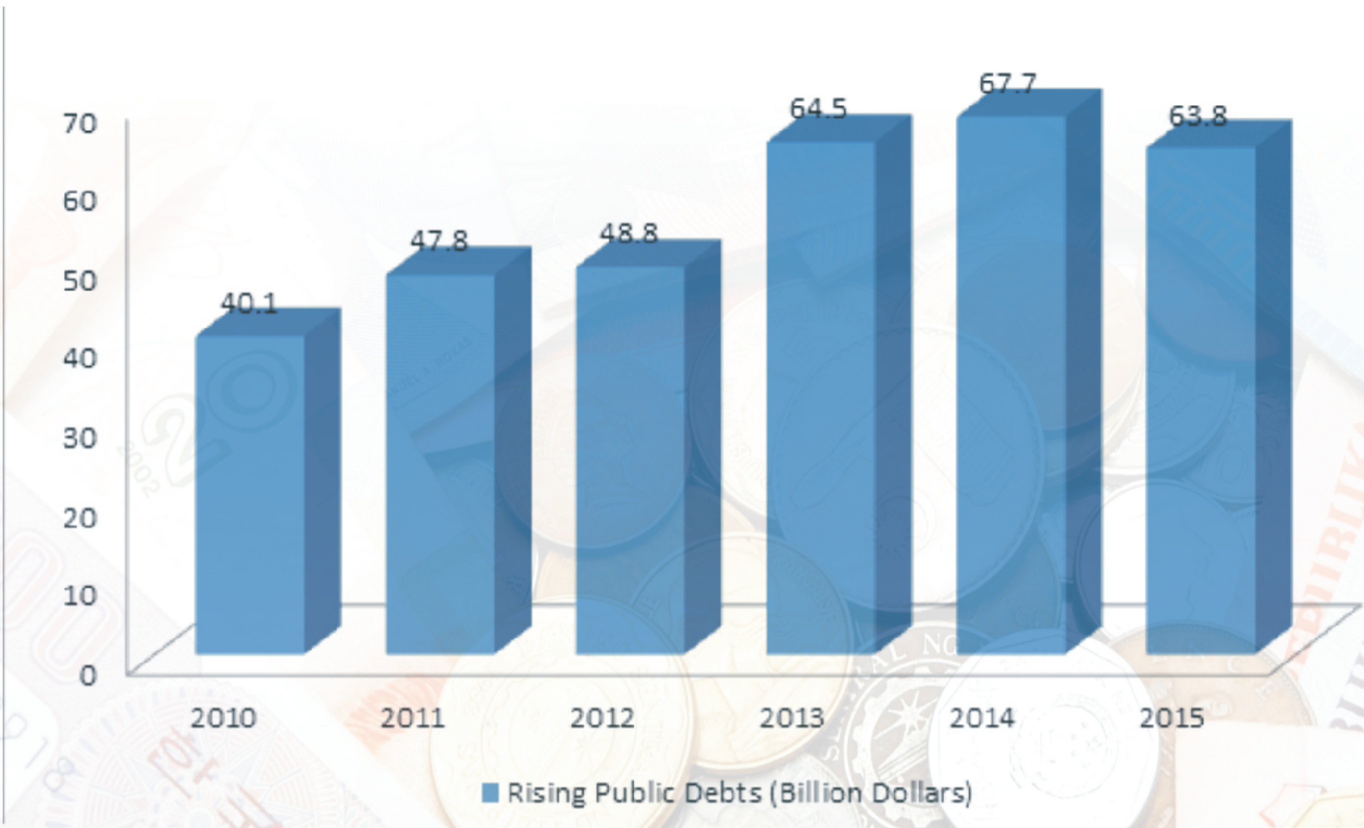
SOCIALACTION
SOCIAL DEVELOPMENT INTEGRATED CENTRE

WHOSE BURDEN?

Examining the Growing Public Debt Crisis in Nigeria



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Head Office:
33, Oromineke Layout, D-Line
Port Harcourt, Nigeria
Tel: +234 (0)84 360 903
www.saction.org

National Advocacy Centre:
20 Yalinga Street (House 1)
Wuse 2, Abuja, FCT

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AUTHORS
Isaac 'Asume' Osuoka, Vivian Bellonwu-Okafor, Ken Henshaw, Botti Isaac

EDITOR
Everest Amaefule

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ACRONYMS

DMO	Debt Management Office
IMF	International Monetary Fund
USD	United State Dollar
EXIM	Export Import
GEM	Growth and Employment
FCT	Federal Capital Territory
SAP	Structural Adjustment Programme
NUC	National Universities Commission
UK	United Kingdom
IDA	International Development Asssociation
MW	Mega Watts
ADF	African Development Fund
IDB	Islamic Development Bank
GDP	Gross Domestic Product
NNPc	Nigerian National Petroleum Corporation
EFCC	Economic and Financial Crimes Commission
FGN	Federal Government of Nigeria
FOREX	Foriegn Exchange
US	United States of America

1. SUMMARY

Nigeria's total public debt stock stands at N12.12 trillion ($63.8 billion)as of June 30, 2015. $10.3 billion of this amount is comprised of external debt. These figures represent the country's highest debt profile since 2007. The growth in the volume of debt resulted from massive borrowing from both domestic and external sources by the states and federal government as data obtained from the Debt Management Office (DMO) reveal.

There is increased spate of borrowing from external sources after Nigeria almost eliminated foreign debts, which were drastically reduced from $36 billion to about $3 billion in 2006. This reduction was a result of the 2005 debt buy back deal in which the country paid $12.4 billion at once with respect to about $30 billion owed to Paris Club creditors at that time. Following that huge and unprecedented payment, the Paris Club cancelled the remainder of the debt. In addition, over $2 billion was paid back to the World Bank in the same year. The combined payments made by Nigeria in 2005, in the bid to escape from external debt burden, represented one of the largest cases of capital flight within a single year in all of recorded human history.

Poor management of public debts coupled with sharp practices by creditor institutions resulted in escalation of debt burden. In 1999 when Nigeria transited from military to civil rule, the country was enamoured with an external debt burden of over $36 billionaccumulated over a period of 40 years. Most of Nigeria's external debt loadaccrued through accumulated penalties and compound interest on loans which the world's richest countries extended to previous administrations, mostly military dictatorships. For example, between 1985 and 2004 Nigeria's external debt to Paris Club creditors rose by $23 billion from interests, arrears and penalties alone, rather than from new borrowing. The debts kept increasing despite payments in annual debt servicing. Indeed, actual borrowing by Nigeria had been put at about $10 billion until 2004.

Though through the years Nigeria had paid over $35 billion in annual debt service payments, as at the beginning of 2005, the country still owed $36 billion! Thus, one of the stated objectives of the civilian government of Olusegun Obasanjo was to free the country of external debts by seeking a write-off of the entire debt stock. In his many trips abroad, the former president pushed this position to creditor countries and institutions, arguing that the loans did not transform into tangible benefits for the Citizens. Though actual debt cancellation was never achieved, efforts in this regard led to the controversial debt buy back deal.

Despite the effort to exit from external debt and to reduce the general public debt burden, successive governments went on a borrowing spree that has resulted in renewed debt load that now threatens national development aspirations. With respect to external borrowing, Nigeria's debt has increased by about 240% from 2007 to 2015. The $10.3 billion in external debt recorded by the DMO as at June 2015 have been incurred from mostly new borrowings. Ironically, the renewed borrowing by federal and state governments coincided with periods of increased public revenues from record high global oil prices.

The new external and domestic debt burden on federal and state governments mean that substantial amount of the nation's revenues are being expended, again, on monthly and annual servicing of debts. In 2014 alone, the sum of N712 billion representing 20.3 percent of the nation's budget was earmarked for domestic debt servicing. If maintained at this rate, the Federal Government would require over N1 trillion by 2016 and N1.79 trillion by 2019 for debt servicing, according to some estimates. This would completely wipe away the capital budget of the country at the current level of N690.58 billion.As it stands in Nigeria, public debts haveled to the near crippling of 27 out of the 36 states of the federation. The states had become insolvent and requiring bailout from the federal authorities.

Revenues from oil production made Nigeria attractive to predatory creditors.

