



DOES CORRUPTION DRIVE EXTERNAL DEBT ACCUMULATION? EVIDENCE FROM SUB-SAHARAN AFRICA

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Abstract

This study examines whether corruption drives external debt accumulation in Sub-Saharan Africa. Anchored on Rent Seeking, Public Choice, Principal Agent, and Fiscal Illusion theories, it investigates whether weak governance, theorized to widen fiscal deficits, inflate debt financed projects, and divert borrowed resources, translates into faster accumulation of external liabilities. Using a balanced annual panel of 46 Sub-Saharan African countries for 2001 to 2024, comprising 1,104 observations, the study regresses the natural logarithm of external debt stocks on the Transparency International Corruption Perceptions Index. The Breusch-Pagan Lagrange Multiplier test confirmed the panel structure of the data, the Hausman test supported a random effects model, and, because diagnostic tests detected heteroskedasticity and serial correlation, inference was based on robust standard errors clustered at the country level. The results reveal that corruption has no statistically significant effect on external debt accumulation: the coefficient on the Corruption Perceptions Index is statistically indistinguishable from zero, explains less than one percent of the variation in external debt, and carries a sign contrary to the hypothesis that corruption drives debt, consistent instead with a creditworthiness channel through which better governed countries access more external finance. The study concludes that the region's debt build up is driven predominantly by macroeconomic and global financing conditions rather than governance differentials, and that corruption's fiscal damage operates through the productivity of debt financed expenditure rather than the volume of borrowing. Debt sustainability strategies should therefore target borrowing terms, composition, and transparency, while anticorruption reform should focus on deploying borrowed resources.

Keywords: Corruption, external debt, debt accumulation, Corruption Perceptions Index, Sub-Saharan Africa, random effects model

INTRODUCTION

Background

External debt remains a principal instrument through which developing economies finance investment, bridge fiscal deficits, and cushion external shocks. When borrowed resources are channeled into productive sectors, external financing can accelerate infrastructure development, expand productive capacity, and stimulate growth in the long run (Krugman, 1988; Reinhart & Rogoff, 2010). In Sub-Saharan Africa (SSA), external borrowing has historically funded critical investments in transport, energy, health, and education, particularly where shallow domestic financial markets and narrow tax bases constrain internally generated revenue (World Bank, 2023; IMF, 2023). However, the benefits of external borrowing are contingent upon the quality of institutions that govern how loans are contracted, allocated, and repaid. Where governance is weak, borrowed funds may be diverted from their intended purposes, eroding the developmental returns to debt while leaving the repayment obligations intact (Ndikumana & Boyce, 2011).

Corruption, defined as the abuse of entrusted public power for private gain, has been identified as one of the most consequential institutional weaknesses shaping fiscal outcomes in developing countries (Tanzi, 1998; Transparency International, 2023). Theoretically, corruption can drive external debt accumulation through several channels. First, corruption depresses domestic revenue mobilization by facilitating tax evasion and weakening tax administration, thereby widening fiscal deficits that must be financed through borrowing (Gupta, Davoodi & Alonso-Terme, 2002). Second, corrupt officials may exhibit a preference for capital projects financed by debt, which offer greater opportunities for rent extraction than recurrent expenditure, inflating both the volume and cost of public borrowing (Tanzi & Davoodi, 1998). Third, corruption is closely associated with capital flight, whereby externally borrowed resources are siphoned into private offshore holdings, a phenomenon extensively documented in African economies (Ndikumana & Boyce, 2011). Empirical evidence from studies across countries supports these propositions, with Cooray, Dzhumashev and Schneider (2017) finding that higher corruption is associated with significantly larger public debt, and Kim, Ha and Kim (2017) showing that corruption amplifies the adverse fiscal effects of borrowing.

