AN APPRAISAL OF NIGERIAN DEBT CRISIS AND THE CHALLENGE OF UNDERDEVELOPMENT

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Abstract
This paper tries to reveal how Debt Crisis has Underdeveloped the socio-economy of Nigeria in other to examine the relationship between the weak economy and the failure of debt management planers of the national economy, the cases of debt crisis and the adoption of debt payment option has its account for persistent poverty in developing societies. The method of analysis is explanatory, descriptive and analytical, the paper, reasoned along the theoretical foundation of the dependency and modernization theorist, while the paper adopted the theory of past colonial state in the discussion. Thus it was recommended that there should be a restructuring of the International economic system that is largely responsible for the debt crisis in Africa before there could be genuine structural reforms in the debtor countries because the two are mutually sustaining. The paper tried to discover the origin of Nigeria's debt crisis, its causes and consequences, especially looking at the efforts and contributions made by the various administrations to resolve Nigerian debt crisis.

Keywords; debt crisis, development & underdevelopment, National economy, and dependency and modernization.

INTRODUCTION
Until April 21, 2006 and 2007 when the Nigerian government respectively paid the last part of the $30 billion owed the group of Creditor countries in the Paris club and also settled the London club debt comprising par bonds, oil warrants and promissory notes liabilities of #2.4 billion, its external debt stock stood at $35 billion (Fasan, 2006: 40; Usman, 2007: 1 - 2). This represented the total sum of accumulated interest arrears and penalties arising from defaults in the servicing of the initial $13.5 billion was spent as debt servicing and interest payments on these loans by 2005 giving an interest payments on these loans by 2005 giving rise to domestic debt burden of N1.87 trillion and underperforming economy (Okonjo-Iwala, 20003: 8-9; Olajide 2007: 27)
At independence, African leaders foisted the burden of development on other countries and consequently sought and acquired external finance for development projects. (Ake, 2001:18). Borrowing and therefore, debt is neither an aberration nor peculiar to African countries. It is, in fact a legitimate part of everyday economic management (Madavo, 2003:91). Hence, most of the rich countries of the world today relied heavily on external finance to attain their present economic height. According to Fasipe (1990:1), “Progress in the world is characterized and helped by inter dependence of ideas and men, goods and capital”.

Thus even beyond the early European and United state experience, the post Second World War Europe, especially Germany was reconstructed and rehabilitated through external borrowing under the aegis of the Marshall Plan (Ogbenowo,2005:2). Accordingly, African countries immediately after emerging from the plundering of colonial rule resorted to external credits not only to fill the resources gap inherent in their past colonial economic structure but also to develop their economies and provide the socio-economic needs of their citizenry.

Regrettably, this resort to external borrowing turned out to be the Westphalia Treaty that settled nothing. This largely results from their weak economic base, unfavorable terms attached to the loans, policy errors and mismanagement among others. Consequently, the post colonial African countries, of which Nigeria is among, became obviously unable to repay their debt and thus got marooned in the crisis of debt, that bedeviled their socio-economic development.

Essentially since the last quarter of 1982 when Africa's debt crisis attracted global attention, a legion of prescription to get the continent out of its economic doldrums has been offered. Prominent among these is the restructuring of African economy in line with IMF-dictated reforms of deregulation, privatization and liberalization (Obseki and Bello 1994:241). However many debtor countries and their sympathizers prefer debt relief or debt cancellation to release fund for the development and welfare of the countries of Africa since they were over-burdened by excruciating debt service obligation. Nigeria for instance, prior to 2006 was expending over US$2 billion annually on debt servicing, which was nine times the annual health budget (Okonjo-Iweala et al, 2003:8).

It was this situation, which the democratic government of former president Olusegun Obasanjo inherited in 1999 that forced to immediately flag off an intensive and extensive campaign for debt relief/cancellation. This yielded positive result in April 2006 and 2007 when Nigeria's major creditors the Paris club cancelled 60 percent of the total debt aimed to it by the country and also settled its debt to the London club.