Nigeria remains one of the most impoverished countries in the world despite substantial revenues accruing to the government from over 50 years export of petroleum resources. Indeed,Nigerians have become poorer and social infrastructureis in a state of decay or collapsed. Revenues from oil production made Nigeria attractive to predatory creditors. Indeed, Nigeria's first loan from foreign sources coincided with the commencement crude oil exports. Moments of increased revenues from oil and gas sales have also tended to be periods of massive looting of public revenues and increasing public debt. All manner of loans were taken from private, bilateral and multilateral creditors by the federal and state governments during both military and civilian regimes.

This briefing highlights Nigeria's repeated slide into indebtedness and serves to support the call on Nigerian citizens to act towards preventing the unconscionable reacquisition of a burden that would hinder the opportunities of national progress for present and future generations.

RECOMMENDATIONS

Our findings raise questions as to the necessity, desirability and capacity of government to manage Nigeria's proposed loans and the rising debt stock. A pragmatic assessment requires that the government halt all borrowing (whether on concessionary terms or not) by all tiers of government until a process to verify the details loans - including what they were used for - is established. In particular, we recommend that

- The National Assembly should pass legislation placing a moratorium on all external borrowing by government at all tiers. During the period of the moratorium, there should be public audit of past loans taken by all tiers of government to ascertain their stock, conditions, purpose and usage.

- Government should work to eliminate corruption and capital flight through vigorous law enforcement. There is evidence that most public borrowing would be unnecessary if government revenues are not stolen by officials.

- Governments should improve non-petroleum revenues by promoting efficient tax administration at all tiers of government, and revenue generation by agencies such as Nigeria Customs Service, Nigerian Ports Authority (NPA), Nigerian Maritime Administration and Safety Agency (NIMASA), Central Bank of Nigeria (CBN) etc.

- To secure public funds for development purposes, strict fiscal discipline should be adopted. Vague items such as 'security votes', 'government house' and 'general administration' should be removed from government budgets.

- Government budgets should be made based on conservative revenue estimates. Before seeking new loans to salvage budget deficits, effort should be made to evaluate the performance of previous budgets of the federal, state and local governments in Nigeria. We contend that if serious effort is made in this regard, government budgets can be balanced despite dwindling oil revenues.

Effort should be made to reduce recurrent expenditures and the wastage in governance. Government should demonstrate political will by reducing the number of executive jets

· bought for use by federal and state officials, reducing the vehicular convoys of government officials, banning the medical treatment of government officials abroad with public funds etc.

· As both the Federal Ministry of Finance and the Debt Management Office have acknowledged that domestic borrowings are costly in terms of interest payment, and results in the crowding out of the private sector in the debt market, that there should be reduction of borrowing by the government including through the monthly issuance of FGN Bonds and the Nigerian Treasury Bills.

· The Federal Government should immediately put in place a framework (measures) to mitigate the effects and the burden of the country's debt crisis on the poor. This is imperative as the burden of debt is borne by the poor masses as has been evidently shown by the wage crises within states in Nigeria since 2014.

2. THE NEW DEBT BURDEN

In September of 2014, the Director General of the Debts Management Office, Abraham Nwankwo, announced that the country had reached its limit of external borrowing.[1] This admission by the nation's chief debt manager was not surprising. Administrations after the Nigeria's debt purchase deal with the Paris Club have re-embraced reckless borrowings and loans. From a relatively manageable debt profile of $3.5 billion and $13.8billion in external and domestic debts in 2006, new acquisitions of loans and credits by states and federal government quickly shot up the country's debt portfolio to over $47billion in 2011, and to $64,509 billion as of December 2013. The country's indebtedness stands at $63.8 billion (N12.12 trillion) as of June 30, 2015.[2]

Most of the new loans were obtained during the federal administration of Goodluck Jonathan who worked with former World Bank executive, Dr. NgoziOkonjo-Iweala. As the Minister of Finance and Coordinating Minister for the Economy under Jonathan, Okonjo-Iweala coordinated a borrowing frenzy that involved numerous federal government agencies and the governments of the states of the Nigerian federation.

While the act of acquiring massive loans was deplorable, government's plan for repaying them was even more appalling - take new loans to pay off old ones. Borrowing was an integral part of Jonathan and Okonjo-Iweala'sMedium Term Debt Management Strategy that was announced in May 2013. This strategy involved borrowing from external sources to offset the high domestic debt.[3] This is simply a perilous arrangement whereby the borrowing administration would sustain the indebtedness by borrowing more money and at the end of its tenure simply transfer the burden of repayment to the poor masses and thus build up a generational debt burden.

According to a '2012-2014 External Borrowing Plan' document submitted to the Senate in December 2012, the Goodluck Jonathan administration planned to borrow a staggering sum of $9.3 billion within two years for some stated and unstated purposes. The loans as indicated in the document were to be financed by the World Bank, Africa Development Bank, Islamic Development Bank, EXIM Bank of China and India.[4]

The credits as contained in the document's framework included $2.98billion from the World Bank for projects listed as $140 million for growth and employment;$50 million for State Health Programme Investment Credit; $150 million for electricity and gas improvement loan;$450 million for erosion watershed management; $95 million for polio eradication; $150millionfor state education programme investment and $200 million for a food and waste management programme.

Information from the document also showed that the Jonathan administration further set out to borrow $3billion from the EXIM Bank of China for the following: Abuja Light Rail Project, $500million;Zungeru hydroelectric power projects, $765.7million; (unnamed) infrastructure projects, $1.6billion; and $100million for a National Information and Communication Technology Infrastructure Backbone project.

[1]Abraham Nwankwo(2011).No More Foreign Loans For Nigeria – DMO. African Outlook: http://www.africanoutlookonline.com/index.php?option=com_content&view=article&id=1767%3Ano-more-foreign-loans-for-nigeria-dmo&Itemid=635
[2]Debt Management Office (2015). Nigeria's total Public Debt. http://dmo.gov.ng/oci/pubd/docs/Total%20Public%20Debt%20Stock%20as%20at%2030th%20June_%202015.pdf
[3]Vanguard News (2015). FEC endorses medium term debt management strategy, Vanguard, May 15, 2013. http://www.vanguardngr.com/2013/05/fec-endorses-medium-term-debt-management-strategy/
[4]The Sun (2012). The $9.3 billion borrowing plan.http://sunnewsonline.com/new/the-9-3-billion-borrowing-plan/

Table 1: External Debt Outstanding by Economic Sector as of March 2014 (Amount in USD Millions)

Classification*	Creditor	Sector	Amount Outstansing
Non-Financial Sector			
FGN and States			7,724,487,941.00
Parastatals (Corporation)			1,437,372,734.75
Niger Basin Water Resources Dev.	IDA	Electricity	70,158,788.96
National Program for food security	IDB	Agriculture	14,538,923.56
NGA/TGO/BENIN POWER SYSTEM INTERC.PROJECT	ADF	Electricity	15,519,725.65
Transmission Development Project	IDA	Electricity	112,698,090.39
Nigerian ICT Infrastrutural BackBone Project	Exim Bank of China	Computer Tecnology	9,342,691.70
ZTE-Nigeria Local Govt Rural Telephohy - Telecom Network	ZTE	Telecommunication	11,750,278.57
Nigerian-Communication Satelite (NIGCOMSAT)	Exim Bank Of China	Scientific & Tech Equip	80,000,000.00
Nigerian National Public Communication System	Exim Bank Of China	Security	399,500,000.00
Nigerian Railway Modernization Project (Idu - Kaduna)	Exim Bank of Korea	Rail Transport	307,230,658.47
Nigeria Erosion & Watershed Management Project	IDA	Agriculture	18,533,671.65
Polio Eradication Support Project	IDA	Health & Social welfare	94,745,262.68
Nigeria State Health Investment Project	IDA	Health & Social welfare	38,094,710.64
Nigeria State education Program Investment Project	IDA	Education & Training	10,769,923.84
Transport Sector & Governance reform Agenda	ADB	Road Transport	150,000,000.00
Growth and Employment project	IDA	Investment	2,016,747.37
First Agricultural Development Policy Financing	IDA	Agriculture	102,473,261.27
Financial Public			
Banks			**4,158,670.16**
NACB instit. Strengthening	ADF		4,158,670.16
Grand Total			**9,166,019,345.91**

