creating an obstacle to Africa's economic growth and derailing its developmental plans.

By the mid-1980s, scholars and practitioners had become painfully aware of Africa's debt crisis (Callaghy 1984). Studies were pointing out the fact that the debt was extremely burdensome—even more problematic than the size or the magnitude of the debt. In Hardy's (1986, 453) words "debt service payment in Africa accounts for 50 to 60 percent of export earnings. In low-income Africa, total external debt amounts to more than half the value of output and six times the value of exports." The sustainability of Africa's debt attracted—or, rather, started attracting—the interest of the international community (Cohen 1999) and scholars and policy makers alike became quite outspoken in stating that debt relief was a necessary, though in itself insufficient, condition for Africa's development (Helleiner 1992).

While the performance of African economies in the 1990s had led some scholars and observers to comment that the African crisis had turned into a tragedy, with the new millennium African economies experienced to a different extent periods of economic expansion. The economic success that African economies were able to enjoy in the first three decades of the new century were due to a combination of factors: improvement in the level of governance, greater inflow of foreign direct investments, more aid money, closer economic ties with a booming China, and a commodity bonanza that allowed African countries to export higher volumes of commodities at a much higher price (Kinyondo 2019; Pelizzo, Kinyondo, and Nwokora 2018). The list of factors responsible for such a long period of more-or-less rapid economic expansion would not be complete if one neglected to mention debt relief. Highly indebted African countries were granted debt relief, their debt burden was alleviated, and the resources required to make debt service payment could be used to support the needs of their rapidly growing economies.

By the end of 2014, the situation started to change. The price of commodities, and especially the price of oil, decreased substantially, the inflow of aid money started to slow down, and the amount of foreign direct investment started to decrease. In addition, the progress that many African countries had made to improve good governance and the quality of their democratic regimes was at risk of being compromised—or was compromised—by deficiencies in some crucial aspects of good governance: political instability, terrorism, politically motivated violence, corruption, and the erosion of the rule of law. Of particular interest, in this respect, was the case of Tanzania where the late President Magufuli used the powers and the legitimacy he had gained in the fight against corruption to downsize the democratic space in the country (Kinyondo 2020).

As African economies started to slow down—well before the COVID-19 pandemic hit the continent and took a toll on its economies (Farayibi and Asongu 2020; Kanu 2020; Ozili 2020)—Africa’s debt problem started once again looming on the horizon. And with the economic consequences of the COVID-19 pandemic, the debt situation is set to worsen (Kinyondo and Pelizzo 2021). In June 2020, Uganda’s debt stood at 41 percent of its gross domestic product (GDP) and is expected to reach 49.9 percent by June 2021.¹ For Kenya, “Fitch forecasts general government debt to reach 68.8% of GDP in FY21.”² The debt-to-GDP ratio was expected to be >100 in Zambia, Angola, and the Republic of Congo where it was expected to reach, respectively, 110, 129, and 130 percent of GDP.³ Given the marked increase of the debt burden in the African continent, analysts, scholars, and practitioners started once again worrying about the sustainability of debt and its impact on the socioeconomic conditions in Africa.

Devarajan, Gill and Kenan (2019) provided some policy recommendations as to how African countries should handle the growing debt. Ampah and Kiss (2019) assessed the impact of a growing external debt on the effectiveness of economic policy. Atta-Mensah and Ibrahim (2020) claim that the rising debt may offset the economic progress that the continent had experienced in the first decade of the new millennium. Edo, Osadolor, and Dading (2020) claim that African economies may be slowed down by a combination of a rising debt and declining exports. And Nounamo *et al.* (2021) have assessed the extent to which the debt–economic growth nexus is affected by institutions. These studies have provided a valuable insight into the causes and/or the consequences of Africa’s rising debt, and equally useful policy recommendations as to how the problem of a rising debt could be, if not avoided, at least minimized. They, nevertheless, generally share the view that debt, and

¹The data on Uganda were reported by Reuters, <https://www.reuters.com/article/uk-uganda-debt-idUSKBN2AB1BU>.

²The estimates for Kenya were provided by Fitch, <https://www.fitchratings.com/research/sovereigns/fitch-affirms-kenya-at-b-outlook-negative-26-03-2021>.

