Sustainability Analysis of Nigeria's Foreign Debt Profile and Management Strategies

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Abstract

Over the years, Nigeria has faced series of development challenges despite the fact that the governments have constantly accessed credit facilities for national development. This contradiction became a source of worry for scholars, journalists, and commentators who began to question the management of the country?s foreign debt. The debate became more critical and controversial when Nigeria in attempt to wriggle itself out of the foreign debt burden negotiated ?Debt Relief? with the major external creditors. While some individuals share the view that the negotiated debt relief actually relieved Nigeria from its financial burden; others contended that the purported ?Debt Relief? more or less worsened Nigeria?s indebtedness to the creditors because the conditions like previous ones associated with the debt management strategies were more exploitative than palliative. Although attempts have been made to examine the country?s debt management strategies by investigating the trends in Nigeria?s debt profile, adequate research-based attention has not been given to the extent which the ?Debt Relief? is effective and sustainable. Consequently, this paper is tailored towards addressing the questions: How effective were the debt management strategies adopted by the Nigerian government in addressing debt crisis? Has the debt relief granted to Nigeria in 2006 actually relieved the country from the debt burden? How sustainable is the debt relief? This study is therefore meant to analyse Nigeria?s foreign debt management and the challenges of sustainability. In the light of the dependency theory and time-series analysis, it is argued that Nigeria only enjoyed temporary relief from the debt crisis because the management strategies adopted so far were not effective as to ensure sustainability.

Index terms— sustainability, foreign debt, debt profile, management strategies.

Abstract-Over the years, Nigeria has faced series of development challenges despite the fact that the governments have constantly accessed credit facilities for national development. This contradiction became a source of worry for scholars, journalists, and commentators who began to question the management of the country's foreign debt. The debate became more critical and controversial when Nigeria in attempt to wriggle itself out of the foreign debt burden negotiated "Debt Relief" with the major external creditors. While some individuals share the view that the negotiated debt relief actually relieved Nigeria from its financial burden; others contended that the purported "Debt Relief" more or less worsened Nigeria's indebtedness to the creditors because the conditions like previous ones associated with the debt management strategies were more exploitative than palliative.

Although attempts have been made to examine the country's debt management strategies by investigating the trends in Nigeria's debt profile, adequate research-based attention has not been given to the extent which the "Debt Relief" is effective and sustainable. Consequently, this paper is tailored towards addressing the questions: How effective were the debt management strategies adopted by the Nigerian government in addressing debt crisis? Has the debt relief granted to Nigeria in 2006 actually relieved the country from the debt burden? How sustainable is the debt relief? This study is therefore meant to analyse Nigeria's foreign debt management and the challenges of sustainability. In the light of the dependency theory and time-series analysis, it is argued that Nigeria only enjoyed temporary relief from the debt crisis because the management strategies adopted so far were not effective as to ensure sustainability.

1 Introduction

In the wake of granting independence to African countries from late 1950s, each new government had struggled to engage in meaningful sustainable national development; but the countries experienced severe savings gap and shortage of funds to implement their development plans (Onuoha, 2008). Given that the governments of these African countries had no adequate internal sources of fund to promote the various national development plans, they resorted to the temptation of external borrowing. Although a country like Nigeria as at independence owned N82.4 million, it had enormous development needs to attain (Onuoha, 2008). As a result, it was compelled to augment the meagre revenue by borrowing from internal and external sources like other countries. But instead of enhancing national development, the stringent conditions and circumstances associated with the credit facilitiesare said to have stunted the development essence and made it very difficult for Nigeria to fully explore the benefits expected from the loans taken at various times by different governments (Eke, 2009). This study is therefore a foray into Nigeria's debt history with a view to understanding how the country got entangled in debt crisis as well as the effectiveness and sustainability of the strategies adopted in managing the debt crisis.

