NIGERIA'S EXTERNAL DEBT AND IT'S MANAGEMENTS: ISSUES PROBLEMS AND SOLUTIONS

Being a Project (Thesis) Submitted to the Postgraguate School
Ahmadu Bello University, Zaria

AS PART OF THE REQUIREMENT FOR THE PARTIAL FULFILLMENT OF THE AWARD OF MASTER OF INTERNATIONAL AFFAIRS AND DIPLOMACY (MIAD) DEGREE IN THE DEPARTMENT OF POLITICAL SCIENCE.
AHMADU BELLO UNIVERSITY. ZARIA

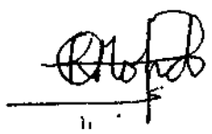
BY

KABIRU ADAMU NAYAYA MOHAMMED

DECEMBER 2000

DECLARATION

I, KABIRU ADAMU NAYAYA MOHAMMED, here declare that this project work has been written by me and that the data contained herein is the result of my research. I further affirmed that the originality of this work is not in doubt as all quotation, speeches of other author and other references use in this work have all been separately and appropriately recognised and acknowledged in the endnote. I further submitted that this project work has not been tendered or submitted to any other institution or organisation other than in its original form this time therefore hereby submit this work to Ahmadu Bello University (ABU) Zaria for consideration and acceptance as part of the requirement for the fulfillment of the award of a Masters Degree in International Affairs and Diplomacy (M.I.A.D).



KABIRU ADAMU NAYAYA MOHAMMED

DECEMBER, 2000

CERTIFICATION

This project work entitled "NIGERIA'S EXTERNAL DEBT AND IT'S MANAGEMENTS: ISSUES PROBLEMS AND SOLUTIONS" by KABIRU ADAMU NAYAYA MOHAMMED, meet the regulation governing the award of a Masters Degree in International Affairs and Diplomacy (M.I.A.D) at the Department of political Science and International Studies, Faculty of Social Sciences Ahmadu Bello University (ABU), Zaria, Nigeria, and is approved for its contribution to knowledge and library presentation.

.....
Dr. Abubakar Siddique Mohammed
Supervisor

..... 12-2005
Date

.....
Course Co-ordinator

.....
Date

.....
Head of Department

..... 22-2-05
Date

.....
Dean School of Postgraduate Studies

..... 28/2/05
Date

DEDICATION

This research thesis is dedicated to my Late Father - Professor Adamu Nayaya Mohammed who passed away on 6th July, 2000.

May his Soul Rest in peace. Amen.

ACKNOWLEDGEMENT

All gratitude goes to the Almighty Allah, for making this day a reality.

Firstly, I wish to thank my supervisor Dr. Sadiq Mohammed for his guidance during the course of this thesis. However, special thanks goes to my loving wife- Hadiza and my dear children- Kamal and Khadija, for their understanding when i was usually away for lectures during the weekends.

The role of inspiration which has always been played by my wonderful mother-Mrs (Hajiya) Mairo Muhammed cannot be over looked. I wish to thank her for all the support.

My younger brothers and sisters, Sani, Aishatu, Salisu, Rabiu, Hamisu and Fatima, were also nice and helpful to me, during the period of the study. I wish to thank them too.

Also of great importance is the role of my classmate Mr. Tunde Oladitan, who was of enormous assistance in providing information on the course. My gratitude also goes to him.

Lastly, I wish to acknowledge the assistance, cooperation and understanding of numerous people, whom I cannot all mention their names here, but please they should accept my appreciation.

Thank you all.

TABLE OF CONTENT

Title page i

Declaration ii

Certification iii

Dedication iv

Acknowledgement v

Table of Content vi

Abstract viii

CHAPTER ONE

1:0 Background of the study 1

1:1 Statement of the problem 3

1:2 Objective of the study 3

1:3 Justification of the study 4

1:4 Proposition of the study 4

1:5 METHODOLOGY 4

1:5:1 Types and sources of Data 4

1:5:2 Method of data gathering 5

1:5:3 Method of Data Analysis and interpretation 5

1:6 Scope and Limitations of the study 5

1:7 Outline of chapters 6

1:8 Conceptual / theoretical framework. 7

SUMMARY 8

REFERENCE 9

CHAPTER TWO: LITERATURE REVIEW

2:0 INTRODUCTION 10

2:1 External debt and the Nigerian Economy 10

2:2 The Impact of external debt on Nigerian Economy 12

2:3 External debt management in Nigeria 13

2:4 Paraphenelia of External debt in Nigeria 13

SUMMARY 15

FOOTNOTE 15

CHAPTER THREE: THE NIGERIAN EXTERNAL DEBT 16

3:0 INTRODUCTION 16

3:1 The less developed countries and the external debt burden 18

3:2 The origin of Nigeria's debt crisis 19

3:3 Reasons for Nigerian venturing into external loan agreement. 21

3:4 The glossary of Nigeria's external debts 22

3:4:1 Who are the creditors? 24

3:4:2 Classification of Nigerian external debt 25

3:5 Causes of the Nigeria's debt burden 28

SUMMARY 29

REFERENCES 30

CHAPTER FOUR: DATA PRESENTATION AND ANALYSIS 30

4:0 INTRODUCTION 32

4:1 Trends in the Nigerian external debt 34

4:2 The debt problems and the need for debt management 34

4:3 Management of Nigerian external debt 37

4:4 What is debt management 38

4:5 The manager of Nigerian external debt 39

4:6 Procedure in debt management 42

4:7 External debt management. 45

4:8 Evaluation of debt management strategies 49

4:9 Debt management strategies in Nigeria 50

SUMMARY 51

REFERENCES. 53

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATION 54

5.1 Summary of the Study 56

5.2 Conclusion of the Study .....

5.3 Recommendation .....

Bibliography .....

ABSTRACT

The quantum leap of Nigerian external debt since the beginning of the 1980s has generated lot of problems for the country most importantly in its economic, social, political and overall growth and development. This increasing volume of the country's external debt and other affiliated problems has retarded its growth and the quest for development. Hence, the resultant issues arising from this debt burden and its management. For a better analysis of this study therefore, the secondary data were sourced and analysed in accordance with the ethos of social science research methology. The scope of which covers a period of 15years (1983 to 1999).

Literatures available to us, expressed that Nigeria as well as sub-sahara Africa is heading for an unrelenting crisis of tragic proportions. Base on the fact that Africa has suffered a protracted and calamitous economic crisis that conventional adjustment policies has tried to ameliorates in rare cases. One of the crisis in this regard is a rising external debt profile. This External debt is contend to be a financial obligation which a country (like Nigeria), Its structures or agent owes other states or organisation around the world. This which started to manifest in the 1980s and stood at 32 billion as at the end of the 1999.

The reasons for defaulting most of these loans were it inability to repay them,due dates.. Duely, loans are contracted from creditors both from multilateral and Bilateral inter national organisations and countries These looan are contracted by the Nigerian government and private sectors. The burden of which is as a result of the inability to bridge the gap between domestic resources.

The trend in the Nigerian external loans shows a remarkable increment in the nation's exterrnal debt from an insignficant N684.8 million in 1977 to over N3.0 billon in 1990s . A significant need for an effective management of these external debts . The management of

CHAPTER ONE

1.0 BACKGROUND OF THE STUDY.

Since the turn of the century, a number of third world countries have had to grapple with a growing debt burden. The 1980s, most fundamentally, have been years of formidable economic difficulties for the third world economies. For Nigeria, the first symptom of the crisis was the emergence of critical balance of payment deficits in the early 1980s. Nigerian external debt crisis has been a delicate issue within the international system, from a monumental $1billion in 1978 to over $30 billion in 1999.However, attempts have been made at adjusting these external deficits with economic, diplomatic and political maneuvers of the past and present Nigerian governments. Despite these brilliant attempts little or no improvement was recorded.