³The data on Zambia were provided by <https://www.lusakatimes.com/2020/07/10/zambias-debt-burden-to-exceed-110-of-gdp-this-year-moodys/>, the data for Angola were taken from <https://www.fitchratings.com/research/sovereigns/angolas-fiscal-deficit-target-achievable-high-debt-persists-07-12-2020#:~:text=The%20debt%2FRevenue%20ratio%2C%20which,US%20dollars%20through%20oil%20revenue>, while the data for the Republic of Congo were taken from <https://www.fitchratings.com/research/sovereigns/fitch-affirms-republic-of-congo-at-ccc-25-11-2020>.

especially a rapidly rising debt, may be detrimental for Africa and its economies.

For some of these scholars, debt is bad in itself (Ampah and Kiss 2019; Atta-Mensah and Ibrahim 2020), while for others debt is problematic only in combination with other conditions (Edo, Osadolor and Dading 2020). Some see the solution to the debt problem in more rapid economic expansion and improved primary balances (Attah-Mensah and Ibrahim 2020). Others suggested, *inter alia*, that African governments need to “make sure that the maturity of loans matches the gestation periods of infrastructure investments” (Devarajan, Gill and Kenan 2019, 24). A third group of scholars has underlined the importance of the quality of democratic governance and have noted that the relationship between debt and economic growth is mediated by the quality of government in a given polity (Nounamo *et al.* 2021). It is not difficult to understand why this may be the case. In countries where the level of good governance is low—that is, where the quality of government is low—it is more likely for public resources to be misallocated, to be wasted because of corruption, or to be used in projects that fail to deliver any economic and developmental dividends. By contrast, in countries with a higher level of good governance, there is less corruption, there is greater oversight of government expenditures, and it is more likely for public resources to be put to good use and to create the conditions for economic growth and development. The fact that countries with good governance make better use of the resources at their disposal, enjoy faster economic growth, and make more progress along the developmental path supports the claim that good governance matters originally advanced by Kaufmann, Kraay and Zoido (1999).

It is difficult to overestimate the importance of the working paper by Kaufmann, Kraay and Zoido (1999). It presented the Worldwide Governance Indicators that have been used since in countless studies (Asongu 2017; Asongu, Efobi and Tchamyu 2018; Baris and Pelizzo 2020; Kinyondo and Pelizzo 2018*b*; Pelizzo 2020). It pioneered a line of inquiry that, over the years, has engaged scholars from a wide range of disciplines. It also provided policy makers with some guidance to make their governments work better. The growth of the good governance literature went, in many ways, hand-in-hand with an expansion of the features that make governance good.

In contrast to the parsimonious way in which Kaufmann, Kraay, and Zoido (1999) operationalized and measured governance, more recent studies adopted increasingly broader and more detailed categories to assess (good) governance. The broadening of the concept and its

operationalization detectable in scholarly studies translated into a wider and ever-expanding policy agenda. A wide and ever-increasing set of much-needed reforms would actually prevent developing countries from properly focusing on their most pressing problems in terms of governance and to create the conditions to develop (Grindle 2004, 2007). Grindle suggested that the international community, donor agencies, and developing countries should focus on a narrower set of governance dimensions. They should also realize that what developing countries need is just “good enough governance.” In what we have reason to believe was the first effort to test Grindle’s claim, Baris, Knox, and Pelizzo (2021) showed that the economic performance of Central Asian countries was indeed made possible by improvements in the level of good governance. These authors also argued that some dimensions of governance had a greater influence on economic performance than others and that political stability—that is, the political stabilization of the region in the wake of the collapse of the Soviet Union—was the single most important determinant of economic performance in the Central Asian region.

So, Nounamo *et al.* (2021), in contrast to what has been for many years a fairly established opinion in scholarly and policy circles, showed that debt does not always have a detrimental impact on economic growth. And Baris, Knox, and Pelizzo (2021) have shown that a fair number of governance dimensions are sufficient to stimulate a country’s economic performance. Given these two positions, in the next section, we test whether the debt–economic growth nexus is affected by good enough governance.

Methodology and Data Sources

We sampled a total of 41 countries in sub-Saharan Africa from 2002 to 2015. Specifically, variables that include, government debt, trade openness, and consumer price index (CPI) were extracted from World Bank Indicators Database (2020). Trade openness was measured in terms of the import and export ratio of GDP. Government debt was measured in total external debt stocks (disturbed and outstanding debt, current U.S. dollars). Since governance data is only available until 2015, we took the liberty to complement the above-mentioned data with debt and economic growth data from the World Bank and Statistica.