The Sub-Saharan African experience vividly illustrates these dynamics. The region's external debt stock has expanded rapidly over the past two decades, rising from the lows achieved after relief under the Heavily Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative in the middle of the 2000s to unprecedented levels by the early 2020s (World Bank, 2023; AfDB, 2023). The composition of borrowing has also shifted toward commercial debt on nonconcessional terms, including Eurobonds and bilateral loans from

nontraditional creditors, raising debt servicing costs and refinancing risks (IMF, 2023; UNCTAD, 2023). Several countries in the region, including Zambia (2020), Ghana (2022), and Ethiopia (2023), have defaulted on or restructured their external obligations, while many others are classified as being in, or at high risk of, debt distress (IMF, 2023). At the same time, SSA continues to record some of the weakest scores globally on the Transparency International Corruption Perceptions Index, suggesting that governance deficits may be an important, yet underexamined, driver of the region's debt accumulation (Transparency International, 2023).

Despite the intuitive plausibility of the nexus between corruption and debt, the empirical evidence for Sub-Saharan Africa remains limited and fragmented. Much of the existing debt literature in the region has concentrated on the consequences of debt for economic growth, while comparatively little attention has been devoted to the institutional determinants of debt accumulation itself (Megersa & Cassimon, 2015). Understanding whether, and to what extent, corruption drives external debt accumulation is essential for policy design: if corruption is a significant driver, then debt sustainability strategies that focus exclusively on macroeconomic fundamentals, while neglecting governance reform, are unlikely to succeed. This study therefore examines the effect of corruption on external debt accumulation using panel data from 46 Sub-Saharan African countries over the period 2001 to 2024.

Problem Statement

Sub-Saharan Africa's external debt has accumulated at a pace that has outstripped the growth of the region's repayment capacity, renewing fears of a debt crisis reminiscent of the 1980s and 1990s (World Bank, 2023; IMF, 2023). The conventional explanations for this build up, namely persistent fiscal deficits, adverse terms of trade shocks, exchange rate depreciation, and global interest rate cycles, are well documented, yet they do not fully account for the wide variation in debt trajectories across countries facing broadly similar macroeconomic conditions (Megersa & Cassimon, 2015; Ndikumana & Boyce, 2011). This unexplained heterogeneity directs attention to institutional factors, and to corruption in particular, as a potentially fundamental driver of external debt accumulation. If corruption widens fiscal deficits, inflates the cost of public projects, and facilitates the diversion of borrowed resources, then countries with weaker governance should, other things being equal, accumulate external debt faster than their better governed peers (Tanzi & Davoodi, 1998; Cooray, Dzhumashev & Schneider, 2017).

The empirical evidence on the relationship between corruption and debt, however, remains inconclusive and geographically uneven. Studies across countries such as Cooray, Dzhumashev and Schneider (2017) and Kim, Ha and Kim (2017) report that higher corruption is associated with larger public debt burdens, while Benfratello, Del Monte and Pennacchio (2018)

find the effect concentrated in developing economies. Yet other strands of the literature suggest the relationship may be weak or conditional on the level of financial development, political regime, and access to international capital markets (Apergis & Apergis, 2019; Grechyna, 2012). Moreover, the bulk of this evidence is drawn from global or OECD samples in which Sub-Saharan African countries are either underrepresented or treated as an undifferentiated bloc, despite the region's distinctive institutional landscape, its history of debt relief under the HIPC and MDRI initiatives, and its recent shift toward commercial and nontraditional creditors (Ndikumana & Boyce, 2011; AfDB, 2023). The extent to which corruption drives external debt accumulation specifically within Sub-Saharan Africa therefore remains an open empirical question.

Existing regional studies also exhibit notable methodological and contextual limitations. Many rely on short panels that predate the borrowing surge that began after 2010 and the recent defaults in Zambia, Ghana, and Ethiopia, and thus cannot speak to the current debt cycle (IMF, 2023). Others employ small country samples, examine corruption only as a control variable rather than the variable of interest, or fail to exploit the panel structure of the data to control for unobserved heterogeneity specific to each country (Megersa & Cassimon, 2015). Consequently, policymakers lack rigorous, regional, and current evidence on whether governance deficits are materially contributing to the accumulation of external liabilities. This study addresses these gaps by employing a panel of 46 Sub-Saharan African countries over the period 2001 to 2024, spanning the era after HIPC relief, the commercial borrowing boom, the COVID-19 shock, and the recent wave of debt distress, and by applying panel regression techniques that explicitly test the effect of corruption, measured by the Corruption Perceptions Index, on external debt accumulation.