How Nigeria accumulated such a huge debt has been traced to a combination of factors. Among them is inappropriate domestic policies which caused dislocation in the productive base of the economy and manifested in our over dependence on the oil sector for sustenance. There were also lapses in external debt management, short term debt were contracted and used for long-term development purposes and this poor maturity profile of debts led to a situation where loan repayment bunched up even when most of the projects so financed were still uncompleted. Other supply side inefficiencies like currency over-valuation, low interest rates, various subsidies etc which gave rise to factor producing pricing policies that were clearly inconsistent with economic realities were also evident. The consequence of this was that with decline in the Nigerian oil fortunes, it has been impossible to observe our external debt obligation without endangering the survival and growth of the country.

The responses of individual third world countries to the emerging global economic disequilibrium has been far-reaching. For Example, Zambia experimented a structural adjustment programme which included foreign currency auctioning but abandoned it when the expected foreign credit failed to materialise. Nigeria adopted a demand management economic stabilization programme in the 1982 - 83 period, and a comprehensive structural adjustment programme for the period, July 1986 - June 1988. But instead of ameliorating the Nigerian situation it only compounded it. Though the international institutions such as the World Bank and the International Monetary Fund (IMF) considered these economic policies as relieving, the reciprocal effects on Nigeria inter-alia the third world countries, was an unprecedented debt crisis.

A delicate aspect of the Nigerian economic problem presently as enumerated above is this debt crisis. Nigeria's international debt problem does not only touch on the net transfer of financial resources between Nigeria and it creditors. More importantly, it has a far-reaching implication on her relations with International Monetary System, and her creditors. The international debt issues also have crucial implications on political stability in Nigeria, a situation where local policy makers place greater importance on debt servicing than on meeting the basic needs of the Nigerian citizens, and tend to look at how to satisfy her creditors through negotiation, bargaining and diplomatic efforts. This on the other hand entails a virile debt management and servicing.

It is against this background that this research is designed. It is aimed at examining the problems associated with Nigeria's external debt between 1985 and 1999. In an attempt to do this we shall build a conceptual or theoretical framework for the problem under study and present our argument on a pure logical and scientific basis. Given the fact the Nigeria's debt has attracted the attention of scholars of the international political economy, we shall

review some of their literature in order to lay a solid historical and dialetical basis for our study.

1.1 STATEMENT OF THE PROBLEM

1. Like all sub-Saharan African countries, Nigeria has been witnessing formidable economic difficulties since the 1980s. One of the symptoms of these difficulties is the heavy debt burden which the country shoulders today. Despite many measures taken by successive Nigerian governments aimed at managing the Nigerian debt crisis the problem is still with the Country. Indeed, the debt problem has been one of the fundamental problems confronting the Nigerian nascent democracy. Should we then open our eyes and allow debt and it accomplice to be part of us forever and made us as underdeveloped as ever. The most fundamental problems confronting the nasent democracy as ever? This is a food for thought for all.

1.2 OBJECTIVES OF THE STUDY

This study is aimed at achieving two distinct objectives; the specific and the general.

The specific objective of this study is, the examination of issues arising from the management of Nigeria's external debt. The aim of the examination and analysis is to identify the solution towards management of the Nigerian debt problem.

1.3 JUSTIFICATION OF THE STUDY

This study of the Nigeria's external debt management was highly influenced by the concern for the performance of the Nigerian economy vis-a-vis our political and diplomatic reputation at stake, and the need to install much discipline into our debt servicing and management activities. Hence this study will help us understand:

(a) The nature of Nigeria's external debt;

(b) The origin, structure, and problems of Nigeria's external debt;

(c) The efforts made by governments to grapple with the problem and what needs to be done;

(d) The new breakthrough in debt management and social science research most especially, those in relation to the debt crisis.

1.4 PROPOSITION OF THE STUDY

For the purpose of this study it is proposed that,

1. The Nigeria external debt is a grand design by the advanced capitalist states to retard our development.
2. There is a need to install cogent debt management programmes that will ease the tension of debt burden, and
3. The debt crisis has endangered the socio-economic, political and technological development of the country.

1.5 METHODOLOGY

1.5.1 TYPES AND SOURCES OF DATA.

This research shall make use of secondary data as a means of information. Data for this work shall be gathered mainly from secondary sources.

These sources include: the print media like textbooks, journals, newspapers, reports and magazines, the Federal Office of Statistics Reports, the CBN publications, periodicals, lectures and seminar papers delivered by eminent scholars, **internet** web site materials, will also be used.

1.5.2 METHOD OF DATA GATHERING

Raw information obtained from the above sources shall be read, collated weighed, and scrutinized properly, for analysis.

1.5.3 METHOD OF DATA ANALYSIS AND INTERPRETATION

Since most of the data that is going to be used are going to be in figures, they are therefore presented in tabular form, in order of occurrence, importance and relevance etc.

After the data has been presented, we shall then analyse them purely on a scientific basis using the content and qualitative method of social science research analysis. Some criticisms shall be made as the situation calls for it. This is done, in order to make the research qualitative, logical, analytical and scientific.

1:6 SCOPE AND LIMITATIONS OF THE STUDY

This research thesis is expected to cover a period of 15 years (1983 - 1999). This period is chosen because of two important reasons. The year 1983 marked the beginning of massive borrowing by the federal and state governments. And in the year 1984 the federal government began to put in series of debt management devices which were implemented by successive regimes in Nigeria.

The federal government began to put in place series of debt management devices in 1984. This continuous financial constraints and bureaucratic bottlenecks in the course of data gathering will definitely affect the comprehensiveness of the work.

1.7 OUTLINE OF CHAPTERS

CHAPTER ONE : BACKGROUND OF THE STUDY

This chapter stands as an introductory text, and in this regard, the background information, statement of the problem, objectives of our study, the basic justification of our study, the general propositions of the study, the methodologies to be used in accomplishing our aims, the scope and limitations; the outline of our study, and the conceptual/theoretical framework of the study have been discussed.

CHAPTER TWO: LITERATURE REVIEW

This chapter shall establish the historical basis for our study. And in doing so we shall review the work of some eminent scholars in relation to the problem. Hence, literature on what is debt in general, the origin of the Nigerian external debt, the concept of debt management, the problem of public debt management in Nigeria, the way forward towards effective external debt management and alternative to debt and under development, shall be reviewed.

CHAPTER THREE : THE NIGERIAN EXTERNAL DEBT PERSPECTIVES.

This chapter shall look at the debt burden in relation to the third world in general, origin , reasons for loan, the outlook of Nigerian creditors and debt, and the causes of the external debts and its burden.

CHAPTER FOUR: NIGERIA'S EXTERNAL DEBT MANAGEMENT.

This chapter shall makes an in-depth analysis of the trends in external debt, the debt

problem and the need for management - the mechanism of external debt management and the problems encountered in the management of the Nigerian external debt.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATION.

This is the concluding chapter. We shall summarize the whole research findings, draw our conclusion by comparing our proposition with our findings, make our recommendations, state the implications of our study and look at some unsettled questions in managing Nigeria's debt as the basis for further research into the problems under study.

1.8 CONCEPTUAL/THEORETICAL FRAMEWORK

The problem of debt in general is universal and it cuts across the domestic and private life, developed and under-developed economies, and both internal and external relations. Nigeria's debt problems like that of other debtor countries of the world, has assumed both chronic and crisis proportions.

It is thus not a unique phenomena but only an aspect of international economic experience of developing countries. In developing countries, the justification of external debt, and its management rests on two main grounds. As a way of conceptualizing these phenomena, this study shall be explained under the development and under- development theories.

First external loan may be reasonably contracted subject to suitable safeguards for sovereignty, by government having large under-developed natural resources, the rapid development of which can only be accomplished with the aid of borrowed funds.

Secondly, external loan may be contracted by developing nations wishing to achieve rapid economic advancement especially where they had undergone the process of under-development through sustained economic exploitation and political domination by the colonial masters.

In a bid to achieve rapid economic development, Third World countries imported machineries and raw materials for domestic manufactures. In replacement of import, export of tangible raw materials and resources were pursued with relentless vigour. Trade negotiations took place and bilateral loan agreements between governments ensued. Massive importation of development projects and infrastructures were encouraged, and balance of payment difficulties began to emerge forcefully.