2 a) Framework of Analysis: Dependency Theory

The dependency theory postulates that the definition, pursuit and realisation of national interests in any state are functions of economic variables (Offiong, 1980;Robertson, 1984;Karen, 1999; **??**ourke and Boyer, 2002). States therefore strive to amass sustainable economic resources through such economic strategies as imperialism which eventually creates closely-knit dependency relations such that the interests of the exploited state are subject to the whims and caprices of the exploiter state (Robertson, 1984). This condition of economic dependency is created through (a) the concentration of capital which results in centralisation of capital in the international system as in the International Monetary Fund (IMF) and the World Bank; (b) expansion and vitalisation of capital by confiscating or seizing indispensable raw materials like oil mineral deposits (c) investment banks which impose infinite number of financial ties of dependence upon all the economic and political institutions of the dependants, including non-financial capital as in the IMF loaning conditions; and (d) exploitative imperial (colonial and neo-colonial) foreign policies (Offiong, 1980). The situation results in technological dependence, financial dependence, and trade dependence on the west which consequently determine their foreign policy decisions. The explained how the conditions and circumstances associated with foreign credit facilities are said to have stunted their development essence.

3 III.

Historical Analysis of Nigeria's External Debt Profile, 1970-1999 The history of Nigeria's debt is traceable to the late 1970s and early 1980s when the country borrowed the estimated sum of $1 billion only, at a non-concessional interest rate of 3%-4% from the London Inter-Bank Offered Rate (LIBOR) (Onuoha, 2008). From this time, the government of Nigeria kept borrowing for national development from both internal and external sources like Federal Government bonds, treasury bills, and treasury bonds; as well as multilateral financial institutions (e.g. World Bank and the International Monetary Fund -IMF), Paris Club, London Club, and through promissory notes. From 1970 to 1999, the loans from the various sources identified are summarised and presented in table 1: Meanwhile, Nigeria's external debt profile for a period of 29 years (1970-1999) maintained a geometric progression from about $1 billion in 1970 to $9 billion in 1980, roughly shot up to about $18.5 billion in 1985, and skyrocketed to $34.1 billion in 1995. This shows a shocking long history of loans which eventually trapped Nigeria in a complex web of debt crisis that the country found very difficult to wriggle itself out and transited into the new millennium. The percentages of the foreign debt variations for the various years are presented in the graph below to show the trend: The graph above indicated that as at 1999, Nigeria's foreign debt profile maintained worrisome increasing trend. The variables which combined to bring the external debt to the stated level of the increasing trend included both internal and external factors as identified by the Central Bank of Nigeria (1992). The internal factors which border mainly on inappropriate policy measures taken by the government to manage the debt include:

? Pre-SAP maintenance of overvalued exchange rate for government's import substitution industrialisation strategy;

? Pre-SAP exchange control measures;

? Pre-SAP inappropriate pricing of agricultural products;

? Inadequate incentive framework for Direct Foreign Investment;

? Inflation.

On the other hand, developments in the Oil Market, instability in commodity prices, adverse terms of trade, rising international real interest rates, and fluctuations in the value of key currencies resulted in the following external factors blamed for the debt burden:

? Borrowing from the multilateral and bilateral institutions;

? Rapid accumulation of trade arrears;

? Default in the repayment of loans;

? Capitalisation of unpaid interests;

? Depreciation of the US dollars against which other major international currencies in which the loans were contracted. The magnitude and severity of the debt problem was further demonstrated by the Central Bank of Nigeria (1992) by extrapolating the debt with export ratio, GDP ratio, as well as measured the debt burden in relation to debt service. While the export ratio moved from 13.3% in 1980, 404.2% in 1986, 341% in 1987 and 241.5% in 1991; the GDP ratios were 3.8% in 1980, rose to 20.5% in 1983, 62.3% in 1986, and 350.1% in 1991; whereas the ratios of the debt burden in relation to debt service were 0.7% in 1980, 28.1% in 1985, and 25.8% in 1991 ??CBN, 1996).Relying on the ratio of the GDP to the debt, the Central Bank of Nigeria (1992) concluded that apart from interest payments, the country would need 3 years Gross Domestic Product (GDP) to pay off the principal debt. But this option was difficult because it would imply starving Nigeria for the 3 years or taking more loans to pay the debt.

Consequently, the government initiated firm and definite measures to wriggle the country out of the financial burden and curtail the rising trend in the debt ladder; hence, the following measures were undertaken: Apart from the Debt Relief Strategies, the other four measures were more or less options to circumvent further loans. Thus, the major concern was how the debt relief strategies of refinancing, restructuring, and rescheduling actually impacted on the debt burden in the 1980s and 1990s.