LITERATURE REVIEW

Theoretical Review

The relationship between corruption and external debt accumulation is underpinned by several complementary theories. The Rent Seeking Theory, developed by Tullock (1967) and formalized by Krueger (1974), provides the anchor theory for this study. It posits that when public officials control access to economic resources, actors motivated by self interest expend effort to capture the rents associated with that control rather than to create new wealth. Public borrowing is a particularly attractive arena for rent seeking because externally sourced loans deliver large lump sum inflows whose deployment is controlled by a small number of officials, often with limited transparency (Tanzi & Davoodi, 1998). Rent seeking behavior therefore biases public expenditure toward capital projects financed by debt that maximize opportunities for

kickbacks and contract inflation, expanding the volume of borrowing beyond what productive considerations would justify. In this framework, corruption is not merely incidental to debt accumulation but a systematic driver of it, making the theory directly relevant to explaining why external debt in Sub-Saharan Africa may grow faster where governance is weaker.

The Public Choice Theory, associated with Buchanan and Tullock (1962) and extended to fiscal policy by Buchanan and Wagner (1977), views politicians and bureaucrats as rational actors motivated by self interest who maximize their own utility rather than social welfare. Applied to public finance, the theory predicts a systematic bias toward deficit financing: incumbents capture the political benefits of spending funded by debt today while the repayment burden falls on future governments and generations (Alesina & Tabellini, 1990). Corruption intensifies this bias because officials who derive private gains from public expenditure have an additional incentive to expand borrowing and to resist fiscal consolidation. In institutional environments with weak electoral accountability and limited budgetary oversight, conditions that characterize a number of Sub-Saharan African states, the theory predicts persistent excessive borrowing, making it central to understanding the political economy of the region's debt build up.

The Principal Agent Theory, formalized by Jensen and Meckling (1976) and applied to corruption analysis by Klitgaard (1988), frames corruption as an agency problem in which citizens (the principals) delegate fiscal authority to public officials (the agents) whose actions they cannot perfectly observe. Klitgaard's (1988) canonical formulation, in which corruption equals monopoly plus discretion minus accountability, identifies the conditions under which agents divert public resources for private benefit. External borrowing sharpens this agency problem in two ways: loan contracting is technically complex and informationally opaque, widening the monitoring gap between citizens and officials; and the resources borrowed are external to the domestic tax system, weakening the fiscal accountability link through which taxpayers ordinarily discipline government spending (Ndikumana & Boyce, 2011). The theory thus explains how weak accountability transforms external borrowing into a channel for resource diversion, with the debt obligations remaining with the state after the diverted resources are gone.

Finally, the Fiscal Illusion Theory, originating with Puviani (1903) and developed by Buchanan and Wagner (1977), holds that governments exploit the limited fiscal awareness of citizens by choosing revenue instruments whose true costs are least visible. Debt financing is the archetypal instrument of fiscal illusion because it delivers immediate, visible benefits while deferring and obscuring the associated costs (Oates, 1988; Dell'Anno & Dollery, 2014). Corruption magnifies fiscal illusion by suppressing the transparency of public accounts, understating contingent liabilities, and concealing collateralized or undisclosed borrowing,

practices documented in several Sub-Saharan African debt episodes, most notably Mozambique's hidden loans scandal (IMF, 2023). The theory is relevant to this study because it links the perceived level of corruption in a country to the incentive and ability of its government to accumulate external debt beyond publicly sanctioned levels.