Thus, in order to get out of the balance of payment difficulties which development strategy has stimulated. The assistance of the International monetary fund was sought for as a way developing nations, getting themselves into this problem need to find a way out of the jeopardies. This ultimately required the assistance of the international monetary fund.

To get out of this debt misadventure, diverse ways had to be sought for. Hence, the debt management syndrome. The only escape route from debt burden is to repay it. But due to the incompetencies and total adherence to textbooks theories, the realities of debt problems, were not faced. This was capitalised upon by the external creditors, unfavourable conditions were imposed which got many third world countries deeper into debt crises.

SUMMARY

In this chapter, efforts was made to provide a background information to the study. It shows that, debt crisis is very much peculiar to African countries and other third world's countries alike. In case of Nigeria, the debt crisis is due to inappropriate domestic policies which caused a disequilibrum in the domestic base of the economy as manifested by the nation's over reliance on the oil sector for sustenance, among other causal factors. The inability of the series of measures talking to yield good results and the our believe that these debt problem is detrimental to our nascent democracy, this make us to discuss on issues arising from the management of Nigerian external debt and identify solution to them. This

we wish to achieve through a content and qualitative analysis of the secondary data available for this study under a scope of 15 years (1983-1999).

The conceptual orientation/theoretical framework for the analysis to come on this study explained the universality of the debt crisis which cut across both the internal and external relations of most of the under developed economies, Nigeria is not left alone in this regards.

REFERENCE

1. The Nigerian Journal of political Economy. Vol 2 No 1. University of Jos,Jos. (1984) .Pp.74-95
2. Lambo, T. (1987) Nigerian Economy Lidato Press, Ibadan. Pp. 235-242, 247-257.
3. Akindele, R. et el (1988) Nigeria's Economic relation with the major Developed market Economy Countries - 1960 - 1985, (1st ed),Lagos, Nelson Publishers. Pp. 1 - 3.
4. Economic Update. Journal of contemporary public policy issues, Dept of Econs. A.B.U. Vol 1, No 1. January 1987.
5. Olashore. O. I. J Perspective on finance, Banking and Economic policy in Nigeria (1st edition),Ibadan, Heinemann press. Pp . 210 - 220
6. C.B.N. Annual report and statement of Accounts. Dec 1990. Pp. 60 - 64. Lagos, C.B.N, Pbl.
7. Nigeria Journal of policy & strategy. Vol 2 No 2, NIPSS, Jos (Kuru),. 1st ed. 1987

CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

This chapter intends to delve into some literature written by scholars in relation to the issue of debt and its management. Specifically we shall review literature dealing with Nigeria's debt and the Nigerian economy in general, The impact of external debt on Nigeria, Nigeria external debt management, the structures of debt management, the problems and the need for effective external debt management in Nigeria.

2.1 EXTERNAL DEBT AND THE NIGERIAN ECONOMY

According to Sandbrook's (1991 125), "Sub - Sahara African is heading for "an unrelenting crisis of tragic proportion" and this is as a result that Africa had suffered a protracted and calamitous economic crises that conventional adjustment policies had stemmed only in rare cases "[1] And as a way of getting out of this calamitous crises,which was as a result of questing for a long term growth and development. The quest for social cost and adjustment only resulted in indebtedness and dependency. This then calls for the question, What is external debt?

External debt generally, to economist like Lambo (1987:125) is nothing but a deficit balance of payment.[2] It means a situation where the inflow of capital is more than its outflow, in terms of payments and receipt on import and export on goods and services. In Financial management as opined by Inanga (1987:55) it may be defined generally as a contractual financial obligation which one party owes to the other.[3] The party owing the obligation is technically referred to as the debtor, and the party to whom the obligation is

owed, is the creditor. Such obligation may be short-term (e.g. not exceeding one year), medium term (e.g. five years). He went further to say that in relation to external debt, it is the obligation which a country, its structure or agent owes to the other. The party that failed in its obligation is referred to as debtor a nation and the country which gives out the obligation is the creditor nation.

According to Diaku (1988:87) First, external loans may reasonably be contracted, subject to suitable safeguards for sovereignty by government having large underdeveloped natural resources, the rapid development of which can only be accompanied with the aid of borrowed funds. Secondly, external loans may be contracted by developing countries wishing to achieve rapid economic advancement especially when they had undergone the process of under-development through sustained economic exploitation and political domination by the colonial masters.[5]

Assuming the history of Nigeria's debt, Kwanashie (1987:6) argued that, Nigeria's debt problems as they appear today seemed to have started about two decades ago when Nigeria ventured into the Eurodollar market for the first time to secure commercial loans as opposed to the traditional World Bank project-tied loans.[6] At the height of the recovery of the petroleum market between 1979 and 1981, when Nigeria's credit rating naturally rose to a crescendo, the civilian administration in an attempt to exhaust to its fullest, the Nigerian credit rating (which was supposedly under-utilized up till then), acquired loans without due regards to effective utilization. The result was an unbriddled accummulation of debt, that followed.

2:2 THE IMPACT OF EXTERNAL DEBT ON NIGERIAN ECONOMY

The features of Nigerian loans externally are brought out clearly by Attah (1987:7). A prominent feature of these external commercial loans was that the credit was tied to the exports of the creditor country with a small fraction assigned to local content.[7] Another feature of these loans is that of servicing of debt and of which the eventual amortization of the principal amount were strictly tied to the independent revenue source of the country, namely revenue accruing to Nigeria from the export sector. Also, the federal government which stood as guarantor for these loans is to deduct at source, that is, from the share of the borrowers' federation account, the amount required each month for servicing of the loans.

Lamenting on the accumulation of Nigeria's debt, Akinnifesi (1987:73) was of the opinion that the reason for debt accumulation by Nigeria and the LDC's are easily summarized. They include large fiscal deficits through expansionary monetary and fiscal policies in the LDC 's. He pointed out that the additional sources of worry concerned the fact that limited multilateral flows necessitated a recourse to credit from the international capital market (ICM) with short term maturity and grace period as well as floating interest rates.[8]

In view of the observed debt overhang and the reluctance by the creditor to grant further lending, Olashore (1987: 77) was of the opinion that,various strategies have been recommended and, in some cases which tried to deal with the debt situation, but to no known solution.[9] This assertion was backed up by Kwanashie when he pointed that it is not therefore surprising that with the sudden collapse of the oil market, panic arose from both quarters (creditors and debtors). The struggle to resolve the obvious conflict between the debtors and creditors had in a large measure called for a directional approach to Nigeria's debt management.

2:3 EXTERNAL DEBT MANAGEMENT IN NIGERIA

According to Akinifesi 1987:86), in deciding on the optimal level of commitments it is expected that a carefully planned schedule of acquisition, utilization and retirement of such loans be prepared[10]. Hence, a more realistic estimate of foreign exchange earnings as well as projected returns from investments financed with the loans would be required. He went further to say that this will help in determining the country's ability to service without undue strain, the existing loans Maturity or otherwise of contracting new loans.

But Hicks (1991: 29-35) assessed that, if cuts have to be made in relation to equilibrating revenue and expenditures as a way, debt managers are more likely to prone capital and maintain cost than other items.[11] This led him to assert that, external debt has become a problem in the Nigerian economy. Its service has grown - usually to a third or more of current public revenue but this expenditure is unavoidable, barring a unilateral moratorium on debt payment or a multilateral agreement on debt relief.

The question to be asked at this period now is that, if debt is incurred in the process of acquiring capital in order to finance growth and developmental projects, why did it result in to a burden, to the extent that it needs to be serviced or managed? If it is a Burden, what then is the problem of the Debt burden on the Nigerian economy?