4 b) Analysis of Nigeria's Debt Relief Strategies in the 1980s and 1990s

The Nigeria authorities adopted three major strategies of refinancing, restructuring, and rescheduling to manage the country's debt in the 1980s and 1990s. These strategies were designed to (a) ameliorate the debt burden; and, (b) stimulate sustainable growth in the economy. Eventually, the debt relief options had varying effects on the nation's financial profile.

5 c) Refinancing of Short-Term Trade Arrears

Sequel to the economic difficulties that faced Nigeria in the early 1980s, the country was unable to pay for its imports; as such, the arrears of trade debt were accumulated ??CBN, 1996). Consequently, the foreign creditors refused to open new lines of credit. In order to arrest this challenge, the government deemed it vital to seek debt relief through refinancing the trade arrears. The strategy of refinancing specifically meant "borrowing to pay debt owed". In other words, the government had to borrow again to pay the trade arrears owed. A total of US$2,112 million worth of letters of credit was refinanced. The first refinancing exercise included (a) repayment period of 30 months (January 1984-July 1986) with a grace period of six months; and (b) Fixed interest rates that did not fluctuate with the international market dynamics ??CBN, 1991).

But despite all these efforts, the trade arrears continued to rise thereby further increasing the level of the country's indebtedness ??CBN, 1996). As a result, the government was compelled to intensify efforts to secure more debt relief. Hence, government decided to refinance the remaining trade arrears especially those contracted through open accounts and bills for collection by issuing promissory notes to cover them ??CBN, 1991). The terms of the promissory note agreement included:

? The payment of interest at the rates of 1% above the arithmetic average of the lending rates quoted by some major international banks in New York, London, and Paris;

? Maturity period of 6 years and a grace period of 30 months;

? Redemption of the notes in 14 equal quarterly instalments from 1986 (CBN, 1991).

However, as a result of the difficulty in servicing the debts under these terms, the agreement was renegotiated; this led to the stretching of the payment period over 22 years with an effective rate of return of 5% per annum. Invariably, the total value of promissory notes issued amounted to US$4.8billion. Given that the refinancing option could not adequately arrest the rising debt crisis situation and was not suitable for other forms of debt, the government also explored alternative strategies like debt restructuring.

6 d) Restructuring of Commercial Banks' Debt (London Club Debts)

After the refinancing exercise of 1983, Nigeria incurred Commercial Bank Debts in arrears through the medium of Letters of Credit to the tune of US$5.8 billion (CBN, 1996). The debts were mainly incurred from the London Club. Consequently, debt relief negotiations were initiated with the London Club in 1986 and the agreement to restructure the debt was signed on 23 November 1987 ??CBN, 1996). In the agreement, the sum of US$2.8 billion out of US$5.8 billion was refinanced while the sum of US$3 billion of Medium and Long Term Components of the debt was restructured ??CBN, 1996). The terms of the restructuring agreement were:

? Interest rate of 1.25% per annum above the London Inter-Bank Offered Rate (LIBOR);

? Repayment period of over 5 years;

? The Banks were to provide new money of US$320 million;

? Nigeria was required to pay US$1.345 billion per annum;

Similar to the experience under the refinancing strategy, the high debt service obligation made it impossible for Nigeria to meet its commitment and consequently it defaulted. In turn, the Banks did not provide new money. This necessitated a new round of renegotiation of the agreement with the London Club. The new agreement was titled the "Refinancing and Restructuring Amendment Agreement". It contained options designed to provide the country debt service relief. The options included:

? Longer terms of repayment;

? Conversion of repayable debt into "interest-bearing naira denominated securities with a coupon rate of 13.25% per annum;

? Maturity period of 18 months; and

? Interest rate that varied from zero per cent per annum for payable debt to LIBOR plus a margin of (F)

Global Journal of Human Social Science s -Year 2016 0.875% per annum for a medium/long term debts **??**CBN, 1996).

Under the 1987 agreement, the terms had the effect of reducing payments to the Club from US$1.345 billion to US$711 million **??**CBN, 1996). But despite this cash-flow situation, the country could not absorb such a high debt service rate as provided under the 1989 amendment agreement. Hence, the major challenge shifted efforts from attempts towards repaying the debts, to attempts towards reducing the high debt service obligations as a way of constraining further geometric accumulation.