Empirical Review

Empirical studies across countries provide substantial evidence that corruption is associated with higher public indebtedness. Cooray, Dzhumashev and Schneider (2017), analyzing a panel of 126 countries over the period 1996 to 2012, found that increased corruption leads to a significant rise in public debt, and that this effect is amplified where the shadow economy is large, since informality erodes the tax base and forces governments to substitute borrowing for revenue. Kim, Ha and Kim (2017) similarly reported that corruption worsens fiscal balances and raises government debt, with the effect operating primarily through reduced revenue collection and inflated public expenditure. Grechyna (2012), examining OECD economies, established that higher perceived corruption is associated with significantly larger ratios of public debt to GDP, and attributed the relationship to the political incentives of governments that extract rents to overspend. Collectively, these studies support the theoretical prediction that weak governance biases fiscal outcomes toward debt accumulation.

Evidence from single country and developed economy settings reinforces these findings while highlighting institutional nuances. Liu, Moldogaziev and Mikesell (2017), using data on public corruption convictions across United States federal judicial districts, found that states with higher corruption carried significantly more debt, with corruption distorting the composition of borrowing toward capital projects amenable to rent extraction. González-Fernández and González-Velasco (2014) documented a positive and significant relationship between corruption, the shadow economy, and regional public debt in Spain, suggesting that the nexus between corruption and debt persists even within advanced economies with strong formal institutions. Benfratello, Del Monte and Pennacchio (2018), however, found that the debt increasing effect of corruption is considerably stronger in developing economies and economies outside the OECD than in developed ones, implying that institutional quality conditions the strength of the relationship and that findings from advanced economies may understate the effect in regions such as Sub-Saharan Africa.

Studies focusing on developing countries and Africa specifically, though fewer, point in the same direction. Ndikumana and Boyce (2011) documented the phenomenon of capital flight fueled by debt in Sub-Saharan Africa, estimating that a substantial share of externally borrowed resources exited the region as private capital flight, often facilitated by corrupt officials, leaving

countries with the liabilities but not the assets. Jalles (2011) found that in developing countries, higher corruption worsens the relationship between debt and growth, indicating that corruption both raises debt and reduces the capacity to service it. Tarek and Ahmed (2017), examining governance and public debt accumulation in the Middle East and North Africa, established that weak control of corruption and poor regulatory quality significantly increased public indebtedness, and recommended governance reform as a component of debt management strategy. These findings suggest that the relationship between corruption and debt is particularly consequential in institutional environments resembling those of Sub-Saharan Africa.

Nevertheless, the empirical literature exhibits important limitations that motivate the present study. First, the effect of corruption on debt appears to be conditional: Apergis and Apergis (2019) and Grechyna (2012) show that the strength of the relationship varies with financial development, political institutions, and market access, cautioning against extrapolating global estimates to specific regions. Second, most existing studies either pool Sub-Saharan African countries within global samples or examine single countries, leaving a shortage of dedicated regional evidence. Third, much of the available evidence predates the commercial borrowing surge that began after 2010, the COVID-19 fiscal shock, and the recent defaults in Zambia, Ghana, and Ethiopia, all of which have reshaped the region's debt landscape (IMF, 2023; World Bank, 2023). By analyzing 46 Sub-Saharan African countries over the period 2001 to 2024, this study provides updated regional evidence on whether corruption drives external debt accumulation.

METHODOLOGY

This study adopted a positivist research philosophy and an explanatory longitudinal research design to investigate the effect of corruption on external debt accumulation in Sub-Saharan Africa. The explanatory design was appropriate because it enabled the analysis of cause and effect relationships between corruption and external debt over time, while the longitudinal dimension made it possible to track debt accumulation across more than two decades of substantial variation in both governance conditions and borrowing behavior. The positivist paradigm ensured objectivity by grounding the analysis in quantifiable secondary data and formal hypothesis testing, consistent with established econometric practice in the debt determinants literature.

The study covered 46 Sub-Saharan African countries over the period 2001 to 2024, yielding an annual panel of 1,104 observations. External debt accumulation, the dependent variable, was measured as the total external debt stock in current United States dollars, obtained from the World Bank International Debt Statistics. Owing to the wide dispersion in debt stocks across countries, the variable was transformed into natural logarithms prior to estimation, so that regression coefficients are interpretable as approximate percentage effects. Corruption,

the independent variable, was measured using the Transparency International Corruption Perceptions Index (CPI) expressed on a scale of zero to ten, on which higher scores denote lower perceived corruption. Accordingly, a negative coefficient on the CPI would indicate that corruption is associated with greater external debt accumulation, while a positive coefficient would indicate the opposite.