2:4 PARAPHENELIA OF EXTERNAL DEBT IN NIGERIA

According to Mailafia (1987:152), The Nigeria economy has continued to manifest all the symptoms of deep seated malaise[11]. This malaise which as pointed by him, was an indirect manifestation of external debt burden. They include industrial stagnation and capacity under-utilization, hyper-inflation, serious unemployment and under-employment. These problems have been compounded with external debt presence in the economy and the

resultant planning and management of Public Debt and Policies. The above led Osagie (1983:10) to say that "management of external debts necessarily implies more rational utilization of earned foreign exchange[12]. But he cautioned that there is an important trade-off that is supposed to be existing within the economy. That, if we employed sizeable proportions of foreign exchange earnings to reduce outstanding foreign debt , other important national requirement in industry, agriculture, education, health and infrastructural development may suffer. He went further to say that if we satisfy these basic domestic needs with foreign exchange earnings while disregarding debt servicing, total value of outstanding foreign debts increases as well as the proportion of future income stream that has to be paid abroad as interest. To this end, he concluded that an appropriate strategy to manage foreign debt should first pay attention to domestic needs after which residual foreign exchange may be employed to service foreign debts.

An effective management of foreign debt,according to Aluko[1991:3] seeks to share the burden of the crisis between debtor and creditor countries. To this level, management of foreign debt of the Nigerian government needs to tackle the question of whether or not it is necessary to borrow more, in order to service outstanding loans as the Brazilian and Argentines had been doing. Based on this, the question now is, if a growing number of observers are beginning to think that one of the South American big debtors are going to default in the future, and in the process bring down the now fragile edifice of the international financial system, what is the sense in straining ourselves to the breaking point of servicing foreign debts, the significance of which may be spurious? This is an unsettled issue.

SUMMARY

The chapter reviews some literature that are related to this study. The external debt and its reliance on the Nigerian economy posited that, Nigerian external debt are those arrears on trade and other financial relations that the country entered into with other nations and organisations abroad, which the later failed to remedied since the start of the two decades ago.This unbridled accumulation of debt have had negative impacts on the nations economy. The struggle to resolve the obvious conflict betweenthe country and her creditors had, to a large measures called for a directional approach to Nigeria's debt management. Unfortunately for the country, various strategies have been recommended which, in some cases which tried to deal with the debt situation, but to no any known solution.

FOOT NOTE

1. Akinnifesi, E.O. (1987) "Debt Conversion as an option: The experiences of other less Developed Country": Nigeria Journal of Policy and strategy.NIPSS Jos (kuru).
2. Ibid
3. Op cit in Ibid
4. Op cit In Ibid
5. Op cit In Ibid
6. Kwanashie M. Economic up date Nigeria Journal of Contemporary Public Policy Issues 1987. Department of Economic PBL A.B.U. Zaria.
7. Op cit In Ibid
8. Op cit in Ibid
9. Olashote O (1987) Perspectives on Finance, Banking and Economic Policy.

   In Nigeria Heimananen press Lagos
10. Op cit in Ibid
11. Sandbrook R. (1991) The politics of African economic recovery.Cambridge, Cambridge University Press .
12. Op cit in Refrence No 6

CHAPTER THREE

THE NIGERIAN EXTERNAL DEBT

3.0 INTRODUCTION

This chapter shall try as much as possible to present to us, the Nigerian external debt crisis in perspective. In this regard, issues such as the external debt burden of the less developed countries; the origin and causes of the Nigerian debt crisis, types and structures of the Nigerian external debt, all shall be dealt with in detail. This is aimed at exposing the fundamentals of the Nigerian external debt crisis.

3.1 THE LESS DEVELOPED COUNTRIES AND THE EXTERNAL DEBTS BURDEN

External debt is seen as being the Archilles hell of Africa and most third world countries as they attempt recovery and transformation. Most commentators and writers on the African debt had blamed African economic quagmires and the resultant debt burden on the influence of the Breton Wood conference and system, which produced the structural adjustment programmes and some macro economic measures that impaired on africa and Third world countries .

Since the early 1980s, precisely 1984, African countries have persistently being bedevilled by external debt problems and had being urging the international community to help address, in a comprehensive manner, the critical economic situation confronting them, as a result of this mounting debt service burden. They believe that there is the need for a unilateral repudiation of international debt on the ground that they are spurious or that they are considered to be the result of fraudulent foreign currency transactions. This boldest and adventurous request is seen as the best available policy alternative required to support a wide

range of concessions among debtor countries aimed at cancelling the loan to debtor countries. Others opted for a debt conversion, of which debt owed are equitably converted or securitized.

By 1994 sub-saharan Africa's debt represented 54% of the region's total income on export and 83% of its GNP. The corresponding figures for 1980 were 90% and 30% respectively. Thus African debt burden is unsustainable, even after various debt relief initiatives, including debt cancellation had been introduced.

In an attempt to satisfy the creditors, African leaders have repeatedly re-affirmed that their external debt constitutes contractual obligations which they intend to honour to the best of their ability. Hence, they have argued for agreement on a viable debt strategy that would take fully into account their economic and social development needs: a strategy based on co-operation, continuous dialogue and shared responsibilities. These calls have been largely ignored. The international financial institutions and the creditor nations have not demonstrated the necessary will to take the oppressive debt burden off the shoulders of the African states. It seems that Africa's bi- and multilateral debts are not sufficiently large in global financial terms to warrant the necessary attention from the major creditor countries and the international financial institutions. Unlike some Latin American countries, like Brazil, Argentina, Peru and Bolivia, Africa's defaults and non-servicing of their debts causes only a ripple in the world of international trade and finance. Nor do African countries ,un-like some middle Eastern and Eastern European countries, have no strategic leverage which might be used to obtain significant debt reduction.

African debt problems can be historically linked with that of under-development: Its long term solution lies primarily in Africa's own ability to generate real development. Since 1986, more than 100 SAPs have been signed between the IBRD/IMF and dozens of African

governments. Measures have been taken by African countries to implement the commitments they have made individually or collectively. They have instituted far- reaching reforms at great social and political sacrifice and cost to their own people. These reforms and their efforts have, however, yet to yield the desired results. Part of the reasons lies in the backwardness and the very poor state of African economies. Equally of importance is the fact that African efforts to implement reforms and adjust their policies have been undermined by exasperating and excruciating debt service payments, worsening term of trade; an international economic conspiracy and political environments characterized by benign neglect; and the failure of the international community to live up to its commitment to provide Africa with substantially increased resources.

Based on the above, it is concluded that, a generous debt relief, not least from the international financial institutions, and increased support from the same institution, as well as from Bilateral donors, will be significant contributions that would be needed to improve the socio-economic conditions in Africa and then take her away from the trapped-zone of debt Burden. If these could be accompanied by an improvement in the terms of trade for Africa, we could really be on our way towards a debt relief and economic quagmire, and, thus create the right environment for peace and security.

3.2 THE ORIGIN OF NIGERIA'S DEBT CRISIS

Nigeria's external debt had hit $21.2 billion mark by 1985, having risen from a staggering $3.0 billion in 1978 to $18.5 billion in 1984. By the 1990, it stood at $32 billion and presently about $29 billion, in 1998.

Though there is indeed no concensus about the size of Nigeria's foreign debt. The Central Bank of Nigeria reports of October/December 1985, 1990 and 1995 put it at $19.06

billion, $32.1 billion and $28 billion respectively while the World Bank reports and federal ministry of finance figure puts it at $21.2 billion, $32.9 billion and $29.42 billion respectively. Nigeria's debt problems, like that of other debtor countries of the world, have assumed both a chronic and a crisis position. It is thus not a unique phenomenon but only an aspect of international economic experience of developing countries. The question then is what is the genesis of this problem.

Nigeria's debt problem may be said to have begun in the 1970's when prosperity from oil revenue led to the neglect of agricultural products which in the 1960s contributed more than 60% of the GDP and of non-oil export earnings. International financial institutions, and increased support from the same institutions, as well as from Bilateral donors would be significant contributions and be needed to improve the socio-economic conditions in Africa and then take Nigeria away from the trapped-zone of debt burden, if this could be accompanied by an improvement in the terms of trade for Africa, we could really be on our way toward a debt relief and economic quagmire, and thus create the right environment for peace and security.