Meanwhile, Nigeria approached the Bank in March 1990 with a request for the entire debt to be restructured. This proposal was meant to achieve an effective debt service reduction. As a result, Nigeria lobbied for the conversion of all the Commercial Banks' Debt into a 30-year bond with a grace period of 10 years and at an interest rate of 3% per annum. This proposal was however, not acceptable to the creditors; the Banks therefore made counter proposal which suggested (a) debt buyback, (b) issuance of Par Bonds with principal and interest collateralized, and (c) traditional rescheduling.

Nigeria's proposal and the Bank's counter proposal led to an intensive and protracted negotiations which lasted for 1 year. On 1st March 1991, an agreement in principle was reached with the following highlights:

? Conversion of the debts into a single currency denominations (that is, US Dollar);

? Issuance of 30 year Par Bonds with principal amounts fully collateralised with US Treasury Zero Coupon or equivalent US obligation and interest amount for 1 year also collateralised;

? Fixed interest rate of 6.25% per annum on the Par Bonds;

? Traditional rescheduling with interest rate of LIBOR plus 0.8125% and repayment period of 20 years (10 years grace period and 10 years repayment period);

? Banks favouring the traditional option were required to provide new money to the tune of 10% of the amount so committed;

? Interest on the new money to be LIBOR plus 1% per annum (CBN, 1991).

It was however disappointing that the implementation of the agreement ran into a hitch when Nigeria offered to collateralise the Par Bonds with the "Resolution Funding Corporation Zero Coupon Bonds (REFCORP BONDS) instead of the US Treasury Zero Coupons. The argument was that the agreement provided for an alternative which would be equivalent to a US Treasury obligation. In this light, Nigeria firmly maintained that REFCORP Bonds were equivalent to US Treasury Coupons. The Banks' rejection of the collateral led to a stalemate that later culminated in the two parties starting another round of negotiation. Consequently, the terms of the agreement were revised and featured the following highlights:

? Principal amounts to be collateralised with US Treasury Zero Coupons Bonds;

? Interest rate was fixed at 5.5% per annum thereafter;

? Banks that elected the traditional rescheduling were required to provide 20% of the amount so committed to the option (CBN, 1991).

When the agreement was completed on 21st January 1992, Nigeria bought back 62% of the debt and issued collateralised Par Bonds for the remaining 38% **??**CBN, 1996). Through this option, Nigeria was able to achieve some debt and debt service reduction. This reduction significantly resulted from some shifts in the terms of the renegotiated agreement from the previous one. Although the question of an alternative considered equivalent to US obligation was excluded; the fixed interest rate Par Bond was reduced from 6.25% to 5.5% with a difference of 0.75%; while the percentage amount of new money to be provided by the Banks that elected the traditional rescheduling options was increased by 10% **??**CBN, 1996). Invariably, the renegotiation had some payoff in favour of Nigeria.

7 e) Rescheduling of Debts owed to the Paris Club

The rescheduling strategy was mainly adopted to secure relief from debt crisis that arose from the Paris Club. Nigeria's first agreement with the Paris Club was in December 1986; followed by the second agreement in March 1989, and the third in January 1991. The 1986 and 1989 agreements provided for rescheduling under conventional or traditional terms with market related interest rates. But the 1991 agreement provided for rescheduling on terms applicable to the medium income heavily indebted countries of the low category. In essence, Nigeria was grouped along with Congo, Morocco, Honduras and El-Salvador, which had earlier been accorded a similar treatment by the Paris Club. The debt rescheduled under the 1991 was US$3.2 billion ??CBN, 1996). At the end of December 1991, Paris Club Debt of US$17.793 million constituted about 53.6% of Nigeria's total debt ??CBN, 1996). Consequently, its debt service obligations resulted in substantial net outflow of foreign exchange.

The Paris Club debt was therefore considered the most significant overhang which needed to be adequately addressed in order to accelerate the muchneeded economic growth. Although the Paris Club made other rescheduling terms available (e.g. Toronto terms, Trinidad terms, Poland/Egypt terms, and Benin/Nicaragua Initiatives) which were designed to provide the beneficiary debtor countries with "debt and debt service reduction", none was granted to Nigeria in the 1980s and 1990s (despite her efforts to secure such concessions). It was presumed that the Paris Club had not deemed it financially worthwhile to grant such concessions to Nigeria because of the exaggerated notion of the country's wealth and resources.