All governance indicators (political stability and absence of violence, voice and accountability, rule of law, regulatory quality, government effectiveness, and control of corruption) were collected from Worldwide

Governance Indicators.⁴ Since the six indicators of governance are strongly correlated with each other, we treat each governance index regression model separately on public debt while controlling for trade and inflation rates in sub-Saharan Africa. This is because putting all six governance indicators in the same regression model would lead to multicollinearity.

We applied an unbalanced panel growth regression model to explain the links between government long-term debt and governance on economic growth using six governance indicators. CPI (inflation rate) is used as an indicator of prices of goods and services in the economy. Since our data consists of a panel of 41 countries for 14 years, where $N=41$ is much larger than $T=14$, our model approach favors the Generalized Method of Moments (GMM) system estimator that applies a number of instruments to control endogeneity between economic growth, trade, and debt (see Byaro 2021a, 2021b). Economic growth and government debt have causal links that requires an instrumental variable approach such as the GMM. Therefore, in estimating the system GMM estimator, we used the following regression model specification:

$$\begin{aligned} \ln \text{GDP}_{i,t} = & \alpha_0 + x_1 \text{LGDP}_{i,t-1} + x_2 \text{Ltrade}_{i,t} + x_3 \text{IDebt}_{i,t} + x_4 \text{Governance}_{i,t} \\ & + x_5 \text{Governance}_{i,t} \times \text{IDebt}_{i,t} + x_6 \text{CPI} + \gamma_t + \mu_i + \varepsilon_{i,t} \end{aligned} \quad (1)$$

where $\ln \text{GDP}_{i,t}$ is the natural logarithm of per capita real GDP, $\text{LGDP}_{i,t-1}$ is the natural log of one period lagged value of per capita GDP, $\text{Ltrade}_{i,t}$ is the natural log of trade openness, $\text{IDebt}_{i,t}$ is the natural log of long-term debt, $\text{CPI}_{i,t}$ is the CPI, $\text{Governance}_{i,t}$ is the rule of law, governess effectiveness, political stability, control of corruption, regulatory quality, and voice and accountability, $x_5 \text{Governance}_{i,t} \times \text{IDebt}_{i,t}$ is the interaction effect, x is the estimated coefficient of parameters, α_0 is the intercept, $\varepsilon_{i,t}$ is the error term, γ_t is the time-specific effects, $i=1, \dots, N$ (countries), $t=1, \dots, T$ (time), and μ_i is the country-specific fixed effects constant in time.

Since the country-specific effects (μ_i) correlate with explanatory variables in equation (1), they create endogeneity bias and other unobserved heterogeneity bias. This bias and its omitted variable bias can be removed

⁴The Worldwide Governance Indicators can be found and downloaded at the following link: <https://info.worldbank.org/governance/wgi/>.

by first differencing as follows:

$$\begin{aligned} \Delta \text{LGDP}_{i,t} = & \Delta \alpha_0 + x_1 \Delta \text{LGDP}_{i,t-1} + x_2 \Delta \text{Ltrade}_{i,t} + x_3 \Delta \text{ldebt}_{i,t} \\ & + x_4 \Delta \text{governance}_{i,t} + x_5 \Delta \text{governance}_{i,t} * \text{ldebt}_{i,t} \quad (2) \\ & + x_6 \text{CPI}_{i,t} + \Delta \mu_i + \Delta \gamma_t + \Delta \varepsilon_{i,t} \end{aligned}$$

Since μ_i is controlled and constant in time, then $\Delta \alpha_0 = \Delta \mu_i = 0$.

Arellano and Bond (1991) used first differences to remove the unobserved heterogeneity and its omitted variable bias through the GMM—first differences. In this way, the endogeneous explanatory variables in differences ($\Delta \text{LGDP}_{i,t-1}$) are instrumented by their lagged value. Finally, Blundell and Bond (1998) combined the instruments in differences (equation (2)) and the instruments in levels (equation (1)) to form system GMM estimators where the variables in differences are instrumented through their values in levels, and the variables in levels are instrumented through their values in differences using a number of lags.

The validity of the instruments used in the two-step system GMM estimator is checked through the Hansen test, where the p value is >10 percent and through the absence of second-order serial correlation test (2). In the AR estimation procedure, we adopted the Roodman (2019) estimator *xtabond2* and introduce the *collapse* options to ensure that the number of instrument counts used is smaller than the number of groups/countries (Byaro 2021a).

Analysis and Results

Regression Analysis

Before proceeding with our analysis in Table 1, we present the descriptive statistics concerning the variables used in our statistical analyses.