3.3 REASONS FOR NIGERIA VENTURING INTO EXTERNAL LOAN AGREEMENT

The justification of external loans which has now resulted in an awesome external debt crisis rests on two main grounds in a developing country like Nigeria.

Firstly, external loans were contracted by successive Nigerian governments, as a means to attain or achieve suitable safeguards for sovereignty due to large undeveloped natural resources which are in abundance in the country. As a way of achieving rapid and massive development of her economy, the Nigerian government believed that the internal

capital available in the country can not be adequately achieve the aim, without recourse to borrowed funds. Records shows that the first loan of about $28 million contracted in 1958 was for the purpose of railway extension in the country. This was aimed at getting closer to the hinter-land where the resources were lying idle, untapped.

Secondly, external loans were contracted by Nigeria due to her wish to achieve rapid economic advancement, especially due to her experiences, in the colonial period. Thus due to the quest for rapid development of her extractive industries, which was suffering from the process of underdevelopment through a sustained economic exploitation and political domination by the British government between 1860 and 1960, external borrowing was sourced in Nigeria.

Hence, in a bid to achieve rapid economic development there was then need for the importation of machinery and raw materials for domestic manufacturing in replacement of imports. Nigeria pursued this with relentless vigour. She embarked on trade negotiations which took place on bilateral and multilateral levels. Hence the ICM loans rapidly rose from $8.2 billion in 1982 to $9.66 billion in 1987.

It needs to be noted that while the debt incurred between 1970 and 1978 consisted mostly of soft term loans from bilateral and multilateral institutions, the borrowing after 1978, were from the private financial market with high variable interest rates.

The sharp decline in oil earnings as a result of the oil glut led to the country's difficulties in meeting her external loan obligation. Consequently, from 1982, the country started to incur payment arrears and also became incapable of paying her high import bills when due. This development, no doubt impaired the international credit worthiness of the country as most international organisations became relunctant to give additional line of credit to Nigeria.

Importantly, much of the increase started in the 1990s and this was mainly due to the impact of variable interest rates at which most of the earlier loans were contracted, the capitalisation of interest on existing debt which could not be paid as they fell due and the depreciation of the dollar vis-a-vis other currencies in which most of the debt obligations were contracted. Little did the countries know that this is the beginning of the unchecked debt crisis in the Nigerian economy. The general question that would interest us at this juncture is , who are these Nigeria's creditors and what type of loans did Nigeria contract to warrant this present political, economic, social and Diplomatic jeopardies. The next section, should provide good answers.

3.4 THE GLOSSARY OF NIGERIA CREDITORS AND DEBTS.

Before going into details, it needs be said that most of the debts contracted by the Nigerian government are generally from the official creditors. These are creditors whose loans are provided or guaranteed by governments or their official agencies. They are generally of long or short term basis. While the long term debts are public or publicly guaranteed, the short term debts on their own are mostly private.They are usually offered to farmers in order to aid the declining agricultural sector as a contributor to total non-oil export receipts which remarkably contributed to the debt crisis in the Nigerian economy. Thus, agriculture which was the country's mainstay before the discovery of oil having been neglected is a major factor experienced in the crisis.

The real economic collapse came in 1980, when oil revenue dropped from ₦10,990.2 million to ₦9,193.6 million in 1981 and plumetted to ₦7,253.0million in 1983. At the same time external debt moved in the opposite direction and escalated to $19 billion in 1984 and to $21.2billion in 1985. Foreign creditors refused to give Nigeria any further loan facilities

in the face of rapidly declining oil revenue which soared astromically at the earlier stage of the OPEC cartel. The balance of payment situation had become desperate.

External debts remained relatively low during the oil boom year (1970 - 1977) .Infact, during the period, the country's foreign exchange position was so healthy that Nigeria had to lend money to such institutions as the IMF under the "oil facilities" in 1974. The general perception was that Nigeria was relatively "under borrowed".

Following the emergence of the oil glut in the international crude oil market in 1978 with the attendant strains on the balance of payments, external reserves and government finances, Nigeria had resort, therefore to borrowing in large amounts and shorter maturity from the International [finance] Capital Market (ICM) at higher and variable interest rates.

Consequently, the first major borrowing of $1.0 billion from the ICM was contracted in 1978, this increased the total external debt stock to $2.2billion. more ICM loans were raised especially as funds from bilateral and multilateral institutions became increasingly inadequate to meet the governmental non guarranteed Debts. The short term debts are expected to be settled at most within 18 months; the medium term debts settlement ranges from 3 - 7 years; and the LONG-TERM debts are to be settled or may be extended up to 15 years and beyond.

The long term debts are mainly loans borrowed for the purpose of setting up projects which require high capital out lay and with long amortization period. By practice a debtor country is obliged to settle her international debts, be it private or sovereign debts.

3.4.1 WHO ARE THE CREDITORS?

Basically Nigerian creditors consist of both multilateral and bilateral international financial institutions, and countries. These creditors are mentioned below.

The Paris Club: The Paris club of creditors represent the official government creditors in respect of insured debts. The Paris club has an umbrella body called; The organisation of Economic Cooperation and Development (OECD) established in 1965 to assist debtor countries with official debt problems. The members that formed the club include U.S.A., U.K., France etc) The Paris Club constitutes the highest credit source to the Nigerian government with a share of more than half of the Nigerian external debt stock. For example, out of the total external debt stock of ₦544,672.37 billion in 1992, The Paris club had about ₦325.94billion. They initiated the Houston Terms, Venice Terms, Toronto Terms, Enhanced Toronto Terms and Trinidad Terms.

- **The London Club** - They are claimants in respect of uninsured debts owed to the commercial banks, and are spread all over the world. These commercial banks are commercial creditors from Western Europe and North America. They initiate Multilateral Debt e.gHighly Indebted Poor Country[HIPC] initiative; Debt for Equity; Nature e.t.c.

- **The Promisory noteholders** - These are the creditors in respect of the refinanced debt for which promisory notes were issued.

- **Others** - These include the bilateral creditors, suppliers credit and the private sector creditors.

- **The Multilateral Creditors** - These are the world bank, the international monetary fund (IMF), The African Development Bank (ADB), The International Finance Corporation (IFC) and the International Development Association (IDA). As at 31st December 1992, Nigerian indebtedness to these group of creditors stood at ₦89.32billion (₦4,518.0million).

3:4.2 CLASSIFICATION OF NIGERIAN EXTERNAL DEBT

It is important at this juncture, to look at the class at which the Nigerian debt is placed. Noteworthy is that the total outstanding external debt accrued to Nigeria is classified under these classes. - A.B and C.

(A) The Federal Government Debt Obligation

(i) ICM loans

(ii) World Bank loans

(iii) Bilateral loans

(iv) Capital interest on Rescheduled loans

(v) Promisory Notes

(vi) Accrued interest on letter of credit

(vii) Letters of credit

(viii) Unrefinanced trade arrears

(ix) Guaranteed trade arrears.

(b) State Government Obligations

(i) ICM Loans

(ii) World Bank loans

(iii) Bilateral loans

(iv) Unguaranteed state government loans

(C) Unguaranteed Private Sector Loans

Nigeria's external debt could be further classified on the basis of debt maturity profiles, short, medium and long term. By way of generalisation, the short term as earlier mentioned is the debt having an original maturity of not more than one year while the maturity of long term debt spans over five years.

3:5 CAUSES OF THE NIGERIAN DEBT BURDEN

As earlier mentioned, the main reason for raising loans by countries including Nigeria, is inability to bridge the gap between the domestic (internal) resources, in order to accelerate economic development. This will be considered healthy, provided the proceeds from such borrowing are used judiciously for the purpose of which they were contracted and in such a way as to facilitate the eventual repayment and liquidation of the debt. For example the United State of America, has a conservative debt stock of about $4.4 trillion,but the impact of debt is little or least felt unlike Nigeria.

The Nigeria debt crisis was, inter alia caused by some factors which are primarily and secondarily fundamental to the widely celebrated third world economic orientation.