**Problem of Discussion**

Nigeria emerged from colonial tutelage with a low ratio of external debt to gross domestic product (GDP) of 3.4 percent (Fajana, 1990:95). Based on this promising economic base it launched its first year National Development plan that was tagged to bring about accelerated development and free it from barriers of economic exploitation.

Partly because of the civil war (1967 -1970) and largely because of its burning desire for rapid socio-economic development, the Nigerian government resorted to development finance from public fund mostly from bilateral and multilateral lending bodies. Since the five years plans of the early 1960 up to date, Nigeria had launched several Development plans accompanied by more development finance even from the international capital market that is notorious for its high interest rates and terms of repayment, yet development seems to elude the country.

Paradoxically, therefore, Nigeria is classified as one of the several indebted low-income countries that are greatly afflicted by development, dependency, general poverty and heavy external debt in spite of its widely acknowledged oil wealth. Coupled with this, is magnitude of capital flight from the country in the form of debt servicing that not only absorbed a major proportion of export earnings and funds that could be used to provide essential facilities and improve the welfare of its citizens (Ajayi, 2003:106). This defeat the generous efforts at finding solutions to the national debt crisis, Consequently, Nigeria's external debt stock prior to April 2006 at US$2 billion being expended annually on debt servicing, the country had expended over US$31 billion on debt repayment of the actual US$13.5 billion on debt repayment of the actual US$13.5 billion capital owed (Okonj-Iweala 2003:8). This perhaps informed the intensive lobbies by the former government of president Olusegun Obasanjo for the compassionate redemption of the country's debt so as to enable it channel its revenue of about US$45 million daily from crude oil sales to poverty reduction and socio-economic projects. Yet with the eventual debt repayment to its major creditors in the Paris and London clubs the expected gain of aborting a future as well as removing alibi for non-performance by government seems a mirage as Nigeria is still not only saddled with an external
The dependent status of Nigeria's economy is one of the enduring legacies of colonialism (the South Bulletin, 2004) inherited by the independent states in 1960. Nigeria's debt crisis therefore date: back to 1958 when a sum of US $28 million was used for railway construction (Falegan, 1978:2). But faced with the challenges of growth and development in the post-independence Nigeria, the country, like most of its counterparts in Africa succumbed to resorting to more external borrowings. Nevertheless before the new African States even had time to organize their economy and get them up and running, the new debtors were already saddled with a heavy burden of debt.

Nigeria's resort to foreign debt between 1958 and 1977 was however, as debt contracted during the period were the concessional debts bilateral and multilateral sources with longer repayment periods and lower interest rate constituting about 78.5 percent, of the total debt stock (Aluko-Olokun, 1958:193). Its debt, however rose dramatically shortly after the civil war when it took more loans to enable it implement its reconstruction, reconciliation and rehabilitation programme as well as lay foundation for industrial growth. These were the principal reasons for which Nigerian government at various times had to borrow funds from external creditors.

The issue of Underdevelopment, for instance, between 1960 and 1970, Nigeria's external debt profile stood at $690.7 million out of which $458.8 was disbursed (Oyedide et al, 1985:16). But from the late seventies Nigeria's external debt began an upward trend. This rise which is largely attributed to the resort to the two jumbo loans from the international capital market in 1977 and 1978 respectively continued dangerously to about $35 billion and remained so until 21st April 2006 when Nigeria exited its Paris Club debt. With the subsequent payment of some debt owed to the London club, Nigeria's external debt stock presently stood at about $2.6 billion. This being the total sum owed to both the bilateral and the multilateral agencies.

The Dependent Nature Of Nigeria's Economy

One of the recurring questions on Africa's debt crisis is why those the application of foreign loans not yield sufficient returns in local currency and foreign exchange. According to Killick and Matins (1990:2) "Lies in the world markets on which Africa depends" This invariably refers to the forceful incorporation of African economics into the very structure of the core capitalist economics in a manner that it is unfavourable to Africa. The purpose of this was to ensure that Africa is dependent on the big capitalist countries.