Source: Debt Management Office

From the Islamic Development Bank was a loan of $672.8million. The breakdown for this loan is as follows: $70 million for bilingual educational programme, $234 million for Zungeru hydro power projects(which had previously been listed under a different loan schedule); $40 million for a moribund Gusau water supply project;$44 million for upgrade of hospital facilities in Kaduna; and $17.32 million for science and technology schools projects in Kaduna. Further loan of $731.2 million was sought from the Agricultural Development Bank (ADB) for some other miscellaneous purposes. In this loan portfolio were $81.2 million for Zaria regional water supply;$300 million for development of FCT satellite towns and $200 million for some unnamed water resources and sanitation projects. The administration also sought a loan of $56.61millionfrom the French Development Agency for a phony national urban water sector reform.[5]

Projects' recycling has been a recurring trait in loan acquisitions by government administrations in Nigeria even as these loans have been taken in the most non-transparent manners. In this way, many of the projects listed under a loan source have been variously duplicated under several other loan sources. For example, virtually all of the loan sources in 2012 had water projects or hydro power projects components. In December 2012, prior to the request for additional $200 million loan for hydro projects, the Federal Executive Council had approved a loan of $77million (N12 billion) for the same water projects. According to the then Information Minister, Labaran Maku, the fund comprised of $43.9million (N6.8billion) to Cross River State and $33.8million (N5.2billion) to Lagos State.[6]

[5]PM News (2012). Anger over Loan Burden. http://www.pmnewsnigeria.com/2012/12/03/anger-over-loan-burden
[6]Ibid.

In 2012, the Federal government issued a $1billion Euro Bond and a $100 million Diaspora Bond under a bogus title, *"In continuance of the programme initiated under the administration of late President Musa Yaradua"*.[7] No mention was made of specific projects.

From the $3billion loan it proposed to borrow from the EXIM Bank of China, the Federal Government was reported to have signed up $1.1billion in 2012 for 'nominated projects' of Abuja Light Rail, four airport terminals and infrastructure of government owned information technology network. Terms of the loan included a 2.5 percent interest to be paid over a 20-year period while China would deploy labour to implement the projects.[8] In September 2014, following widespread condemnation of poor pace and quality of work at the airport terminals and parliamentary committee query on the huge loans and indebtedness of the nation's aviation bodies,[9] Nigeria's then aviation minister, Osita Chidoka cancelled the aviation project contract.[10] What happened to the millions of dollars already taken as loan and purportedly expended on the project over the years remains unknown.

Other borrowings made under the so called '2012-14 Medium Term Expenditure Framework' include a $300 million loan for what government called' supporting Private Sector Investment in affordable houses for Nigerians';$200million to 'support agriculture through the provision of seeds, fertilizer and agrochemicals' and development research in West Africa Agricultural Productivity Projects.[11] It further took $250millionfor what it called 'youth employment and social support operation' - a project for which $40million had previously been provided under the GEM programme in five states.[12]

These huge and expensive loans are subverting development as funds that could have been applied to infrastructure and development are being used to service debts especially as government finds it convenient to diffuse these loans in budget deficit financing rather than tie them to specific tangible or verifiable projects.
In July 2014, the federal government applied to Nigeria's senate to borrow the sum of $1 billion to according to it, "upgrade the equipment, training and logistics of the armed forces" for the fight against Boko Haram insurgency. It neither state from where it intended to borrow this nor the terms of the loan. This was in addition to the over $6 billion annually budgeted for defence in the country. The senate approved this request. Nigeria's external debt stock currently stands at $10.32 billion.

2.2. Government's Argument

In a briefing on the debt profile of the nation in 2014, Ngozi Okonjo-Iweala submitted that the country's debt profile was healthy. According to her "by August 2011… the domestic debt stock had grown substantially to U.S$42.23 billion while external debt was still a modest U.S$5.67 billion. This implied a total debt stock of U.S$47.9 billion or 23 per cent of Gross Domestic Product. While the debt stock grew, our national stock also grew so that debt to G.D.P ratio remains modest and manageable".[13]

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[7]Ibid.
[8]Ibid.

[9]Nigerian Bulletin (2014).New Aviation Minister Stops Stella Oduah's Airport Remodeling Projects http://www.nigerianbulletin.com/threads/new-aviation-minister-stops-stella-oduahs-airport-remodeling-projects.90880/
[10]The Nation (2014).Debt brews crisis between Aviation ministry, Reps. www.thenationonlineng.net/new/debt-brews-crisis-aviation-ministry-reps
[11]TheWillNigeria (2012). FG, States Defend N7.9B Borrowing Plan.7 December 2012. http://www.thenigerianvoice.com/news/102863/1/fg-states-defend-n79b-borrowing-plan.html
[12]TheWillNigeria (2012). FG, States Defend N7.9B Borrowing Plan. http://www.thenigerianvoice.com/news/102863/1/fg-states-defend-n79b-borrowing-plan.html
[13]NgoziOkonjo Iweala(2013). Clarifying Nigeria's Debt Position.http://www.thisdaylive.com/articles/clarifying-nigeria-s-debt-position/149628/

The Debt Management Office on its own part held that "most important is the debt stock GDP ratio and for a country in our peer group, the threshold of the debt stock GDP ratio should be 40 percent and currently Nigeria is operating somewhere around 21 percent... The debt stock export ratio should be 150 percent; currently Nigeria is operating at less than 60 percent... The debt stock revenue ratio for a country in our peer group is 250 percent; Nigeria is operating at 85 percent... So when you take all these into account; technically, statistically, Nigeria is operating within sustainable limits".[14]

Government was hinging sustainability purely on statistical projections. Experts have however severally held that merely using GDP to gauge debt sustainability may be 'best practice' but misleading. Rather, the nation's cash flow (forex earnings less expenditure) and the foreign reserves have been adjudged to be more relevant in determining the sustainability of debts.

Government was hinging sustainability purely on statistical projections. Experts have however severally held that merely using GDP to gauge debt sustainability may be 'best practice' but misleading

This is intrinsic in the light that the bulk of Nigeria's foreign earnings come from oil and gas. This accounts for about 70 - 80 per cent of total government revenue. Thus, with near mono economy and the dynamics of international oil market, is an in-built instability in the country's revenue system. Many Nigerians had wondered at the imperative of foreign borrowings when the government claimed to have over $42 billion in the nation's reserves and over $9 billion in the Excess Crude Account as at December 2013. However, the nation's reserves and Excess Crude Account had been depleted to $31.4 billion[15] and $2.2 billion[16] respectively as at August 2015.

Furthermore, Nigeria's GDP figure as given by the government has largely been described as non-credible as the parameters that formed the basis of its calculation were largely questionable. Economic experts have argued that a country's GDP is measured largely on the basis of its economic activities. With mass unemployment, infrastructure collapse, closure of many companies and businesses owing to high overhead cost and epileptic power supply; the authenticity of a 50 per cent GDP growth as recently declared by the Nigerian government is very doubtful.

2.3. Oiling Corruption

Years of oil exploitation with increasing revenue at the disposal of the state has not translated to an attendant improvement in the economic status of the majority of Nigerians. Indeed, while earnings accruing to the governments increased, a wide socio-economic gap emerged between the very rich and the majority of Nigerians. The failure of development in Nigeria and the increasing poverty of the people can be directly attributed to state corruption promoted in part by creditors intent on profiting from irresponsible regimes.