Many factors have been put forward as the cause of increase in the Nigerian external debt which presently stands at over $30 billion from a meager $28 million as at the time the first loan was contracted in 1958. The most common factors that have contributed to this development are:-

1. The rapid growth of imports, and public expenditure particularly from capital projects;
2. Borrowing from the international capital markets at non-confessional interest rates.
3. Decline in oil earnings from the late 1970s;
4. The emergence of trade arrears; and
5. Extra - budgetary expenditures arising from lack of prudential management of resources and accountability.

An attempt will now be made to highlight some of these and other relevant causal factors of the Nigerian debt crises in detail, in order to really appreciate the nature and magnitude of the Nigeria external debt crisis and prepare for the task ahead in the next

chapter (i.e. the structural impact; and management of the Nigerian debt crisis).

1. Low saving Patterns of Nigerians - In general , Nigerians do not have sufficient means to save, besides that they have exotic tastes, flamboyant lifestyles and the zeal to waste resources. This is not limited to the individual citizen in the country but also extended to the business, non-governmental structures and the government sector of the economy. Despite the enormous revenue generated in the 1970s due to the oil profits,the Nigerian government succeeded in making no serious plans aimed at preparing for the rainy day. Instead, there was squandermania . Hence money realised from the oil boom was wasted. As an exhibition toward extravagance, and lack of adequate foresight, the Nation hosted the world in the less fancied Festival of Arts and Culture (FESTAC '77) and a generous increase of salaries to workers without considering the Macro-economic, the resources base and the long - term implications. Also, there was a general expenditure on elephant projects and an increase in public and private sector expenditure without making any shock absorber provisions in terms of savings and initiating a motivational saving attitude and behaviour in the citizenry. Even when the resources are drying up, the government lacks the foresight of making provision for resource diversification. The mismatch measure usually embarked upon then was accumulating short term loans and using them for long term projects. This to a great extent, caused much incremental effects in the external debt stock. Hence the debt crisis worsened

2. Another causal factor of the Nigeria debt burden was nothing but an unrealistic exchange rate and the pseudo nature of the Nigerian exchange rate regime. Both the monetary and exchange rate policies did not respond quickly to reflect the external value and realities of the Naira as at the time when there was a drastic decline in the

inflow of resources as a result of the depressed oil market. The Nigerian foreign and economic policy makers tended to negate the character of the world economic order, resultantly the Naira was highly overvalued and this created a severe pressure on the external sector. The existing rate of the Nigerian Naira then in the 1970s and early 1980s made it possible for individuals, corporations, households and governments to incur foreign debt obligations which the country's resource could not sustain in the long term. There was also an accumulation of short term trade debts.This was like administering a medicine meant for a common cold to cure influenza. The over-valued Naira also caused leakages and capital flight which substantially depleted the external reserves, hence the need for an alternative finance in form of external borrowing.

3. Project Financing - Most importantly, there was a mis-match between loan terms and project financing loan.Capital contracted for short term financing of projects were used to finance long term projects .These projects were not completed at the time repayment was due, talkless of getting proceeds to repay the loans. This became a problem. For example as earlier mentioned, short and medium term debts accounted for about 85% of total outstanding debts owed to external creditors by the Nigerian government in 1986. Unfortunately most of these medium term loans were drawn to finance long term projects. Externally financed projects were hardly completed when amortization became due. A situation at which debt service bouncing then resulted, which invariably compounded the debt problem.

4. Over Dependency - Nigeria maintains a culture of over dependence on import instead of looking inward for the production that could sustain economic development, the globalisation had taking its toll on the Nigerian economy. The consumption pattern of most Nigerians, was in favour of foreign goods and services neglecting internal

goods. This character increased the level of foreign exchange commitments. For instance, the level of imports reached its peak of ₦13 billion in 1988, it therefore became difficult to reduce the level of imports consistent with adverse development in foreign exchange earnings in subsequent years. This resulted to a massive build up of the trade arrears which exacerbated the national debt problem.

More over Nigeria is highly dependent on the industrialised countries for goods import as well as the finance required for the prosecution of development programmes. These attributes of the Nigerian economy made it vulnerable to external shock as was the case with other third world countries.

5. Depreciation of the Dollar - The depreciation of the dollar which is the sole international unit which all the world currencies are tied to, also contributed to the rising profile of the Nigerian debt. Then in the early parts of the 1980s,the dollar depreciated against other major international currencies in which the original loan was contracted by the Nigerian government. Since Nigeria's debt is denominated in the dollar, the conversion of debts contracted in Franch - *francs,* Japanese - *yen,* Deutsche - *mark,* Swiss - *francs,* pound sterling etc. into the dollar, when the dollar losses its value will equally increase the dollar amount of the debt stock.

SUMMARY

In the chapter, effort has been made to outlook the Nigerian external debt in perspective. In this regard, issues such as - the external debt burden of the less developed countries, the origin and causes of the Nigerian debt crisis, types and structures of the Nigerian external debt,were extensively discussed. It concluded that,debt has been the Achilles heel of Africa and most third word countries (Nigeria in particular) as they attempt recovery and transformation. Thesituation in most of these countries were blamed on the influences of the Bretton wood's conferences of 1945 and its systems, which produced the structural adjustment programmes and some macro-economic measures that impaired on

African countries.In the case of Nigeria, external debt's problems started in the 1980s. Most importantly the Nigerian external loans' creditors are both the multilateral and Bilateral international organisations and Countries.

REFERENCES

1. Nwakwo, B. Nigerian Financial System, Andule Press ltd, Lagos, 1993. Pp. 199 - 210
2. Business Times 31st May, 1998. Pp 14 and 15
3. C.B.N. Financial Review, 1990 and 1998. C.B.N. PbL, Lagos.
4. United Nation Report on Africa's Strategy for Development in 1990s, United Nations Economic Commission on Africa. Publication.
5. Baldwin R.E. Economic Development and growth 2nd Editon,NewYork, John Viley and Son ltd. 1989.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.0 INTRODUCTION

This chapter shall present and analyse data gathered in the course of our research, in relation to Nigeria's debt management. In this regard, we shall discuss the trend in Nigeria's external debt, the effect of the debt on the economy, the management of the debt and the problems, encountered in its management.

4.1 TRENDS IN THE NIGERIAN EXTERNAL DEBT

As earlier mentioned, the size of the Nigerian external debt was very low in the period up to 1977. Even at the end of civil war in 1970, Nigeria's external debt outstanding was only ₦684.3 million. There after, it declined sharply to ₦308.9 million in 1971 and then rose gradually to ₦408.9 million at the end of 1977. Up to this period debts were contracted in relatively small amounts and were largely to supplement domestic resources for the provision of infrastructural facilities and agricultural projects.

Following the emergence of the glut in the international crude oil market in 1978 with the attendant strains in the balance of payment, external resources and government's finances, Nigeria for the first time had recourse to borrowing in large chunks at shorter maturity from the International Capital Market (ICM) at higher and variable interest rates. A number of ICM Jumbo loans were contracted between 1978 and 1979 in order to redeem balance of payment deficits and to establish a domestic steel industry. Consequently ICM loans rose rapidly from 1979 to 1985. In the same period state governments joined the bandwagon of external borrowing, the subsequent effect was the inability to provide adequate shock absorbers for this external debt in terms of servicing.

Following the trend described above, Nigeria's outstanding external debt started rising. It suffice to emphasise two important factors. Despite the economic diplomacy of the Babangida regime and the in ward looking and self- reliance financing strategy of the Abacha

regime between 1985 and 1998, external debt remains as high as ₦29.8 billion as at the end of 1998.

The table below shows the total Debt stock/service payment (in billions of Naira) between 1980 to 1998.

1980	Total (₦' b) Debt	Debt service (₦' b)
1981	9.8	0.9
1982	13.7	0.9
1983	18.6	1.0
1984	30.8	1.5
1985	37.8	1.8
1986	42.0	2.5
1987	59.5	8.9
1988	137.6	7.3
1989	184.6	11.3
1990	294.6	19.3
1991	382.1	39.5
1992	441.7	46.0
1993	706.2	67.4
1994	695.0	67.4
1995	688.56	66.0
1996	709	67.89
1997	n.a	N.A
1998	------	------

Sources: Major economic & Financial indicators. CBN. research Dept. April 30,1993.