The trap, therefore, for Nigeria's debt crisis and underdevelopment was laid during the colonial era through the proletarianization and peripheralisation of the country's human and material resources. (Walter Rodney, 1972; Chinweizu 1974; Ake 1982 etc) based on what Fredrick Lugard (1965:6) rationalized as the "Dual mandate" of Colonialism. This process, which was designed to perpetrate itself, started with the illicit trade in human beings that robbed Africa of the best minds that would have engineered the development of the continent. The most enduring of this despoliation was the massive siphoning off by international finance of the resources of the most deprived peoples through the deleterious activities of the multinational corporations and their counterparts in the finance-houses.

In Nigeria as well as in other countries of Africa, the colonial economic policy of exploitation of agriculture and imposition of primary products, forced the economy to a structural dependence on the world market for manufactured products and the exportation of raw materials.(Onimale, 1985?:40). This consequently evaded real production and not only weakened the country's economy but also consigned it to its present peripheral status in international economic relations.

In the same vein, the rising interest rates and the escalation of prices of imported (manufactured) goods engendered by the United States unilateral monetary policy to stem inflation at home and outflow of capital (i.e. its vast expenditures on the Vietnam war) attest to the fact that inflations in the world market or cyclical crisis of the advanced countries are systematically transmitted to the third world countries as the derivative crisis of global capitalist reproduction (Nwoke, 1999:48). This is what largely accounts for the debt crisis in Nigerian economy and in the other African countries.
Africa. Tomitova (2006:16) does not agree less with this position when she vigorously argues that debt relief or cancellation will only address the symptoms of the debt problem and not “the inequality that underlies relations between poor and rich countries in the global economy”. Implicit in the above assertions is that the peripheral status of Africa economies in the world capitalist system is responsible for the persistent debt crisis and underdevelopment in the countries of Africa of which Nigeria is among. Perhaps this explains why the various debt relief and cancellation to some highly indebted poor countries is regarded as an aspect of reparation rather than a philanthropic gesture. The argument according to this school of thought is that the sheer granting of debt relief or outright debt cancellation by the Paris club of lenders is an indirect admission of their culpability for the debt crisis through their invasion and robbery of the continent during their colonial expedition in Africa. Added to this was their reckless lending to the needy newly independent African states not out of compassion but as a mechanism for imperialist expansion and exploitation by other means or what has come to be known as neocolonialism.

This apply described by castellan (1998) as “the wrong end of the stick” is aid dependency, which Nwoke (1990) contends is a deliberate policy of the capitalist world not only to expand their sphere of influence but also to hinder the already captured countries from falling out from the imperialist orbit. Being held captive by this imperialist maneuver the countries are left with no option but to continue to borrow and import goods and services despite the rising interest rates. In the absence of real production, the economics of Africa are weak and therefore, cannot compete along the same terms with developed countries. Even the world Trade Organization (WTO) to which African countries are forced to belong do not provide a level-playing grounds for its members, thereby leaving the fate of Nigeria and its counterparts in Africa in the cold hands of the industrialized world. the result is that sharp decline in the price of oil or a drop in foreign exchange receipts wrecks havoc on the economy leading to the deepening of underdevelopment.
Debt Crisis and Underdevelopment

Debt crisis is an obstacle of growth and development. This emanates from the debilitating burden of debt servicing obligations that severely encroaches on resources available for investment, socio-economic growth, and development as well as poverty alleviation. In other words, to the extent that debt service outstrips the external reserves of a debtor country by wide margins to the extent that other major import needs of the country would be set aside to the detriment of its economy.

Nigeria and other countries of Africa has be facing this situation since the early eighties when as a result of the faster growth of debt service over external reserve, the country's debt burden bunched and made repayment a difficult proposition. This is a sharp departure from the preceding years when Nigeria was widely classified as under borrowed. However, since the resort to the international capital market for the two “jumbo” loans of 1977 and 1978 with their characteristic short and medium term maturity periods and high interest rates, Nigeria's ability to repay its debt became ensnared and culminated in the accumulation of arrears of capital, interest and penalties that formed the outrageous $35 billion external debt profile of the country before 26 April, 2006. This was in spite of the above $ 3 billion or 30% of its total revenues that was expended annually on servicing the external debt that was initially $17 billion at the outset (Okonjo-Iwea et al., 2003:12). Yet from them to 2004 for which record is available, Nigeria had diverted a whooping sum of $37 billion to unproductive debt servicing at the expense of self-liquidating projects that would have not only boosted the nation's economy but also ensured that it did not fall into debt crisis in the first instance.