In 1983, estimate of foreign exchange siphoned out of the country was as high as $7.5 billion. A Nigerian government investigation estimated that at the height of the oil boom in 1978 (roughly coinciding with the first 'jumbo loan', which is discussed later in this briefing), corrupt

[14] Abbas Jimoh (2013). **Why *Nigeria* must *borrow* – DG, DMO.** http://www.dailytrust.com.ng/weekly/index.php/business/14210-why-nigeria-must-borrow-dg-dmo

[15] Trading economics (2015). Nigeria Foreign Exchange Reserves. http://www.tradingeconomics.com/nigeria/foreign-exchange-reserves

[16] Lolade Odeyemi (2015). Excess Crude Account hits $2.2billion. http://bizwatchnigeria.ng/excess-crude-account-hits-2-2billion/

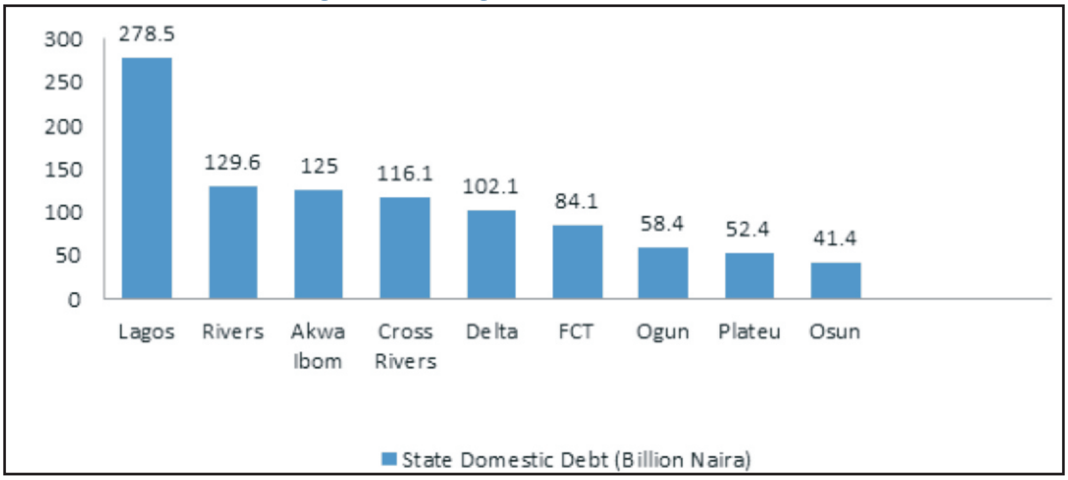
politicians were transferring $25 million every day or $10 billion yearly.[17] That was almost 40 percent of the nation's foreign exchange earnings. In 2004, the Economic and Financial Crimes Commission (EFCC) released information that corruption and mismanagement swallow about 40 percent of Nigeria's oil income. It went further to say that at least 100,000 barrels of crude are stolen every day. In a separate statement, the EFCC further revealed that the country had lost as much as $380 billion to corruption and waste in 39 years. It is believed that the situation may have worsened even under civilian rule.[18]

Rather than address the financial losses from corruption and secure funds for national development, Nigerian governments have tended towards borrowing. Funds obtained through loans tend to end up the way of other revenues – stolen by public officials.

2.4. States Join the Fray: Increasing Sub-National Debt

As much as DMO has struggled to get a grip on the country's debt statistics, it has often acknowledged that it has not succeeded especially with sub-national debts (including the debts of states and Local Government Areas). Sub-national debts pose a danger to the country as has been acknowledged by DMO. That this level of the country's debt has not been fully determined was again exposed following the inability of many state governments to pay the salaries and wages of their workers. The true financial state of the sub-national governments were hitherto not known until the DMO and the Federal Ministry of Finance stopped banks from lending to the states and local governments without clearance.

Table 2: Diagram showing most indebted states (Domestic debt)



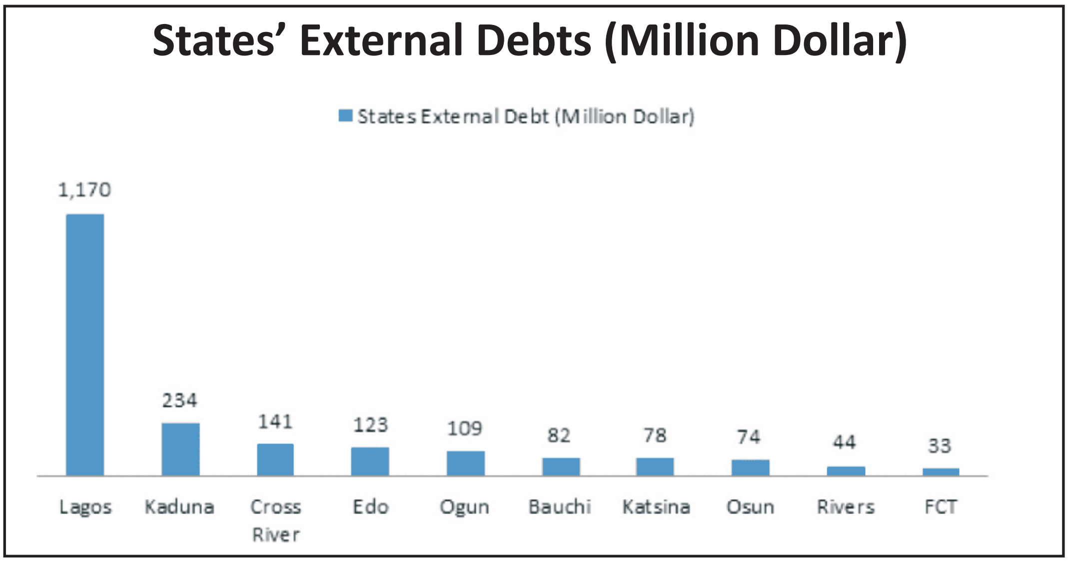
What is known is that in June 2015, three quarter of the states in Nigeria became insolvent and could no longer meet their basic financial obligations and filed for (financial) bailout from the federal government. This was not surprising. Governments at the state level in past and present administrations had effectively embraced rapacious borrowing culture. Huge debts acquired from diverse sources including local banks and the debt servicing obligations gradually but effectively overwhelmed the economy of many states. As of May 2015, 23 out of the nation's 36 states had difficulty paying public workers' salaries.[19] Many owed backlogs as much as nine months even as they were in deficit of as much as 40 percent of their annual budgets. This has inflicted untold hardship on millions of Nigerian citizens.

[17]Social Action (2014). Pardoning Impunity: Citizens' Report on State and Local government Budgets in the Niger Delta.http://saction.org/books/Pardoning_Impunity.pdf

[18]Ibid.

[19]Iyabo Lawal(2015). 23 states owing workers, says Labour. http://www.ngrguardiannews.com/2015/06/23-states-owing-workers-says-labour/

Table 3: Diagram showing most indebted states (External Debt)



According to the DMO, Lagos State remained the most indebted state in Nigeria with a total of $1.1 billion in both domestic and foreign debts as of December 2014.[20] It was followed by Rivers State with a total of $44.7 million and N129.5 billion in external and domestic debts. Enugu had an outstanding debt of $44.9 million in 2011. Enugu's debt rose to $50 million in 2012, and $53 million by the end of 2013. By December 2014, the state's debt had increased to $68.9 million. Abia State's debt stood at about $33 million in 2011, and increased by 7.9 per cent to $ 35.9 million in 2012, $34.1 million 2013 and decreased slightly to $33.7 million as of December 2014. Kaduna and Ogun States' debts rose by $182.2 million and $94.5 million respectively in 2011. The debts increased by 18.3 percent and 7.9 percent to $215.6 million $102 million in 2012, and to $241.3 million and $116.8 million respectively in 2013. The debt of Kaduna and Ogun changed to $234.4 and $109.1 million respectively in December2014.