The sharp increase in the external debt of Nigeria was also because of the corresponding increases debt services. As shown from the table above, total debt stock which stood at ₦13.7 billion in 1981 rose to ₦42.0 billion, ₦294 billion and ₦706.26 billion in 1985, 1989 and 1992 respectively. Debt service payments also rose in similar manner.

For example, the debt service was about ₦0.9 billion in 1981 it rose to ₦2.5 billion in 1985 to ₦19.3 billion in 1989 and reached ₦67.4 billion in 1992 and by 1996 it was ₦67.89 bilion.

4.2 THE DEBT PROBLEMS AND THE NEED FOR DEBT MANAGEMENT

External debt burden is a clog in the development process of developing economies. Nigeria is not an exception. The heavy external debt problem has significantly disrupted economic, political, social, industrial, and technological development of the country. Heavy debt service payment and attempts to minimise balance of payment deficits and preventing the depletion of external reserves by successive governments in Nigeria have led to drastic curtailment of imports. For example the value of import which rose by 47% respectively in 1980 and 1981 declined by an annual average of 10% from 1982 to 1986, though it rose to about 27% between 1987 and 1992, the scenario was disrupted between 1993 and 1997 to about 15%.

In the real macro-economic sense, import decline always leads to severe reduction in developmental projects and industrial production. Evidently, by the begining of the 1980s, industrial capacity utilization began to decline sharply. Generally, failure to utilize fully built up capacity has resulted into supply constraints due to shortage of raw materials and technological input which have to be imported from abroad. As from 1982 capacity utilization had been under 40% (the lowest capacity utilization is located in the heavily import dependent brands, automobiles, grain (flour milling), glass, dairy, and metal basic industrial chemicals, stock feeds, machinery and textiles), and has been on the reduction ebb since. Capacity utilization is currently below 32%. Also the resultant effect has been scarcity of goods and services and spiralling of inflation. With the exception of 1986, the real GDP growth rates were negative from 1987 to 1998. Poor economic performance worsened

the unemployment situation and aggravated many social problems like touting, Advance fee fraud (419), assassination; bribery and corruption, Armed robbery etc.

The Accumulation of import payment arrears and default on debt service payments especially since 1983 had threatened Nigeria's credit worthiness and solvency which culminated in the refusal of foreign correspondent banks to open lines of credit for Nigerian importers in the 1980s and 1990s. This probably was one of the reasons for the implementation of the IMF and the world bank supported structural adjustment programmes in 1986 and the quest for the IMF loan by President Obasanjo's government in 1999.

Noteworthy again is the fact that the debt restructuring which has been adopted to provide debt relief has treated other sides of the problems. Restructuring for example does not eliminate the debt but pushes it to a later date.The Paris club restructuring exercise involves an intricate, complex and tedious process of negotiation on the terms and conditions which will be acceptable and favourable to both parties (Nigeria and the club). Actual debt restructuring involves the protracted negotiations with each creditor nation. Such exercise saps the energy out of the top government officials and diverts their attention from the more important issues of growth and development.

Another aspect that needs mentioning in relation to debt burden is that debt restructuring often turns private and unguaranteed debts into federal government and the Central Bank of Nigeria's obligations. Despite the inconveniencies and the direct and indirect cost of debt restructuring, the much orchestrated new money which forms part of the obligation packages are rarely provided. This has tended to aggravate the burden of adjustment required to implement the economic reforms and which constitute a major condition of debt restructuring.Consequently, the attitudes, ways, means and advanced facilities in use on continuous basis by government to meet its budget deficit and servicing

of external debts had tremendously increased the inflationary rate in the country from a single digit in the 1970s to an alarming double digit in the 1990s. The end result of which is a reduction in the real income to a zero level.

If those problems of external debt burden should continue, there is every possibility that by the year 2010, the whole economy and other surbordinate sectors will be grounded and paralysed, thereby making us to be listed among the poorest and High Debtor Nations of the world. To effectively get out of this maladies there is a need for an effective debt management.

4.3 MANAGEMENT OF NIGERIAN EXTERNAL DEBT

The management of external debt necessarily implies more rational utilisation of earned foreign exchange. Here an important trade off exists. If we employ sizeable proportions of foreign exchange earnings to reduce foreign debt outstanding, other important national requirement in industry, agriculture, education, health and infrastructural development may suffer. Conversely if these basic domestic needs are satisfied with foreign exchange earnings while disregarding debt servicing, total value of outstanding foreign debt increases as well as the proportion of future income stream that has to be paid abroad as interest. In these regard an effective debt management strategy is needed. Before going into detail of debt management it will be perilous to look at what debt management really conotes.

4.4 WHAT IS DEBT MANAGEMENT

Within the Macro-economic school of thoughts, debt management is seen as a conscious and carefully planned schedule of the acquisition development, and reinvesting of external loans contracted, either for development purposes or to support the balance of payment deficit. In it paraphenelia, it encompasses estimates of foreign exchange earnings,

sources of external finances, the projected return on the investment which the loan has financed, the amortisation schedule and the debt service burden. Also, it includes an assessment of the country's capacity to service existing debt and a judgement as to the country's capacity, desirability or otherwise of contracting further loans. External debt management also ensures a means of achieving benefits of external finances without creating difficult problems of macro-economic and balance of payment stability.

Within the accounting management practice,debt management is referred to as the establishment of the condition of issue and redemption of public securities. In this regard, it involves the process of administering the national debt, providing for the repayment of the principal, payment of interest and arranging the refinancing of maturity debts.

Accordingly, the primary objectives of debt management is to improve the debt profile in the short term and reduce the burden over the medium and long term. The secondary objectives range from

* maintaining a comprehensive inventory of loans.
* Forecasting debt services
* Monitoring loan utilization
* Providing policy guidelines to maintain optimum structures of
  - Maturity of loan
  - Current composition of the Debtor nations
  - interest rate on loans.

Mainly, Debt management objectives should be aspired towards:

* Determining new sustainable level of borrowing
* minimizing the risk exposure
* Assisting in the restructuring of

- Rescheduling Period
- Refinancing of loan.

For External Debt management to be effective, it requires;

* An appropriate legal and institutional framework for the contracting and monitoring of loans.
* Coordination committees for operational and policy functions.
* A debt unit with clear terms of reference which is strategically located.
* A dymanic and effective debt recording and management system (DRMS)
* An accurate loan by loan Data base
* Trained staff in the ministry of Finance and other allied agencies in the contracting parties country.

Basically, external debt management involves five basic functions

i. Policy
ii. Regulatory
iii. Operational
iv. Accounting and
v. Statistical analysis

This shall be analysed thus:-

a. Policy - The policy involves coordination amongst the agencies with prime responsibility for the economic management of a country in the formation of national debt policies and strategies.

b. The regulatory aspect concerns, the establishment of a well defined institutional framework and arrangement for recording and monitoring of new debt incurred by

the domestic agents (public and private) and the comprehensive recording of maturity debt.

c. Operational - Operationality of debt management should pre- suppose the adoption of a strategy to approach and participate in the international financial market.

d. Accounting - The accounting function requires collecting of detailed information on debts on loan by loan basis and providing for an efficient payment mechanism.

e. Analytical - The analytical aspect involves the development of the statistical tools to carry out sensitivity analysis to explore the various options open to debt managers, given market conditions, and the future structures of debt.

The question to ask at this juncture is that who and who is statutorily mandated to manage external debt in a country.

4.5 THE MANAGER OF NIGERIAN EXTERNAL DEBT.

Under the financial and statutory obligation of any given economy, the Apex bank stood aloof as the general manager of the country's external debt.