CONCLUSION

Attempt was made in this study discover the origin of Nigeria's debt crisis, its causes and consequences and the concerted efforts made by successive leaderships of the country to manage or solve the debt issue. It was discovered that most of the third world day Nigeria's debt crisis and underdevelopment is a product of both external and internal forces, which play complimentary role in perpetrating the crisis since the era of colonial imperialism. Currently, however, this process is being sustained by the unfair trade and payment terms imposed by the world Trade organisation (W. T. D), and international financial institutions (I.F. Is) with the powerful collaboration of the local forces, which are predominantly the black compradors or the dominant class who incidentally occupy and even determine the leadership of their countries. Their collaboration with the international creditors to exploit the human and materials resources of the countries of Africa through debt servicing has contained the nation's economy but also ensured that it did not fall into debt crisis in the first instance.

It is based on their dialectical relationship that the debt crisis and underdevelopment in Nigeria deepened in spite of past strategies to case them because the country's past leaders who also double as the creditor's errand boys had religiously relied on the traditional mechanism of debt management- debt rescheduling and debt refinancing that only stretches repayment over a long period and does not extinguish the rescheduled debt. It also explains why the debt crisis and underdevelopment have overtaxed to breaking point the wizardry and imagination of both the local and international financial experts to the extent that the fund had to openly admit the failure of some of its policy directives meant to case developing countries out of debt and poverty. Hence, the calls by economic analysts, anti-debt management experts for radical new approaches.

RECOMMENDATIONS

The Enhanced H.I.P.C. Initiative word have provided potential escape route for Nigeria's interwoven trap of debt and poverty but jubilee Debt campaign argued that it was grossly inadequate and therefore incapable of dealing with debt problem especially with regard to the destructive and unjust conditions imposed by it. Debt relief under Naples Terms or Houston Terms could have also provided a reprieve but their tendency toward a deferral of payment did not provide any debt reduction. As such they were not only insufficient to address Nigeria's debt crisis but also led to endless cycle of restructuring. This elicited violent criticism from NGOs the world over who canvassed for outright and unconditional debt cancellation or forgiveness.

According many analysts suggest the replication of the marshal! plan treatment in the form of grant-in-aid and other facilities devoid of interest to rebuild the Nigerian economy Bush Jnr. At Geneva summit of G. 8 re-echoed this in 2001 when he called the world Bank to convert part of its lending to outright grants. (The Guardian, 2001:39). However, Thabo Mbeki would prefer investment to grant-in-aid through the removal of tariffs and subsides to agriculture and primary products in the west.
Instructively, even the IMF managing Director, Rodrigo de Rato reinforced this viewpoint by noting that “if trade rules are made fair, developing countries can trade their way out of poverty and be in a position to settle their debt” (See African Economy, 2005:14). In his opinion therefore, the way out of Africa's debt crisis is that “the developed countries must improve access to their markets for developing countries' exports and dismantle trade-distorting subsidies (African Economy 2005:14). Any step hereof of reordering the unequal terms of trade will revert to the status quoante.

It is in the light of this that a radical measure otherwise called repudiation is prescribed leading proponents of this prescription include fidel castro, late Julius Nyerere and many non-governmental organizations such as Jubilee 2000 caolition, drop the debt, Action for southern Africa, African Netwrodk for environment and Economic Justice ANEEJ).

Another related reason for this radical prescription in Nigeria's case was that in spite of the country's religious implementation of all the IMF imposed old market theory of economy reform programme and the establishment of institutions aimed at instilling accountability and transparency such as the indépend corrupt practices and other related offences commission (I.C.P.C), Economic and financial crime commission (E.F.C.C), due process mechanisms., et cetera, the country's creditors refused to cancel Nigeria's debt or even grant it a debt relief.