While some states such as Katsina and Kebbi may not have significantly increased their borrowings, they have however remained with a significant debt burden. Osun State, one of Nigeria's poorest states, is ranked 9th and 8th in the list of the most indebted states (domestic and foreign) in the country with debt burdens of N5.4 billion and $61.5m in 2011; N38.60 billion and $62.8 million in 2012, and N41.4 billion and $61.83 million in 2013 in domestic and external debts respectively. The state's external debt rose to $74 million in 2014.Speaking on the debt status of the states, former Minister of State for Finance, Bashir Yuguda, described the debt profile as scary. He said, ***"...The states are so much in debt that only a small amount of their allocations get to them at the end of the day because most times money for debt servicing is removed from source".***[21]

[20]Debt Management Office (2014). States and Federal Governments' External debt Stock as at 31st December, 2014. http://dmo.gov.ng/oci/subn/docs/Federal%20and%20State%20Governments%20External%20Debt%20Stock%20as%20at%2031st%20December%202014.pdf
[21]Information Nigeria (2015).Lagos Leads Nigeria's Most Indebted States - http://www.informationng.com/2015/04/lagos-leads-nigerias-most-indebted-states.html

Table 4 : Domestic Debt Stock of States and FCT from 2011 - December, 2014 (Million Naira)

S/N	STATES	2011	2012	2013	2014
1	**ABIA**	**24,202.24**	**8,663.79**	**31,736,723,709.99**	**25,126,070,685.10**
2	**ADAMAWA**	**25,954.20**	**24,284.06**	**15,976,516,325.57**	**26,443,259,639.89**
3	**AKWA IBOM**	**41,253.91**	**108,889.39**	**125,037,037,605.70**	**81,756,010,209.95**
4	**ANAMBRA**	**6,403.32**	**14,299.99**	**3,025,797,046.67**	**2 ,876,176,930.03**
5	**BAUCHI**	**18,345.73**	**18,807.27**	**16,825,508,391.99**	**27,999,814,811.91**
6	**BAYELSA**	**162,822.65**	**222,401.77**	*	**91,681,863,473.29**
7	**BENUE**	**16,631.14**	**24,402.44**	**24,987,874,907.59**	**17,772,056,428.89**
8	**BORNO**	**1,684.56**	**24,423.20**	**23,943,150,000.00**	**22,302,790,000.00**
9	**CROSS RIVER**	**90,750.05**	**90,872.91**	**116,061,634,844.18**	**107,342,898,378.22**
10	**DELTA**	**90,843.57**	**83,684.01**	**102,100,201,248.42**	**211,953,209,702.68**
11	**EBONYI**	**40,239.94**	**28,895.75**	**13,236,092,949.91**	**6,954,978,600.13**
12	**EDO**	**39,044.30**	**62,274.74**	**48,190,150,127.26**	**40,049,999,265.50**
13	**EKITI**	**23,667.51**	**39,587.70**	**22,376,368,393.61**	**30,460,634,167.79**
14	**ENUGU**	**10,887.17**	**17,354.19**	**12,061,395,495.12**	**22,625,689,450.24**
15	**GOMBE**	**7,170.42**	**30,243.54**	**27,992,839,304.52**	**29,591,442,971.69**
16	**IMO**	**25,419.40**	**16,700.73**	**12,633,534,789.87**	**28,946,448,914.26**
17	**JIGAWA**	**1,590.54**	**2,081.43**	**1,612,286,807.20**	**1 ,569,942,087.01**
18	**KADUNA**	**34,771.71**	**22,855.93**	**9,831,844,875.14**	**16,683,751,594.41**
19	**KANO**	**5,867.29**	**5,867.29**	**32,207,008,565.09**	**31,423,625,015.47**
20	**KATSINA**	**2,059.88**	**918.93**	**269,653,436.00**	**586,698,899.56**
21	**KEBBI**	**7,291.05**	**2,716.01**	**853,678,192.00**	**17,271,445,525.15**
22	**KOGI**	**34,122.12**	**14,979.19**	**7,109,873,890.72**	**17,271,445,525.15**
23	**KWARA**	**25,254.47**	**29,776.56**	**22,416,654,388.02**	**22,147,544,002.66**
24	**LAGOS**	**157,536.16**	**230,432.88**	**278,867,066,559.64**	**268,065,018,273.51**
25	**NASSARAWA**	**5,336.06**	**7,096.14**	**28,848,544,842.82**	**34,525,700,406.60**
26	**NIGER**	**16,975.51**	**17,802.50**	**24,731,746,161.25**	**23,454,536,266.47**
27	**OGUN**	**30,143.97**	**45,726.56**	**58,381,996,066.07**	**70,193,522,583.02**
28	**ONDO**	**48,369.86**	**36,518.09**	**30,883,178,135.70**	**19,267,663,799.94**
29	**OSUN**	**5,463.64**	**38,600.00**	**41,400,000,000.00**	**37,820,826,433.65**
30	**OYO**	**4,808.39**	**11,726.21**	**19,106,047,344.26**	**12,912,635,048.75**
31	**PLATEAU**	**20,908.12**	**24,117.32**	**52,416,334,018.77**	**78,415,069,864.04**
32	**RIVERS**	**83,978.39**	**81,459.19**	**129,549,646,455.00**	**91,757,565,261.77**
33	**SOKOTO**	**4,902.05**	**2,997.31**	**5,739,570,055.40**	**7 ,650,119,372.36**
34	**TARABA**	**17,974.66**	**16,701.02**	**13,883,978,775.15**	**14,395,296,518.42**
35	**YOBE**	**2,088.40**	**3,991.22**	**1,122,635,101.66**	**1 ,638,440,289.36**
36	**ZAMFARA**	**12,968.38**	**15,508.11**	**28,217,646,668.06**	**11,072,043,395.46**
37	**FCT**	**85,563.89**	**123,992.77**	**84,324,102,643.49**	**110,139,173,152.79**
	TOTAL	**1,233,294.65**	**1,551,650.13**	**1,467,958,318,121.84**	**1,655,178,705,026.37**

Source: DMO 2014.

Table 5 : External Debt Stock of States and FCT from 2011 - December, 2014 (US$)

S/N	STATES	2011	2012	2013	2014
1	ABIA	33,264,962.44	35,911,270.54	34,180,112.33	33,791,420.92
2	ADAMAWA	29,107,434.51	30,225,908.22	30, 556,441.13	46,775,205.57
3	AKWA IBOM	62,648,075.21	61,664,855.43	61,841,809.85	58,886,640.86
4	ANAMBRA	24,446,469.98	26,708,648.57	30,323,574.40	45,154,626.04
5	BAUCHI	63,428,015.53	67,131,718.36	70,582,915.21	87,572,428.68
6	BAYELSA	27,447,347.48	28,002,261.72	28,662,160.25	34,832,195.13
7	BENUE	26,580,524.86	28,420,603.49	30,722,987.68	33,074,189.47
8	BORNO	12,957,250.22	14,154,525.62	15,585,332.20	23,067,549.16
9	CROSS RIVER	107,532,721.29	113,034,944.52	121,966,922.51	141,469,661.94
10	DELTA	15,404,872.07	18,997,501.36	19,665,800.31	24,233,639.67
11	EBONYI	41,193,845,86	41,581,279.81	43,314,886.43	45,410,518.38
12	EDO	42,514,650.66	42,741,838.97	44,292,718.14	123,128,295.53
13	EKITI	34,399,021.50	36,165,995.25	37,237,967.18	46,452,932.15
14	ENUGU	44,895,364.74	50,074,700.40	53,166,642.89	68,928,599.36
15	GOMBE	28,372,666.88	31,727,020.11	33,652,015.79	39,545,598.76
16	IMO	50,277,216.07	51,973,693.20	52,712,924.49	52,949,585.74
17	JIGAWA	27,752,300.12	33,669,099.54	35,864,252.03	35,717,805.70
18	KADUNA	182,261,250.47	215,683,732.56	241,309,864.17	234,416,052.15
19	KANO	59,777,794.58	61,792,864.24	63,897,444.17	59,796,931.03
20	KATSINA	74,138,585.89	74,694,206.56	73,725,662.92	78,925,362.41
21	KEBBI	48,308,816.94	47,821,220.02	46,855,525.42	43,786,053.64
22	KOGI	34,303,342.09	33,838,688.46	33,960,974.29	35,787,836.35
23	KWARA	43,989,319.83	45,551,435.19	45,871,785.31	52,722,198.82
24	LAGOS	491,847,295.53	611,253,157.43	938,135,517.81*	1,169,712,848.65
25	NASSARAWA	37,062,758.79	36,978,600.93	47,648,079.92	49,942,696.58
26	NIGER	28,142,518.99	29,777,330.83	31,750,342.66	44,750,438.25
27	OGUN	94,575,129.90	102,064,668.63	116,802,098.95	109,154,553.08
28	ONDO	50,022,172.54	51,851,443.85	52,134,726.59	52,688,524.40
29	OSUN	61,489,569.10	62,760,653.21	61,838,048.10	74,053,294.39
30	OYO	78,085,379.91	76,683,670.85	80,201,551.16	72,350,590.32
31	PLATEAU	20,433,976.30	21,934,123.31	22,674,216.60	30,947,579.75
32	RIVERS	33,859,588.21	36,644,822.93	42,690,633.60	44,725,095.71
33	SOKOTO	40,093,825.62	41,554,869.22	44,111,989.86	44,864,819.46
34	TARABA	20,396,408.40	23,028,584.73	23,554,326.97	22,780,063.89
35	YOBE	31,188,905.45	31,274,682.79	33,033,729.59	31,237,619.25
36	ZAMFARA	26,305,193.25	27,937,077.70	32,292,716.69	35,547,562.30
37	FCT	36,842,710.88	38,867,309.41	39,218,574.39	36,636,548.58
	TOTAL	2,165,347,282.09	2,883,237,199.23	2,757,015,681.99	3,265,817,562.07

Source: DMO 2014.