In a sense, the debt management options Nigeria had obtained from the Paris Club had only provided very temporary relief and had not resulted in any way, in the reduction of the "net present value of the debt". Most of the debt relief packages granted to Nigeria by the Paris Club were always structured to accommodate and apply only to the "maturities" falling due within a consolidation period of about 15 months and not the entire debt stock ??CBN, 1996). Hence, the management of the Paris Club debt seemed to have been the most complex and complicated given that the several agreements could run concurrently.

8 f) Effects of the Debt Management Strategies on Nigeria's External Debt Stock and Debt Services

The debt management strategies applied had the following effects on Nigeria's foreign debt:

? Refinancing and restructuring of Nigeria's debt between 1987 and 1991 attracted the payment of US$1,918.6 million to Paris Club. The payment arose from payable debt repayment; and interest payments on refinanced letters of credit and restructured debts;

? Due to exchange rate variations between 1987 to 1991, the stock of the debt rose from US$5.86 billion to over US$5.98; while the promissory notes increased from US$4.8 billion to US$4.497 billion;

? The Debt Conversion programme led to the redemption of US$32.5 million at the end of 1991. However, it constitutes almost an insignificant proportion of the total debt stock;

? The most significant positive impact of the debt management strategies is recorded in the debt service reliefs offered through rescheduling ??CBN, 1991). This is reflected in table 2: The data on the debt service obligation profile indicated that with the rescheduling, Nigeria paid only US$24,082 million which is 49.6% of US$48,540 it was supposed to pay; while the sum of US$24,458 million representing 50.4% was averted and saved because of the rescheduling. Besides the debt service relief and reduction in the rise of debt, there was also decline in the debt service ratio to the tune of 13.7% and 25.8% in the period from 1986 to 1991 compared with a range of 54.6% and 81.3% if rescheduling had not been undertaken ??CBN, 1996).

In all, although there were records of temporary reliefs between 1987 and 1991 mainly through refinancing, restructuring, and rescheduling, the total debt overhang hardly reduced significantly. Hence, even with the debt service relief and reduction which led to significant savings from 1983 to 1991 as presented in table 2, the total debt overhang kept on increasing though at reduced percentage rates. This was mainly due to the compounding of the principal and the interests in the consolidation period. Meanwhile, the debt crisis which continued to rise into the 21st century needs to be properly analysed to understand the trend of the debt profile and the effects of the debt relief that was eventually granted.

9 g) Nigeria's Debt Profile in the 21 st Century, 2000-2014

Nigeria's debt profile which lingered from the 20th century continued to rise in the new millennium until 2004. In 2005, the negotiations for the foreign debt relief was eventually granted, leading to the significant drop in the total debt in 2006 as presented in table 3: The debt profile in the 21 st Century (2000-2014) is further presented in figure 3. The data presented indicated that from 2000 to 2005, foreign debt always exceeded domestic debt; but from 2006 (after the debt relief) to2014, domestic debt always exceeded foreign debt. This fact probably explained why the then Coordinating Minister of the Economy and Minister of Finance at the time, Okonjo-Iweala (2014), had not hidden her preference for foreign loans over domestic borrowings. Although she had championed attempts to exit the country from the Paris Club of Creditors during her first tenure as Finance Minister, Okonjo-Iweala (2014) had insisted that the ballooning domestic debt was not healthy for the economy. Nonetheless, the trends on both the domestic and foreign debt remained consistently on the increase with slight occasional but insignificant variation downwards. After the reduction in foreign debt from $20.47bn in 2005 to $3.54bn in 2006, there was some degree of financial debt stability in 2007 ($3.65bn), 2008 ($3.72bn), and 2009 ($3.62bn) though with fluctuations of $0.07bn (1.92%) increase between 2007 and 2008; while between 2008 and 2009, there was $0.1bn (2.69%) decrease. But from the following year, 2010, the foreign debt profile began to rise again ??Yelwa, 2010). The domestic debt which had dropped from $23.68bn in 2004 to $14.53bn in 2005 and $13.8bn in 2006 began to shoot up again in 2007 ($18.65bn), decreased in 2008 ($17.67bn), rose to $22.18bn in 2009, $35.52bn in 2010, $37.3bn in 2011, and $41.97bn in 2012, $43.5bn in 2013, and $58.02bn in 2014 at the rates of $4.85bn (35.15%); $0.98bn (5.25%) decrease; $4.51bn(25.52%) increase in 2009; $13.34bn (60.14%) increase in 2010; $1.78bn (5.01%) in 2011; and $4.67bn (12.52%) in 2012; $2.29bn (35.07%) in 2013 and even