But a more radical political justification for repudiation was initiated by president Fidel Castro of cuba and popularized by late president Julius Nyerere of Tanzania and other pan African such as Ali Mazrui, chinua Acheiba, J. K Onoh and may others. The plank upon which they convass this recommendation is that they see the debt issue as a powerful weapon employed by the international creditors, especially, the Paris club to propagate imperialism and neo-colonialism. Therefore, repudiation is imperative because the creditors had exploited the resources of the continent for decades during the era of colonialism without compensation (Onoh, 1989:178) in other words, repudiation should be adopted as reparation for the colonial despoliation and exploitation of Africa's human and materials resources.

Similar preferential -debt forgiveness was granted to eighteen low income countries out of which, fourteen are African countries under the Highly indebted poor countries (HIRE) initiation even when it is obvious that these countries are richer than other countries with GDPs spurial times higher. Nigeria joined this club of beneficiaries in April 2006. But the fact that several other African countries have not benefited from similar gesture of generosity inspite of their relevance and status in the comity of nations beats every critical mind's imagination. Its is therefore, this seeming preferential treatment that has expectedly ignited strident criticism of double standard and calls for across-the -board cancellations or collective repudiation of all sovereign debts since western donor and creditor countries have demonstrated that they can resolve the debt crisis of the developing world without imposing stringent and hurtful conditionality on them.

But there are dissenting voices from within the debtor countries against repudiation, this results partly from fear of sanctions but mainly from the unco-ordinated and dividend approach of the debtor countries toward the management of their external debt.

In the contemporary world, however, military invasion option has been replaced with blockade or what Muhammad (2005:14) described as "automatic loss of access to international capital markets". To be sure, the severity of this kind of sanctions has remained the major dissuading factor to unilateral repudiation which "almost certainly include the breaking of trade links upon which the nation normally relies, the denial of credits which are lifeblood of trade and in extreme cases (China after 1949, cuba after 1960) a deliberate government enforced trade boycott" (Payer 1974, 15). Despite these sanctions several countries have on several occasions flirted with the idea of unilateral repudiations as a panacea to debt crisis, and a few have attempted quite successfully as the case of Argentina abundantly illustrates, it in a fact the success of Argentina's repudiation coupled with current trend of globalization that have excited nongovernmental organizations and many debtor countries to renew the call for unilateral repudiation of foreign debts. After all, military option or economic blockade is no longer fashionable in this new world order of mutual responsibility. Therefore, breaking of trade links or impovaging or seizure of debtor country's assets may be counter-productive as there are also creditors' assets in the domain of the debtor countries.

The major obstacle to unilateral repudiation, however, is the non-cartelization of the debtor countries similar to that of the creditors. The implication is that repudiation cannot be workably applied without teaming up with other debtor countries. As fare back as 1956, the international creditors recognized the power of cartelization and leagued themselves into what is known today as he Paris and London clubs of lenders. Since their formation he clubs of lender have been extracting pound of flesh from their debtors with aggressive intensity by imposing terms favorable to the maintenance of their financial hegemony. Beyond
that, these cartels of lenders use their clubs to ressit "case-by-case" negotiation with their respective debtors. The por supplicant debtor must first meet the whole gang as a group where they take joint position binding on all bilateral relations. Hence a debt owed to a member can only be serviced or repaid based on the terms set by the clubs.

So contrary to the skepticism over the kind of influence an association of distressed nations could wield, the banding together of the debtor countries would be a threat to the domineering interest of the creditors and it is only when their interest are seen to be seriously threatened that pleading extortations for debt relief or new world economic order can really elicit any constructive attention by them. After all, the external debt overhang is not the exclusive burden of the developing world given the fact that the global financial system is so integrated that any problem that weighs down one section automatically jeopardizes the system.

It is on this bases that the paper concludes that none of the above recommendation is capable of resolving the debt crisis either singularly or collectively without first restructuring the very system that create and is sustaining the crisis. The final words, therefore is that there should be a restructuring of the international economic system that is largely responsible for the debt crisis in Africa before there could be genuine structural reforms in the debtor countries because the two are mutually sustaining. In addition, the issue of unequal terms of the trade should be decisively tackled to avert a return to status quo antre and this could only be realized through "a strong international support, a realistic economic programming and a more efficient management of scarce resources" (Onoh, 1989:174).

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