We estimate our benchmark model and then finally include our governance variables to explain the full model. Our panel was unbalanced due to the unavailability of data from other countries. The data covered the period 2002–2015 for a sample of 41 countries in sub-Saharan Africa. Table 2 shows the empirical results indicating the results of the two-step GMM approach without governance indicators.

Our preliminary baseline results in Table 2 show that only trade openness increases economic performances in sub-Saharan countries. Government debt and inflation rate (CPI), on the other hand, have negative implications on economic growth, although they are statistically insignificant. This evidence (because of the insignificance of the coefficient) is insufficient to claim that debt has a detrimental impact

Table 1.
Descriptive Statistics.

Variable	Obs	Mean	Std. Dev.	Min	Max
Real GDP	570	2187.554	3346.07	194.873	20533
Debt	532	7.62×10^9	1.64×10^{10}	1.32×10^8	1.47×10^{11}
Trade	539	72.06758	38.26015	19.10069	311.3541
Regulatory quality	574	-0.6724756	0.5719194	-2.24367	0.8042418
Rule of law	574	-0.6880255	0.5918798	-1.852296	0.7305223
Voice and accountability	560	-0.572826	0.7342049	-2.226054	0.9700963
Political stability	574	-0.5179485	0.902042	-2.699193	1.200234
Government effectiveness	574	-0.7359273	0.5562152	-1.848333	0.7258958
Control of corruption	574	-0.6168031	0.6097177	-1.772761	1.216737
CPI	506	30.15277	10.47527	11	65

Notes: GDP = gross domestic product; CPI = consumer price index.

Table 2.
System-GMM Estimates for Economic Performance.

Variables	Coefficient
In real GDP(-1)	.976*** (.036)
In trade	.14* (.084)
In government debt	-.01 (.020)
Consumer price index	-.001 (.002)
Constant	-.276 (.394)
Number of observation (<i>N</i>)	433
Number of instruments	8
Number of groups	37
Hansen test <i>p</i> value	.10
AR2 <i>p</i> value	.16

Notes: Robust standard errors in parenthesis; dependent variables = real GDP per capita. In = natural logarithm; GMM = generalized method of moments; GDP = gross domestic product. *** $p < .01$, ** $p < .05$, * $p < .10$.

on economic performance, but it does sustain the claim that the debt does not stimulate the economy.

The diagnostic test shows that the Hansen test is valid for the instrument used and the second-order serial correlation test AR indicates no serial correlation. The first up to two lags were used for explanatory variables. We used the *collapse* option to restrict the number of instruments to be lower than the number of countries following Roodman (2019),

Kinyondo and Byaro (2020), and Byaro (2021a). Our modeling approach used eight instruments which are lower than the 41 sample countries. In turn, our diagnostic test in Table 3 shows that both the Hansen test and the second-order serial correlation test (AR2) are valid.

The results of the models presented in Table 3 allow us to assess the impact that governance indicators, debt, and trade (economic openness) have on the economic performance of sub-Saharan countries.

With regard to the governance indicators, our analyses reveal that, generally speaking, good governance matters as several governance indicators have a strong, positive, and statistically significant impact on economic growth. Consistent with the claims advanced by the “good enough governance” literature, our analyses further reveal that some dimensions of governance (rule of law, regulatory quality, government effectiveness, voice and accountability) have a positive (and significant) impact on economic growth. However, the influence that other dimensions of governance (political stability and control of corruption) exercise on economic growth is statistically insignificant. An interesting point of note is that, while Baris, Knox, and Pelizzo (2021) reported that political stability was, among the various governance indicators, the single most important government determinant of economic growth, our analysis of the African data shows instead that political stability was not one of the drivers of economic performance in the African continent.

With regard to the relationship between debt and economic growth, our statistical analyses show that the coefficients are not robust: in five of the six models the coefficient for debt is statistically insignificant, in one model it is significant and negative, and in one model it is positive but insignificant. Hence, while this evidence is insufficient to claim that debt slows down economic growth, it fails to corroborate (and hence it forces one to reject) the claim advanced by Nounamo *et al.* (2021) that debt has a positive impact on growth. The evidence generated by our analyses reveals unequivocally that debt in sub-Saharan Africa is not growth inducing.