$4.5bn (10.34%) in 2014. In all, the total debt has kept on rising as shown in figure 4: It is even more pathetic that the problems arising from national debt of the Federal Government is compounded by the debts of the various state governments and the Federal Capital Territory. This submission is observed in table 4 It can be observed that despite the debt relief obtained in 2005 from international financial organisations, the nation's debt stock kept on increasing. This therefore implies that debt relief has not actually brought about the much needed relief (DMO, 2014). It has rather continued to pile up both in the state and federal governments and has largely affected some vital economic indicators like unemployment rate, inflation rate, poverty level, and foreign direct investment as presented in table 5. Apart from occasional fluctuation, observations from table 5 show that while debt stock increased, unemployment rate, inflation rate, and poverty level increased. This suggests higher debt stock negatively affected employment, inflation, and poverty level. But on the other hand, foreign direct investment decreased while debt stock increased, and increased while debt stock decreased with some occasional fluctuations. Hence, the correlation between debt stock and unemployment rate suggests that the loans obtained are not usually invested in employment generating ventures or that there was no proper monitoring; this has spilled over to affect the poverty level negatively which could have been reduced if the loans had been invested in employment generating enterprises. Furthermore, the inflation rate had increasing trends both before and after the debt relief with little fluctuations probably because the loan went into circulation without adequate currency regulation policies.

10 h) Nigeria's Debt Management Strategies and Sustainability Analysis

The debt management strategies adopted by Nigeria were meant to address the three main factors blamed for the geometric increases in the debt profile which have been identified as (i) accumulation of debt service arrears due to worsening inability to meet maturing obligations; (ii) the escalation of market interest rate; (iii) recapitalisation of accumulated interests which also began to attract interests at higher rates.

11 i) Debt Rescheduling

Nigeria has made three rescheduling arrangements with the Paris Club in 1986, 1989, and 1991. But the arrears continued to mount and further aggravated the debt problem (Onuoha, 2008). Following the second round of negotiation, Nigeria reached agreement with the Paris Club to reschedule a debt of about $21.4bn over an 18-20 year period (Onuoha, 2008). But after four debts rescheduling with the Paris Club since 1986, Nigeria's external debt burden did not get lighter thereby making the strategy a "debt enhancing" rather than "debt reducing" option. For debt rescheduling to be meaningful, it has to be "interestfree" else the debt burden will keep compounding (Onuoha, 2008). For instance, in the year 2000, Nigeria paid $1.086 due to Moratorium interest arrears resulting from rescheduling; this significantly compounded the debt burden.

Evidently, the Paris Club Debt rescheduling has been more problematic to the debtor nations for four main reasons: (a) their multilateral decision approach which requires the debtor country to negotiate with the creditor within the generally agreed principles and guidelines thereby emasculating bilateral negotiation for resolution of debt burden (Onuoha, 2008); (b) the equal treatment clause which requires each creditor to delay concluding its own agreement so as to take a cue from other creditors agreement terms; (c) insistence on minimum debt service policy based on projected export revenue from the debtors which may not be guaranteed due to fluctuations in the international market especially for a country like Nigeria that largely depends on crude oil revenue; (d) the relative dynamic incongruence between debt burden and available resources from which the debt could be paid. This raises the need to incorporate oil price volatility into any realistic decision on what Nigeria can reasonably afford to provide for debt servicing.

12 j) Debt Servicing

Nigeria has spent a lot of money servicing debts. From 1965 to 2002, Nigeria spent a total of $44.273bn in debt servicing (Eke, 2009; **??**ebt Management Office, 2013) This trend still continued as presented in table 6 and figure **??**.