3. A HISTORY OF OPAQUE LOANS

The history of Nigeria's external borrowing goes back to May 2, 1958 when the sum of $28 million was secured from the World Bank for the construction of 1780 miles of railway from Kuru in Jos through Bauchi and Bornu to improve the existing rail network.[22] In the years following, Nigeria continued to seek and obtain credit facilities from international creditors though loans within this period were mostly concessional, with longer repayment span and lower interest rates.[23] However, in 1978, basing its decision on falling oil prices, the military government of General Olusegun Obasanjo acquired the first major loan of $1 billion, referred to as the 'jumbo loan', from the International Capital Market.[24] This figure took Nigeria's external debt stock to $2.2 billion.

Africa Action estimated that Nigeria paid over $54 billion in debt servicing between 1970 and 2005

About the same period, the frequency of borrowing increased considerably with the entry of state governments into external contractual loan obligations. At this period also, the number of loans secured on concessionary basis reduced significantly while the share of loans from private sources at stiffer interest rates and conditions increased. By 1982, the accumulated external debt of Nigeria had risen to $13.1 billion. Unfortunately, it is difficult to tell just how much of this figure was accumulated through interest and how much was actually borrowed due to paucity of information. Some analysts have argued that Nigeria's original borrowing was not more than $10 billion between 1958 and 2004.[25]

By 1990, Nigeria's external debt portfolio had risen to $33.1 billion. According to figures released by the Ministry of Finance, the total external debt outstanding as at 1999 when the country returned to civilian rule was $28 billion. Of this figure, the Paris Club constituted the highest source with 73.2 percent while the balance was owed to the London Club, multilateral creditors, promissory note holders and others. By 2000, the external debt load increased again to $29 billion. This debt stock resulted in debt servicing of about $4billion per annum, a sum which was later reduced by the International Monetary Fund (IMF) to $1.6 billion as an outcome of 'good performance'.[26]

While in 1985Nigeria owed Paris Club of creditors about $8 billion, by the end of 2004 it owed them $31 billion (out of the total debt stock of $36 billion)despite having had almost no new loans within the period. In simple terms, on account of interest and arrears alone, Nigeria's debt rose by $23 billion during the period representing an increase of 287.5 per cent. Due to high interest charges and penalties for not paying on schedule; including 'penalty on the penalty', the country also paid $35 billion over 20 years and still owed $36 billion. Indeed Africa Action, a US based advocacy network, estimated that between 1970 and 2005, Nigeria had paid over $54 billion as part of its debt servicing obligations.[27] It was not surprising that by the year 2000, the

[22] Herbert Ezeh (2009). Nigeria Considering Another Loan From World Bank'. http://www.assistnews.net/STORIES/2009/s09050106.htm
[23] Apart from having relatively lower interest rates and longer repayment span, concessional loans are often extended to poor countries for development purposes
[24] Social Action (2009). Leaving the Debt: Nigeria's External Borrowing and the call for Moratorium. http://saction.org/home/saction_image/leaving_the_debt.pdf
[25] Herbert Ezeh (2009). Nigeria Considering Another Loan From World Bank'. http://www.assistnews.net/STORIES/2009/s09050106.htm
[26] Social Action (2009). Leaving the Debt: Nigeria's External Borrowing and the call for Moratorium. http://saction.org/home/saction_image/leaving_the_debt.pdf
[27] Africa Action (2005).Paris Club Deal for Nigeria not Enough: Africa Action Rejects Failure of Rich Countries to Recognize Illegitimacy of Nigeria's Debts. http://www.africaaction.org/newsroom/release.php?op=read&documentid=1465&type=2&issues=2

new civilian administration in Nigeria in concert with other developing debtor countries began canvassing for debt cancellation, describing the backlog of debts as odious.

Odious Debt

The concept of odious debt entered economic and political discourse at the end of the 19th century when the United States government repudiated the external debt owed by Cuba after seizing the island in the Spanish-American war. The US authorities did so on the grounds that Cuba's debt had not been incurred for the benefit of the Cuban people, that it had been contracted without their consent, and that the loans had helped to finance their oppression by the Spanish colonial government.
The underlying argument is that if a debt is incurred by the government of a country without the consent of her people and without a corollary translation into practical benefits for the citizens, such debt cannot be said to be binding on the people.[28] It follows therefore that the responsibility for the diversion of borrowed funds falls not only on corrupt public officers, but also on their creditors, including private bankers as well as bilateral and multilateral institutions like the International Monetary Fund and the World Bank. With or without their full knowledge, loan sums have often ended in private hands. In some cases, full knowledge of this fact did not deter creditors from further extending loan facilities. For similar reasons, much of the debt of Nigeria could be termed 'odious'.

The doctrine suggests that three conditions must be present before a state can repudiate a debt: "The debt must have been incurred without the consent of the people of the state; the debt cannot have benefited the public in that state and the lender must have been aware of these two conditions."[29]

From the records at the Nigerian Debt Management Office (DMO), most of Nigeria's debt can be classified as odious. Indeed, former president, Olusegun Obasanjo, who was instrumental to signing Nigeria on to external loans during his time as a military dictator, had described most of Nigeria's external debt burden as being "of dubious origin".[30] When assuming office as a civilian president in 1999, he said that from a historical, moral, environmental and human rights perspective, the country's external debt was illegitimate.

He said: "*If the creditors can document where the money went, and show that it benefited the citizens of the borrowing country via investment or consumption, then the debt will be accepted as a bona fide external obligation of the government. If, however, the fate of the borrowed money cannot be traced, then the present African governments must infer that it was diverted into private pockets, and quite possibly into capital flight. In such cases, the liability for the debt should lie not with the governments but with the private individuals whose personal fortunes are the real counterpart of the debts.*"[31]

Lending a voice to the debate between debt buy back and cancellation or unilateral repudiation in March 2005, the House of Representatives adopted a motion asking the executive arm of government to stop further payment of foreign loans owed the Paris and London Clubs, saying the money should be used for the development of the country. The motion read:

[28]Patricia Adams (1991) Odious Debts. Toronto, Earthscan Canada. Pp 162-170.
[29]Social Action (2009). Leaving the Debt: Nigeria's External Borrowing and the call for Moratorium. http://saction.org/home/saction_image/leaving_the_debt.pdf
[30]Lisa Peryman (2005). 'Debt Cancellation Sets Looters Free', http://www.probeinternational.org/odious-debts/debt-cancellation-sets-looters-free
[31]'Africa's Debt: Who Owes Whom?' http://www.odiousdebts.org/odiousdebts/index.cfm?DSP=content&ContentID=7129

"Whereas the Federal Government of Nigeria has over the past 25 years been under undue burden over debt allegedly owed to foreign creditors, mainly the Paris and London Clubs of creditors;

"Whereas the government and people of Nigeria have over the past five years done all that is humanly possible towards establishing the economy on a path of sustainable growth despite complexity of constraints;

"Whereas in spite of all these achievements, Nigeria's creditors and development partners have failed and refused to grant Nigeria substantial debt relief to enable her consolidate on the gains for sustainable growth of the Nigerian economy;

"Whereas the president of the Federal Republic of Nigeria, Chief Olusegun Obasanjo, has made several appeals and visits to foreign countries and groups of creditors for relief and cancellation of Nigeria's debts without success;

"Whereas Mr. President and the government of Nigeria have established sound economic policies to reposition the Nigerian economy as encapsulated in the National Economic Empowerment and Development Strategy programme;

"Whereas Nigeria's debt stock as at 1985 was about 19 billion USD and between the said 1985 and 2005 Nigeria has repaid a total of 37 billion USD to all her creditors including the Paris and London Clubs of creditors;

"Whereas despite the above, the debt stock as at December 2004 was 35 billion USD outstanding to all external creditors of Nigeria;

"Whereas from 1984-1999 Nigeria was under military dictatorship with devastating impact on economic, political and social stability placing Nigeria in the same category of countries emerging from war;

"This House do call on Mr. President to cease forth with further external debt payment to any group of foreign creditors."[32]

Actual debt cancellation or repudiation was never achieved, but the engagement with the creditors and outcry from the international community led to the 2005 debt buy back deal.