Data analysis employed panel regression techniques to exploit variation both across countries and over time in the data. The Breusch-Pagan Lagrange Multiplier test was used to confirm the presence of significant effects specific to each country, and the Hausman specification test guided the choice between the fixed effects and random effects estimators. Prior to estimation, diagnostic tests were conducted, including Fisher type Augmented Dickey-Fuller panel unit root tests for stationarity, the Modified Wald test for groupwise heteroskedasticity, and the Wooldridge test for first order serial correlation. Because the diagnostic tests detected both heteroskedasticity and serial correlation, statistical inference was based on robust standard errors clustered at the country level, which are valid in the presence of arbitrary error correlation within countries and heteroskedasticity.

RESULTS AND DISCUSSION

Descriptive Results

The descriptive statistics presented in Table 1 summarize the characteristics of the study variables for the 46 Sub-Saharan African countries over the period 2001 to 2024. The dataset constitutes a balanced panel of 1,104 observations. The table reports the minimum and maximum values, mean, standard deviation, coefficient of variation (CV), and standard error of the mean for external debt (in billions of US dollars), the natural logarithm of external debt used in estimation, and the Corruption Perceptions Index (CPI). These metrics provide insight into each variable's central tendency and dispersion, reflecting economic and governance conditions across the region.

External debt stocks show a mean of US\$ 4.885 billion, ranging from a minimum of US\$ 0.109 billion to a maximum of US\$ 60.094 billion. The standard deviation of US\$ 7.690 billion and coefficient of variation of 1.5742 indicate very high relative dispersion, reflecting the enormous differences in economy size, borrowing capacity, and creditor access between the region's largest debtors and its smallest states. This pronounced skewness justifies the logarithmic transformation adopted in the regression analysis: in logarithms, external debt has a mean of 21.5121, a standard deviation of 1.2940, and a much lower coefficient of variation of 0.0602, indicating a far more symmetric distribution suitable for linear panel estimation.

The Corruption Perceptions Index has a mean of 2.7442 on the scale of zero to ten, with a minimum of 1.5000 and a maximum of 6.5000. A regional mean below three underscores the severity of perceived corruption across Sub-Saharan Africa during the study period, with most countries clustered well below the global midpoint. The standard deviation of 0.8423 and coefficient of variation of 0.3069 indicate moderate dispersion, driven primarily by a small group of consistently well governed states, such as Botswana, Mauritius, and Cape Verde, whose scores lie well above the regional norm. Notably, the variation in the CPI within countries is limited (within standard deviation of approximately 0.28), indicating that perceived corruption changes slowly over time relative to the rapid accumulation of external debt.

Table 1: Summary of Descriptive Statistics

stats	External debt (US\$ billions)	In External debt	CPI
N	1104	1104	1104
min	0.1087	18.5045	1.5000
max	60.0937	24.8192	6.5000
mean	4.8850	21.5121	2.7442
sd	7.6902	1.2940	0.8423
cv	1.5742	0.0602	0.3069
se(mean)	0.2314	0.0389	0.0253

Hypothesis Testing

Prior to estimation, the diagnostic tests reported in the Methodology were conducted. Fisher type Augmented Dickey-Fuller tests indicated that the CPI is stationary in levels ($p < 0.001$), while the log of external debt is not stationary in levels but stationary in first differences, reflecting the strong upward trajectory of borrowing over the sample period. The Breusch-Pagan Lagrange Multiplier test decisively rejected the pooled OLS model in favor of a panel specification ($\chi^2 = 8,561.58$, $p < 0.001$), confirming the presence of substantial effects specific to each country. The Hausman specification test failed to reject the null hypothesis that the random effects estimator is consistent ($\chi^2(1) = 1.25$, $p = 0.264$); accordingly, the random effects model was adopted. Finally, the Modified Wald test detected groupwise heteroskedasticity ($p < 0.001$) and the Wooldridge test detected first order serial correlation ($F(1,45) = 520.68$, $p < 0.001$), so hypothesis testing was based on robust standard errors clustered at the country level, which remain valid under both conditions.