In each of the six models displayed in Table 3, in addition to reporting the coefficients for debt, we also report the coefficient for several interaction terms. This evidence also fails to corroborate the claim of Nounamo *et al.* (2021). All the coefficients for the interaction terms are negative and three of them are statistically significant—which means that debt cannot possibly be regarded by itself or in an interaction with governance indicators as having a beneficial impact on economic performance. Generally, our findings clearly show that, even in the presence of good governance, government debts are detrimental to the economic performance of

Table 3.
Economic Performance, Debt, Trade, and Governance (System GMM, 2002–15).

Variables	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
In real GDP (-1)	.983*** (.018)	.950*** (.028)	.966*** (.022)	.985*** (.023)	.990*** (.016)	.974*** (.020)
In Trade	.085*** (.037)	.004 (.089)	.021 (.049)	.078* (.042)	.006 (.078)	.033 (.064)
In government debt	-.021 (.017)	-.015 (.024)	-.055* (.032)	.011 (.015)	-.048 (.034)	-.047 (.061)
Consumer price index	-.001 (.001)	.001 (.003)	.001 (.002)	-.001 (.001)	.001 (.001)	.001 (.003)
Rule of law	.949** (.451)					
Political stability		1.115 (.931)				
Regulatory quality			1.699** (.847)			
Voice and accountability				.839* (.505)		
Government effectiveness					1.167* (.662)	
Control of corruption						1.52 (1.47)
In debt × rule of law	-.041** (.021)					
In debt × political stability		-.049 (.042)				
In debt × regulatory quality			-.076** (.038)			
In debt × voice & Accountability				-.037 (.023)		
In debt × government effectiveness					-.051* (.030)	
In debt × control of corruption						-.069 (.069)
Constant	.320 (.284)	.640 (.736)	1.087 (.724)	.072 (.306)	1.00 (.724)	1.07 (1.39)
Number of observation (<i>N</i>)	433	433	433	420	433	433
Number of instruments	14	10	18	14	18	14
Number of groups	37	37	37	36	37	37
Hansen test <i>p</i> value	.31	.28	.63	.67	.52	.45
AR2 <i>p</i> value	.29	.83	.11	.33	.32	.22

Notes: Robust standard errors in parentheses. In = natural logarithm. GMM = generalized method of moments; GDP = gross domestic product.

*** $p < .01$, ** $p < .05$, * $p < .10$.

Table 4.
Selected Economic Growth and Debt Trends for Sub-Saharan Africa.

	2010	2015	2018	2020	2021 ^{estimate}	2022 ^{forecast}
Sub-Saharan Africa						
GDP growth annual (%)	5.6	2.8	2.4	-3.7	2.7	3.3
External debt to GNI (%)	22.7	28	36	40	43	45

Sources: World Bank (2021); Statistica (2021).

Notes: GDP = gross domestic product; GNI = gross national income.

sub-Saharan African countries. On the flip side, results also show that trade openness and governance were found to have a significant and positive effect on economic growth in Africa, thereby giving a clue as to which direction the continent should take.

The Worsening Debt Situation: Evidence from Descriptive Statistics

As mentioned earlier, the data analyzed above is for the period ending 2015 due to lack of governance data in the following years. This leaves a gap of six long years from then and now. It is for this reason that we now use descriptive statistics to demonstrate that the debt situation in the continent has become worse since 2015, implying a big hit on African economies.

Table 4 shows that sub-Saharan Africa has been hard hit by the COVID-19 pandemic with economic activity shrinking by an estimated 3.7 percent in 2020. Growth is forecast to resume only if the COVID-19 outbreak slows down and gains a moderate average pace of 3.3 percent in 2022. If the COVID-19 pandemic continues for a long period, the overall economy is expected to shrink in 2022 and millions of people in the region could be pushed into extreme poverty from 2021 to 2022. Although there was a change in government indebtedness in 2020, it is likely that government revenues and economic activities are bound to slow down even further in 2021. As of this writing, the COVID-19 outbreak continues unabated since early January 2020. This economic slowdown, coupled with high and rising government debt burden in many sub-Saharan Africa countries, has resulted in a situation in which private companies, banks, and governments have struggled to service their debt due to revenues decline. In general, COVID-19 and high debt burden are the two major risks that the continent is facing right now. Table 4 shows the general government gross debt ratio in relation to GDP in 41 selected countries in sub-Saharan Africa as of 2021, by country.

Table 5.
Government Gross Debt in Relation to GDP in Sub-Saharan Africa as of 2021.