However, some observers faulted the exit framework and terms insisting that the country had been shortchanged. Nigerians questioned the logic of calling the debt deal a 'write off' when the country had paid many times above what it actually borrowed. Of equal concern was a controversial $1 billion paid as consultancy fees to certain unnamed persons who supposedly facilitated the deal.[33] Critics also expressed concern over the exclusion of the National Assembly from the deal which was unilaterally decided on by former president Olusegun Obasanjo and his Minister of Finance, Ngozi Okonjo-Iweala who herself was drafted into the cabinet from the World Bank and duly returned to the same organisation when she left the cabinet in 2007.

3.2. What Were The Loans Used For?

Most of Nigeria's external loans were received under the guise of funding the health, educational, agricultural, infrastructure and manufacturing sectors. However, a look at these sectors today raises questions as to what the loans were actually used for.

Nigeria's educational sector has deteriorated to the extent that public tertiary education in the country is only an option for those who cannot afford an alternative. Public primary schools have decayed so much that even the poor seek privately owned schools, even when the private

[32] http://www.articlearchives.com/trade-development/economic-development-emerging-markets/1584618-1.html

[33] Umar Kari (2008).' Nigeria's Debt Overhang not Over Yet', http://nigeriavillagesquare.com/forum/articles-comments/22131-nigeria-s-external-debt-overhang-not-over-yet.html

schools operate without adequate government regulation. The health sector has not fared any better. With life expectancy still tilting between 45-46 years,[34] modern health services are still alien to the majority of the population, and available options are still unfordable by the majority.
An oil palm estate (Risonpalm) built with World Bank loans in Rivers State in the late 70s and early 80s is now access pool of political corruption, after local people were dispossessed of their farmlands, forests and livelihood to make way for the project.

In manufacturing, the Ajaokuta steel complex set up in part with money secured from external loans (German Government loan of 50 million Deutch Marks and technical assistance grant of 25 million Deutch Marks), provides another example of the black holes for foreign credit. The steel plant has remained unviable over the decades. With time, it has become a viable conduit for political office holders to divert funds into private accounts.

Nigeria's power sector is an even more glaring illustration of infinite official sleaze and the failure of the loans. The sector has remained epileptic for decades with power projects contracts only serving as avenues for high level graft. Huge allocations to the sector running into billions of Naira yearly produce no result even as electricity generation in the country has not improved beyond between a paltry 3,000 and 4,000 Megawatts of electricity. In May 2014, the then minister for power announced that Nigeria was generating 3,800MW of electricity. This 'great achievement' is ridiculous when it is considered that the output is for a population of over 180 million people where experts have estimated that Lagos State alone needs about 15,000MW of electricity.

Nigerians have wondered at a situation where the government is privatizing public assets yet borrowing so much to purportedly finance these assets.

In 2012, government announced the sale of major power infrastructure in the country to private sector operators in a move that had begun under a previous administration of Olusegun Obasanjo. Despite this move, which was in itself enmeshed in corruption leading to the sacking of a serving power minister, government have continued to acquire huge loans for power projects. Nigerians have wondered at a situation where the government is privatizing public assets yet borrowing so much to purportedly finance these assets.

In 2012, the Federal Government borrowed $765.7 million from the EXIM Bank of China for Zungeru Hydroelectric power project and another $234 million from Islamic Development Bank for Zungeru Hydropower project.[35] In 2013, the government sought $100 million from the Indian Export Import Bank for power projects in Enugu, Kaduna and Cross River states.[36] In 2014, a loan of $170 million was sought from the French Government for an Abuja power

[34]Cited in Social Action (2009). Leaving the Debt. 'Life Expectancy Drops inNigeria'http://www.sunnewsonline.com/webpages/features/goodhealth/2007/july/17/goodhealth-17-07-2007-003.htm
[35]PM News (2012). Anger over loan burden http://www.pmnewsnigeria.com/2012/12/03/anger-over-loan-burden/
[36]The Sun (2013). FG secures $100m loan to boost power supply in 3 states. November 21, 2013http://sunnewsonline.com/new/fg-secures-100m-loan-boost-power-supply-3-states/

project.[37] In August of 2014, the DMO announced that the country had raised about $1.5 billion from the international debt market (the Eurobond) to improve power.[38]

Public outcry against these reckless borrowings and their non-justifiable utilization did not deter the government from this path. According to the then minister of finance, Dr. Ngozi Okonjo-Iweala,"…*the Ministry of Power has set forward an emergency transmission programme for the entire country requiring $1.9 billion and we have been able to raise $1.2 billion so far of very soft credit. This $170 million from French Development Agency is part of that package. The balance of the package {will come} from World Bank ($700 million) and Japan*".[39]

3.3. Credit Patterns And Conditionalities

As part of the debt buy back agreement between the Paris Club and the Nigerian government in 2005, the latter was expected to meet IMF conditionalities of economic liberalisation that restricts the ability of government to invest in social services. This set the stage for fraudulent privatisation of national assets, expansion of poorly regulated natural resources exploitation, environmental degradation and human rights abuses.

The conditions from the Paris Club follow conventional practice whereby the IMF and the World Bank impose certain 'structural adjustment' programmes (SAP) on the client country. This neoliberal strategy is principally focused on the promotion of free markets, including privatisation, deregulation, trade liberalisation, drastically reducing the role of government and cutting down on public services.

As conditions attached to loans, the international creditors have at various times demanded that Nigeria adopt the following neo liberal policies: reduction in overall public expenditure; upward review of interest rates, removal of petroleum and other subsidies, trade liberalisation, devaluation of the currency.[40]

With loan offers, external institutions like the World Bank have been able to undermine the sovereignty and independence of many countries. The disposition of the Breton Wood institutions has always been that they have a quick fix for the economic difficulties of developing countries. With this thinking, they have quite often prescribed policies that are essentially anti-people, caused poverty and encouraged the tying of the economy of developing countries to the apron strings of predator global capitals, much to the detriment of the local people, and mostly to the benefit of donor countries.

As condition for a 1986 loan, the IMF had demanded the introduction of SAP in Nigeria. This demand was made despite the fact that similar adjustment programmes inspired by the same organisation had failed in every country where it was implemented. A pseudo national referendum conducted by the military regime of General Ibrahim Babangida rejected the introduction of SAP. Nonetheless, the programme was introduced with devastating consequences. Rather than stimulate the economy and better the lot of Nigerians, it brought the economy to the brink of collapse. During the period, inflation rose to record highs. The exchange rate fell from $1.78 = 1 Naira in 1980, to $1= 85 Naira in 1996.The now famous anti SAP protests by Nigerian students in 1989 were indications of resentment of Nigerians to SAP.
Professor Claude Ake, while reflecting on poverty in Nigeria under SAP, said:

[37]Nigerian Bulletin (2014). FG Approves the Borrowing of $170m from French Agency to Boost FCT's Power Supply. Mar 5, 2014 http://www.nigerianbulletin.com/threads/fg-approves-the-borrowing-of-170m-from-french-agency-to-boost-fcts-power-supply.51464/
[38]Nduka Chiejina (2014). DMO Chief defends Nigeria's $66b debts. The Nation, August 20, 2014.http://thenationonlineng.net/dmo-defends-nigerias-n10tr-debt/
[39]Nigerian Bulletin (2014). FG Approves the Borrowing of $170m from French Agency to Boost FCT's Power Supply. Mar 5, 2014 http://www.nigerianbulletin.com/threads/fg-approves-the-borrowing-of-170m-from-french-agency-to-boost-fcts-power-supply.51464/
[40]Nwikina, C.G, (1996) Fundamental of Money and Banking in Nigeria. Port Harcourt, Harrisco Press.p.164

'the indebtedness of Nigeria has increased over the adjustment period...The poor have suffered from the high rate of inflation as well as from other conditions: the fall in real wages among urban workers; the collapse of infrastructure, including water supply, electricity, and transportation; the new commitment to cost recovery in education, health care, and city council services; and the general decline in welfare indicators such as adult literacy and primary school enrolment.'[41]

By the time the policy was withdrawn in later years, the country had been far more ravaged by poverty and political instability than it had been before the introduction of SAP. With all these negative consequences, the IMF described the policy as having been 'moderately successful' in Nigeria.