The results in Table 2 display the random effects regression examining the effect of corruption on external debt accumulation. The intraclass correlation ($\rho = 0.8296$) indicates that approximately 83% of the variance in log external debt is attributable to stable differences

between countries, confirming the dominance of heterogeneity across countries in the region's debt landscape. The coefficient on the CPI is 0.1214 and positive, meaning that, contrary to the hypothesis that corruption drives debt, countries with better corruption scores are associated with marginally higher external debt stocks. The explanatory power of corruption is, however, negligible: the model explains less than 1% of the variation in external debt within countries (R^2 within = 0.0053), between countries (R^2 between = 0.0065), and overall (R^2 overall = 0.0035).

Statistical inference reinforces this conclusion. Under conventional standard errors the CPI coefficient appears significant ($z = 2.15$, $p = 0.032$); however, diagnostic tests established that conventional standard errors are invalid for these data. Under the appropriate robust standard errors clustered at the country level, the coefficient is statistically insignificant ($z = 0.94$, $p = 0.349$), with a 95% confidence interval $(-0.1325, 0.3752)$ that comfortably includes zero. The finding is robust to alternative specifications: a fixed effects estimate with clustered standard errors is likewise insignificant ($p = 0.326$), and augmenting the model with year effects, which absorb the common borrowing surge after 2010, drives the CPI coefficient to essentially zero (-0.0017 , $p = 0.989$).

Based on these results, the study fails to reject the null hypothesis (H_{01}) that corruption has no significant effect on external debt accumulation among Sub-Saharan African countries. The evidence indicates that perceived corruption does not explain the region's external debt build up. If anything, the weak positive association between the CPI and debt is consistent with a creditworthiness channel, whereby better governed countries enjoy superior access to international capital markets and can therefore carry larger external liabilities (Benfratello, Del Monte & Pennacchio, 2018; IMF, 2023). The dominant drivers of the region's debt accumulation instead appear to lie in common external and macroeconomic forces, including global financing conditions, commodity cycles, and the COVID-19 shock, that affected borrowing across countries of widely differing governance quality.

Table 2: Corruption and External Debt Accumulation (Random Effects GLS Regression)

Random effects GLS regression	Number of obs	=	1,104
Group variable: CountryID	Number of groups	=	46
R-sq:	Obs per group:		
within = 0.0053	Min	=	24
between = 0.0065	Avg	=	24.0
overall = 0.0035	Max	=	24
corr(u_i , X) = 0 (assumed)	Wald $\chi^2(1)$	=	0.88
$\sigma_u = 1.1964$; $\sigma_e = 0.5423$; $\rho = 0.8296$	Prob > χ^2	=	0.3487

In External debt	Coef.	Robust Std. Err.*	z	P>z	[95% Conf. Interval]
CPI	0.121370	0.129512	0.94	0.349	-0.132474 0.375214
_cons	21.179072	0.387590	54.64	0.000	20.419395 21.938749

*Note: *Standard errors clustered at the country level. Under conventional standard errors, the CPI coefficient is 0.121370 (Std. Err. = 0.056464, $z = 2.15$, $p = 0.032$); these are reported for comparison only, as the diagnostic tests invalidate conventional inference.*

CONCLUSION

The study establishes that corruption does not have a statistically significant effect on external debt accumulation among Sub-Saharan African countries. Analysis of a balanced panel of 46 countries over the period 2001 to 2024 shows that once valid inference with clustered standard errors is applied, the relationship between the Corruption Perceptions Index and external debt stocks is statistically indistinguishable from zero, and corruption explains less than one percent of the variation in external debt within and between countries. The direction of the estimated association is, moreover, contrary to the hypothesis that corruption drives debt: to the extent that any relationship exists, countries with better governance scores carry marginally larger external debt stocks. This pattern is consistent with a creditworthiness channel, whereby stronger institutions enhance access to international capital markets, rather than with the rent seeking and fiscal illusion mechanisms that predict corruption should inflate borrowing. The theoretical expectations derived from Rent Seeking, Public Choice, Principal Agent, and Fiscal Illusion theories, while compelling at the level of individual borrowing decisions and documented in specific country episodes, do not aggregate into a discernible regional effect of perceived corruption on the stock of external debt.