13 k) Debt Relief Debates

Debates over the rationale behind Nigeria's interests in debt relief mainly revolved around the effects on the national economy especially given the conditions spelt out by the creditors. The conditions for the debt relief included:

? That Nigeria would clear the arrears of about $6 billion;

? That the Paris Club has agreed to recognise Nigeria's implementation of its home-grown reform programme under the International Monetary Fund intensified surveillance as a legitimate instrument that fulfils the requirements for debt relief; ? That Nigeria will continue to implement its homegrown reform programme (NEEDS) on which the policy support instrument (PSD) of the IMF will be based;

? That Nigeria would make an upfront payment of $12 billion to secure the debt relief. These conditions had some financial consequences and policy implications. First was that the economy had to be stressed further to cough out $18 billion to clear the stated arrears and make the upfront payment; second, was that Nigeria's development policies has to be externally subjected to neo-colonial controls through the International Monetary Fund. Meanwhile, though it was believed that the credit facilities would help the country realise its quest for national development, the stringent conditions of high interest rates, naira devaluation, and interest recapitalisation etc. associated with the loan stunted the development essence (Eke, 2009). Evidently, Nigeria's external debt has not been justified given that only $1 billion was borrowed initially but compounded to the peak of $35.94 billion in 2004 with huge sum of money expended on debt servicing (Eke, 2009); yet, the purpose for which the loan was taken has not been adequately addressed for over 40 years. Importantly, the drastic reduction in the nation's foreign debt profile from 2006 was as a result of the diplomatic efforts of the then President Olusegun Obasanjo and minister of finance, Ngozi Okonjo-Iweala for debt relief after the payment of $6 billion arrears and upfront payment of $12 billion (Okonjo-Iweala, 2005; Onwuamaeze, 2012). When Nigeria accepted the conditions, the debt relief was granted accordingly as stated in the table 7: But as at May 2012, the debt seems to return to an increasing trend thus: Meanwhile, the debt relief seems not to have had the desired effects because not only that the debt profile still continuedto increase, the federal government still obtained loans from the Multilateral Institutions ($3.826bn) and bilateral sources like the China Exim Bank and Eurobund ($2.537bn) etc (Omoh and Ujah, 2014). Continued borrowing was without doubt expected to return the country to the foreign debt burden status. After the said debt relief, Nigeria's external debt has been persistently on the increase as shown in tables 3 and 4; as well as figures 3, 4, and 5.

IV.

14 Summary of Findings

a) The debt management strategies adopted by the Nigerian government have not been sufficiently effective given that they only offered temporary reliefs from the debt crisis: refinancing was limited to ”trade arrears” as it could not effectively address other forms of debt owed; restructuring was defective due to the associated ”high debt service obligations”; though rescheduling made some significant contribution in debt service reliefs from 1983 to 1991, the benefits were stunted with hard terms and conditions. b) The ”debt relief” granted to Nigeria in 2006 only offered temporary relief to the country because of the hard terms and conditions applied. This submission manifested in the increasing trend recorded in Nigeria's debt profile not quite long after the debt relief. c) Given the rising trends in Nigeria's debt profile, the debt relief granted to Nigeria in 2006 does not seem to be sustainable. Invariably, the said ”debt relief” does not seem to be different from the previous debt management strategies applied earlier which were more or less ”debt enhancing” rather than ”debt reducing” strategies especially in the longrun.

V.

15 Conclusion

Nigeria's debt crisis has become a perennial torn in the flesh of the Country's economy and the debt management strategies applied so far have proved ineffective because of the hard terms and conditions attached. Given that it is difficult for a debtor to negotiate with the creditor without the later dictating terms for the former, Nigeria is left with the option of strict adherence to fiscal responsibility policies to fully utilize the loans obtained as to be able to pay back from the gains. Hence, attention should be shifted from begging for ”debt relief” to ”profit maximization” through capital investments with the loans obtained.