A 2006 loan offer by the World Bank gives another rare insight into the shady nature of its 'assistance' to countries like Nigeria. The loan was extended to the National Universities Commission (NUC) and meant to finance the acquisition of modern Information and Communication Technology infrastructure for Nigerian universities. However, the terms of the loan required that 95 percent of the $102 million (which is $96.9 million) would be retained for the payment of consultancy services to be provided by the World Bank, while a paltry five percent or $5.1 million will be deployed to acquire the actual infrastructure for the universities. The loan was duly rejected by NUC.[42]

All together, the external loans regime has ensured that more resources are leaving Nigeria for industrialised countries than the country receives in development aid from the G8. In 2005, the UK receipt from the $12.4 billion paid by Nigeria in the debt deal with the Paris Club is more than what the UK government spends in aid to the whole of Africa in five years and more than what G8 countries devote to conditional aid to the continent in ten years.[43] The payments from Nigeria also represent one of the single largest capital transfers from one part of the world to another in all recorded history.

In March, 2014, the Nigerian parliament, unimpressed with the economic growth indices being promoted by the nation's economic managers and worried about the insignificant decline in deficits and borrowings demanded that the country's finance minister make available "the true cost of and procedure for accumulating and servicing of our debts.[44] This is against the backdrop that Nigeria had risen to become the biggest recipient of disbursements from International Development Association (IDA) between 2009 and 2012. Furthermore, Nigerian National Assembly said the country had the biggest outstanding IDA portfolio in Africa.[45] In addition, it held that Nigeria's domestic borrowing costs were among the highest in the world.

In 2013, Nigeria paid N794.56 billion and $297,329.3 million[46] in domestic and external debt servicing. In 2012, N721 billion and $293,000.54 million were also paid as domestic and external debt service charges. Also in 2010 and 2011, the country spentN354.13 billion and $354.42 and N537.39 billion and $351.6 million for domestic and external debt servicing respectively.[47] This rising national debt and debt servicing requirements are subverting development. As stated by Martin Onovo,

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[41]Claude Ake (1996) Democracy and Development in Africa. Ibadan, Spectrum Books Limited.p87
[42]Daily Champion (2006). 'Exiting Nigerian National Universities Commission head explains why he rejected World Bank loan'http://allafrica.com/stories/200607280071.html
[43]Oxfam (2010). Justice for Nigeria: Why the UK should return Nigeria's £1.7 billion to fight poverty http://www.oxfam.org.uk/resources/policy/debt_aid/downloads/justice_nigeria.pdf
[44]Ngozi Okonjo-Iweala (2014). Nigeria: Debt – the House VS Okonjo-Iweala, Daily Independent March 17, 2014.http://dailyindependentnig.com/2014/03/nigerias-debt-the-house-vs-okonjo-iweala/
[45]ThisDay Live (2013) Nigeria's Debt on the Rise Againhttp://www.thisdaylive.com/articles/nigeria-debts-on-the-rise-again/135492/
[46]Nigeria: State's Debt Profile Hits N10 Trillion. All Africa Data on Nigeria's Debt, 18 February 2014.http://allafrica.com/stories/201402180400.html
[47]Debt ManagementOffice, April 17 2014.

"...So, if our debt servicing cost continues to rise at the same rate, we would need over N1 trillion for debt servicing by 2016 and would require N1.8 trillion (40% of our 2014 budget) for debt servicing by 2019. This will completely erode the capital budget of Nigeria at the current level of N1.1 trillion".[48]

The grave condition of the country with respect to public debt had been admitted even by the government itself. Yerima Ngama, Nigeria's former minister of state for finance had stated: "We think that the position as it is at the moment is not good for us. We have high interest rate, high debt servicing; last year alone, we paid about N699 billion to service the debts and that compared to the other budgetary provision for our capital expenditure which was just over a trillion, then you realise that we are having a disproportionate cost of debt financing".[49]

3.4. Nigeria's Debt and the Greece Debt Crisis

In June 30, 2015, Greece went down in history as the first European country in modern times that defaulted on paying its creditors. The country failed to pay the sum of 1.5bn Euros to the International Monetary Fund when it was due.

The Guardian of the United Kingdom reported that the long-running debt debacle left Greece on the brink of financial collapse, worsening recent years of wrenching austerity, and represented a historic blow to Europe to irreversibility of the 16-year old single currency.

Some of the drivers that exacerbated the problem of Greece were budget and trade deficits. Both trade and budget deficit grew from below five per cent of Gross Domestic Product by 1999 to about 15 per cent of GDP by 2009. For Nigeria, the country has been running budget deficit for a number of years. To take care of the budget deficit, the Federal Government has employed debt financing as it has been busy in the bond market through the issuance of FGN Bonds by the DMO. Thus, the cost of servicing debt increased from N712 billion in 2014 to N943 billion in 2015. This shows an increase of 32.4 per cent over just one year period.

With dwindling oil exports from the country, the ban of agricultural food exports from Nigeria and Nigeria's propensity for imports, Nigeria appears headed towards trade deficit if measures are not put in place to check this. The recent exclusion of certain imports from benefiting from official exchange rate is not enough deterrents as demand for foreign exchange has soared in the parallel market. The import of these is that, like the Greek experience, the Nigerian debt situation can be exacerbated by the key drivers of trade and budget deficits.

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[48]Akoma Chinweoke(2014) Nigeria: The Paradox of Nigeria's Rising Debt - Vanguard, 18 May, 2014http://www.vanguardngr.com/2014/05/paradox-nigerias-rising-debt/

[49]Talatu Usman (2013). Nigeria to increase foreign borrowing, as debt hits N6 trillion- Finance Minister. May 15, 2013 http://www.premiumtimesng.com/news/134470-nigeria-to-increase-foreign-borrowing-as-debt-hits-n6-trillion-finance-minister.html

4. CONCLUSION

The Nigeria's debt stock presently stands at $63.8 billion only few years after the country controversially exited the external debt over-hang. This development indicates that the country is inching closer to another level of crisis. Nigeria has paid a staggering $644 million and N2.6 trillion in both external and domestic debt servicing repayments within two years (2013 & 2014) and three years (2013 - 2015) respectively.

Careful investigation of the several loans acquired by past administrations in the country show little or no evidence of verifiable utilization as capital infrastructures have remained decrepit despite the billions of dollars borrowed for supposed building or improvement of these. These loans along with huge revenues that accrue to the country from oil and other sources have largely frittered away into private pockets even as social accountability mechanism in the country is largely inactive.

Debt servicing has virtually crippled allocation/attention to other sectors that have the capacity to drive growth with corresponding positive impact on human development. While transient governments borrowhuge loans, it is the ordinary citizens that bear the weight of the debt burden. In 2015, this reality is demonstrated in the sufferings of countless working masses in over 27 States in Nigeria that has gone with months of unpaid salaries owing to indebtedness as state governments lose funds to debt servicing.

Weakening economy as indicated by the central bank's economic recession warning and dangerously paltry annual capital budgetary allocations (31.3% in 2013, 22.5% in 2014 and 15% in 2015)should serve as a basis for a radical review in the economic policy and management system of the country with concrete focus and steps on diversification of the economy instead of recourse to borrowing.

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