Overall, the findings indicate that the drivers of Sub-Saharan Africa's external debt build up lie predominantly elsewhere. The region's debt trajectory over the study period, characterized by renewed accumulation after HIPC relief, the shift toward commercial and nontraditional creditors, and the sharp increases surrounding the COVID-19 shock, affected countries across the entire spectrum of governance quality, suggesting that common global financing conditions, commodity cycles, and macroeconomic fundamentals dominate institutional differences in explaining debt accumulation. The results carry an important implication for how the relationship between corruption and debt should be understood: corruption's fiscal damage in the region may operate less through the volume of debt contracted than through the quality and productivity of the expenditure it finances, as suggested by the literature on capital flight fueled by debt and inflated project costs. A country may thus

accumulate no more debt than its cleaner peers yet derive far less developmental value from it, leaving the repayment burden intact while the corresponding assets are diminished or absent.

RECOMMENDATIONS

Based on the study findings, governments of Sub-Saharan African countries and their development partners should anchor debt sustainability strategies in macroeconomic and financing fundamentals rather than treating anticorruption reform as an instrument of debt reduction. Since perceived corruption does not explain the region's external debt accumulation, policies aimed at containing debt should focus directly on the demonstrated drivers of the build up: the terms and composition of borrowing, exposure to nonconcessional and collateralized debt, refinancing risks associated with commercial and nontraditional creditors, and vulnerability to global interest rate and commodity cycles. Ministries of finance should strengthen debt management offices, subject all new borrowing to rigorous debt sustainability analyses, publish comprehensive and timely debt statistics, including contingent liabilities and loans backed by resources, and develop domestic capital markets to reduce dependence on volatile external financing.

At the same time, the findings should not be interpreted as diminishing the fiscal importance of governance reform; rather, they redirect its focus. Because corruption's damage appears to operate through the productivity of the expenditure that debt finances rather than the volume of debt contracted, anticorruption efforts should concentrate on the deployment of borrowed resources: strengthening public investment management, competitive and transparent procurement, independent project appraisal and audit, and the tracking of loan disbursements from contraction to completion. Governments should also recognize the creditworthiness dividend suggested by the results, namely that stronger institutions are associated with greater access to international capital markets, and leverage governance improvements to secure better borrowing terms rather than larger borrowing volumes. For researchers, future studies should extend this analysis by incorporating ratios of debt to GDP, disaggregating debt by creditor type and concessionality, and testing whether corruption conditions the growth returns to external borrowing rather than its accumulation.

LIMITATIONS OF THE STUDY

The findings of this study should be interpreted in light of several limitations. First, the analysis relies on a bivariate specification that regresses external debt on corruption alone, without controlling for other established determinants of debt accumulation such as economic growth, fiscal balances, trade openness, commodity prices, and global interest rates. Although

the robustness checks with fixed effects and year effects partly absorb unobserved country and time specific influences, the absence of explicit controls means that the estimated coefficient may be affected by omitted variable bias. Second, external debt was measured as the absolute stock in current United States dollars rather than as a ratio to gross domestic product or exports. While the logarithmic transformation moderates cross country dispersion, the absolute measure does not capture repayment capacity and is sensitive to country size and exchange rate movements.

Third, corruption was proxied by the Corruption Perceptions Index, which is a perception based composite measure rather than a direct record of corrupt practices. Perceptions may lag actual changes in governance, respond to media coverage and reform announcements, and vary in comparability across countries and over time following the methodological revision of the index in 2012. Finally, the results are specific to Sub-Saharan Africa and to aggregate external debt; they do not speak to the effect of corruption on particular categories of debt, on domestic borrowing, or on the developmental returns to borrowed resources. These limitations qualify the conclusions drawn and point to the extensions proposed above for future research.

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