Figure 1:

Figure 2:

1

Year	Foreign Debt ($m)	Percentage Variation

Figure 3: Table 1 :

2

Year	Debt Service Obligation Due (US$ million)	Debt Service Paid Due to Rescheduling (US$ million)	Amount Saved (US$ million)
1983	2,184	1,984	200
1984	4,143	3,359	784
1985	4,784	4,029	755
1986	6,079	1,862	4,217
1987	6,420	1,602	4,818
1988	5,889	1,933	3,956
1989	5,889	1,909	3,980
1990	5,610	3,839	1,771
1991	7,542	3,565	3,977
Total	48,540	24,082	24,458

Figure 4: Table 2 :

3

Year	Domestic Debt ($bn)	Foreign Debt ($bn)	Total
2000	13.65	28.3	41.95
2001	15.45	28.3	43.75
2002	17.25	29.8	47.05
2003	19.67	32.97	52.64
2004	23.68	35.94	59.62
2005	14.53	20.47	35.00
2006	13.8	3.54	17.34
2007	18.65	3.65	22.3
2008	17.67	3.72	21.39
2009	22.18	3.62	25.8
2010	35.52	4.58	40.1
2011	37.3	5.67	42.70
2012	41.97	6.53	48.5
2013	43.5	8.82	52.32
2014	48.00	15.51	63.51

Sources: The Guardian, Feb. 23, 2004, p.17; The Guardian April 28, 2004; p.; Onwuamaeze (2012); Debt M
Office(2012); Eke, A.O. (2009); Debt Management Office, (2014)

Figure 5: Table 3 :

Figure 6:

4

STATES	2007	2008	2009	2010	2011	2012	2013	2014

Figure 7: Table 4 :

5

Source: Debt Management Office (2013); International Monetary Fund (2012)

Figure 8: Table 5 :

6

Type	2004	2005	2006	2007	2008
External Debt Service	1,754.76	8,940.93	6,729.20	1,022.04	464.63
Domestic Debt Service	1,534.94	1,166.28	1,313.70	2,162.91	3,590.67
Total Debt Service	3,289.70	10,107.21	8,042.90	3,184.95	4,055.30
Total Debt Service as a % of Total Public Debt	7.11%	31.28%	46.35%	14.32%	18.95%
Source: Yelwa (2010); Debt Management Office (2013)					

Figure 9: Table 6 :

7

Creditor	Debt Relief
Paris Club	$18 billion
Germany	$3 billion
Japan	$3.4 billion
Total	$24.4 billion
Sources: Eke (2009)	

Figure 10: Table 7 :

8

Creditor

Figure 11: Table 8 :

[Nassarawa] , 398.00 23. *Nassarawa* 24 p. 58.

[Ogun] , *Ogun* 38 p. 8. (418.77 81,644,567.61 94,575,129.92 102,064,668.63 116,802,098.95 109,154)

[Ondo] , 968.06 41. *Ondo* 40 p. 40.

[Oyo] , *Oyo* 108 p. 32.

[Sokoto] , 691.825.73. *Sokoto* 32 p. 46.

[Taraba] , 044.01 19. *Taraba* 18 p. 471. (408.40 23,028,584.73 23,554,326.97 22,780,063.89)

[Linear] , Linear . *State Government)*

[Sub-Total ()] , Sub-Total . 1,541,536,782.50 1,660,498,176.35 1,835,636,181.96 2,000,704,815.97 2,165,347,282.09 2,384,179,007.97 2,816,019,271.99 3,265. 07 FGN 2,112,672,341.20 2,059. 817 p. 0. (223.65 2,126,584,804.23 2,578,064,841.63 3,501,232,617.91 4,142,895,989.23 6,005,796,877.91 6,445,631,547.93 TOTAL 3,654,209,123.70 3,720,360,400.00 3,947,297,536.36 4,578,769,657.60 5,666,579,900.00 6,527,074,997.20 8,821,816,149.90 9)

[Debt Management Office ()] , *Debt Management Office* 2013.

[Source: Debt Management Office ()] , *Source: Debt Management Office* 2014.

[Debt Management Office ()] , *Debt Management Office* 2014.

[Zamfara ()] , *Zamfara* 35 17,233,048.36 23,788,244.40 24,816,275.91 26,305,193.25 27. 13 (077) p. 58. (30 FCT 12,203,219.03 14,243,206.63 29. 309.41 39,218,578.39 36)

[Rivers ()] , *Rivers* 802.05 33. 30 (282) p. 71.

[Osun ()] , *Osun* 946.01 64,110,849.45 61,981,193.67 61. 10 62,760,653.21 61,838,048. 53 p. 39.

[Plateau ()] , *Plateau* 976.05 29,255,196.92 29. 34 p. 75.

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