Country	Debt to GDP (%)	Country	Debt to GDP (%)	Country	Debt to GDP (%)
Eritrea	173	Rwanda	69	Lesotho	46
Cabo Verde	138	Burundi	69	Madagascar	45
Mozambique	124	Namibia	68	Chad	44
Zambia	120	Sao Tome	67	Cote d'ivoire	43
Angola	108	Senegal	65	Benin	41
Seychelles	85	Liberia	64	Tanzania	39
South Africa	83	Ethiopia	59	Nigeria	36
Guinea-Bissau	79	Sudan	57	Comoros	32
Sierra Leone	78	Uganda	51	Botswana	24
Gambia	77	Niger	49	Democratic Republic of Congo	13
Malawi	75	Equatorial Guinea	48	Zimbabwe	2
Ghana	75	Burkina Faso	48		
Togo	71	Mali	46		
Kenya	70	Guinea	46		
Gabon	71	Cameroon	45		

Source: Statistica (2021).

Note: GDP = gross domestic product.

Meanwhile, as a more specific example, Table 5 shows that debt levels have been increasing at an alarming rate in Tanzania. Specifically, the government debt amounted to over 100 percent of the country's GDP in Eritrea, Mozambique, Cabo Verde, Zambia, and Angola. In turn, Zimbabwe, Botswana, and the Democratic Republic of Congo are among the countries with the lowest national debt in relation to GDP.

Table 5 also shows that the average debt-to-GDP ratio is 64.5 percent. This is consistent with an international debt statistics report that showed most countries in sub-Saharan Africa to have external debt to gross national income (GNI) ratios above 60 percent compared with 23 percent in 2010 (World Bank 2021). This implies that the African debt has been on the rise for the past ten years and the COVID-19 pandemic had slowed down the growth that is needed to keep the biggest borrowers solvent. These high public debt burdens in many developing countries, including sub-Saharan Africa, led the International Monetary Fund (IMF) to recommend that African countries maintain their debt-GDP ratio at below 60 percent. However, in the same vein, the World Bank also predicted the average sub-Saharan African debt to hit a peak of

67.4 percent of GDP in 2021. These statistics make sub-Saharan Africa the fastest debt accumulation region compared with other developing regions. Indeed, according to the IMF (2020), the average debt-to-GDP ratio in sub-Saharan Africa before COVID-19 was 56.4 percent. However, with COVID-19, the average debt-to-GDP ratio projections in the region was 65.6 percent in 2020. Africa could well need a debt waiver/relief to stand any chance of fighting the negative economic impact that is still being caused by the COVID-19 pandemic.

Conclusions

The purpose of the present article was to explore the debt–economic growth nexus while controlling for the influence of good and/or good enough governance, inflation, and trade openness. Similar studies (see Nounamo *et al.* 2021) suggested that debt is a driver of growth when the impact of governance indicators is controlled for. Our study found that, even when we control for good governance, government debt is still harmful to the economies of sub-Saharan African countries. Our analysis has instead revealed that, while some (but not all) of the governance indicators (i.e., government effectiveness, rule of law, regulatory quality, and voice and accountability) have a positive impact on economic performance as the good governance and the “good enough governance” literature has repeatedly suggested, debt cannot possibly be viewed as a positive determinant of economic growth. Debt has, at best, no influence on economic growth and a negative impact at worst.

Our findings are in line with a long tradition of scholarship on Africa’s debt. For almost four decades, scholars and practitioners have shown that debt does not yield any economic and developmental interest but that it represents an obstacle for economic growth and socioeconomic development. Our findings are well aligned with such a long and distinguished tradition. Our findings do not simply make a contribution to an academic discourse; they also have clear policy implications that should be the subject of future research. The African economies, though not as much as those in other regions, have been severely and detrimentally affected by the ongoing COVID-19 pandemic. To cope with the economic woes caused by the pandemic, African governments decided to sustain their economies by spending public money and by allowing the debt to increase. It was probably the only viable course of action, but if African governments hope to resecure a more dynamic economic performance and to sustain rapid economic growth over time,

reducing the level of indebtedness will have to be one of their main priorities. The other priorities must be pushing for more trade while maintaining good governance.

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Appendix

List of Countries Included in the Analysis

Angola, Botswana, Benin, Burkina Faso, Burundi, Cameroon, Cape Verde, Congo Democratic Republic, Equatorial Guinea, Ethiopia, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mozambique, Namibia, Niger, Nigeria, Rwanda, Senegal, Sierra Leon, South Africa, Sudan, Tanzania, Uganda, Zambia, Zimbabwe, Sao Tome and Principe, Togo, Seychelles, Chad, Cote d'Ivoire, Eritrea, and Mauritania.