In Nigeria's situation, The Central bank of Nigeria being the Apex bank in the land, a banker's bank and the financial adviser to the federal government of Nigeria, is charged with the responsibility of managing Nigeria's external debt. With the provision of the Central Bank of Nigeria Decree No. 24 of 1991, The Central Bank of Nigeria is empowered to manage Nigeria's external debt. It is also empowered, inter alia to; issue a guideline for the smooth operation of the federal governments debt conversion programmes; issue the Naira denomination or other forms of securities or make any arrangement in respect of the outstanding on foreign obligations of the federal government of Nigeria in the course of

rescheduling and restructuring of such obligations.

If one should cull from Okugbo P., who asserted that; countries do not know how much they owe, they may be near accurate about their public and publicly guaranteed debt but will be unsure of the private non-guaranteed debt, especially credits and trade arrears. Even when these are reasonably well documented, they are not authenticated and their values are constantly changing with the change in the exchange rates. Hence an effective external debt management is necessary.

4.6 PROCEDURES IN DEBT MANAGEMENT

A debtor country is obliged to settle her international debts, be it private or sovereign debts. Where a country is unable to settle her short-term debts because of poor foreign exchange receipts arising from low export capacity, the country in question enters negotiation with creditors in order to convert the short term debts into medium term debts. If the negotiation is successful, the debtor country issues promissory Notes designated in the currency of the creditor country or in the original currency in which the transaction was conducted. A period of grace is then arranged.

Interest due on those debts are paid during the period of grace while the principal sum is settled after the period of grace, as may be agreed upon by both debtor and creditor. Where a country is still unable to settle short term debt which had been converted into medium term debts and medium term debts which had matured for repayment, the debtor country may be obliged to request for rescheduling of debt and arrange for a new financing package to help the economy get out of the woods. This was practiced in Nigeria in the 1980s. Nigeria had to follow this course of action when it became very difficult for her to settle arrears of short term trade debts and medium term debts incurred in the 1970s which

matured for repayment in the earlier 1980s.

Despite the arrangements, third world countries like Nigeria sometimes failed to meet up. Example is seen in Nigeria's inability to honour her debt obligation by April 1, 1990. Thus if Nigeria is unable to honour this debt obligation, there is a need for an effective Debt management strategy.

Before going further it will be pertinent to look at the various types of debt management strategy open to Nigeria, upon such terms and conditions as may be agreed between the Federal Government and the "bank".

The management of internal debt involves:-

(i) advising the government as to the timing of floatation of debt instruments and terms of issue.

(ii) advertising for public subscriptions to the issue.

(iii) Collecting the proceeds of issues on behalf of the government, supervising the issuing of certificates and warrants, and maintaining proper books of account in respect of receipts and disbursements, and

(iv) Payments of interest and principal on due debts and managing the sinking fund set to facilitate the redemption.

In carrying out these functions, the CBN guarantees debt instruments/securities by underwriting the unsubscribed portion and provides a secondary market where the dis-investments of public holdings can be effected at a discount. The central bank also provides information on regular basis and advises government about the position and implications of internal debt.

4.7 EXTERNAL DEBT MANAGEMENT

External debt management is more intricate and requires careful planning. Nigeria's external debt management strategies have varied from time to time since the early 1980s when the debt crisis became more pronounced. However, a more pragmatic, articulate and all embracing plan was set out in February, 1988 with the following policy objectives:

a. to outline strategies for increasing foreign exchange earnings thereby reducing the need for external borrowing;

b. to set out the criteria for borrowing from external sources and determine the type of project for which external loans may be contracted.

c. to outline the mechanism for servicing external debts of public and private sectors.

d. to outline the roles and responsibilities of the various organs of Federal and State Governments as well as the private sector in the management of external debt.

In view of these, therefore, the following guidelines were issued as regards to government borrowing;

i. Economic sector projects should have a position internal rate of return as high as the cost of borrowing.

ii. Social services of infrastructure would be ranked on the basis of their cost/benefit ratios.

iii. Projects to be financed with external loans should be supported with feasibility studies (which, of course, include loan acquisition deployment and retirement plan schedule).

iv. External loans for private and public sector projects of quick yielding nature can be sourced from the private capital markets, while loans for social

services can be sourced from concessional financing institutions.

v. Borrowing by state governments, parastatals and private agencies must receive the approval of the Federal Government before they are contracted. The private sector borrowing approval does not constitute a Federal Government guarantee or currency undertaking, but to ensure that the borrowing conforms with national objectives.

vi. The state Government borrowing proposals should be submitted to the ministry of Finance and Economic Development and the Central Bank of Nigeria for consideration before they are incorporated in the final public sector borrowing of the annual budget.

vii. State Governments and their agencies, as well as Federal parastatals should service their debts through the foreign exchange market (FEM) and inform the Federal Ministry of Finance and Economic Development for record purposes. For failure to service their debts, the Naira equivalents would be deducted at source before the balance of their statutory allocations are released.

viii. For loans on-lent by the Federal Government to state governments, the Federal Ministry of Finance and Economic Development would make due payments and deduct the full amounts at source from their statutory allocations.

ix. As for the private sector, industries that are export - oriented should service their debts from their export earnings, while others should utilise the FEM facilities to service their debts[3].

4.8 EVALUATION OF DEBT MANAGEMENT STRATEGIES

Nigeria has today been classified as one of the Heavily Indebted Countries (HICs). Total public debt as at the end of 1992 stood at ₦706.2 billion. Ridiculously external debt alone as at October, 1993 stood at ₦631.4 billion (i.e. $28.7 billion at ₦22.per $1.0)

There is no doubt that the management of the country's internal and external debt has been one of the greatest problems for micro-economic policy and attainment of growth objectives. In an attempt to ameliorate the debt problem, Nigeria could have adopted any or a combination of the following:

a. Repudiation of past or all of the debt. Debt repudiation is a unilateral action involving a refusal to settle due obligations.

b. Debt cancellation: That is Nigeria could benefit from debt cancellation by her creditors.

c. Payment: Nigeria might attempt to pay in full all debt obligations as they fall due.

d. Negotiation: Here conscious efforts may be made to negotiate for debt relief or debt reduction.

However, it would be appreciated that Nigeria's debt management has been in line with the international debt management strategy. It has prevented a break-down of relations between Nigeria and her creditors. That is to say, while the creditors have been protected against the risk of unilateral default, their exposure, particularly that of banks has not increased. At this juncture, one will attempt to mention briefly some of the international debt relief proposals which are search light for Nigeria's debt eradication.

1. The Baker plan (1985)

The proposal was advocated and named after James A. Baker, former USA secretary

of the Treasury. The plan called on private banks, the world bank and other multilateral development banks to increase their lending by $29 billion to the 15 highly - indebted developing countries (of which Nigeria is one) over a period of 3 years.

To qualify, such countries must undertake IMF Economic Reform Programmes, implementation would however be based on a case by case approach to the debt problems. Unfortunately, the basic precondition of growth - oriented adjustment could not be met while banks did not show interest in the programme.

2. The Paris Club Plan (1981).

Under this plan, creditor governments are requested to waive payment of past debts by converting them into grants for low income debtor countries pursuing structuring adjustment policies. Other aspects of the plan include, the reduction of interest rates below market rate for government or official guaranteed debts and the rescheduling of such debts over a longer period.

3. African Development Bank (ADB) plan.

Under the ADB plan, medium and long term loans not granted on concessional terms to African countries should be converted to long-term securities of at least 20 years at fixed interest rates which are below market rates.

A redemption fund into which payments are to be made by debtor countries annually for the interest risk passed on to them.

4. The Brandy plan (1989)

The Brandy plan emphasised two elements of the Baker plan, namely, the case by case approach and the need to adopt IMF economic reforms. The major highlights of the Plan include the use of cash buy - back arrangement by a debtor country with its cash reserve

or borrowed funds from the IMF or world bank to repurchase some of its debts at light discounts.

5. The IMF facilities.

Under the IMF, a number of lending facilities have been put in place to assist developing countries facing serious micro-economic problems. An example, is the structural Adjustment Programme (SAP) established in 1986 in Nigeria to provide concessional loans with 0.5% interest repayable over 10 years including a 5½ year grace. Prior to this, there existed the External Fund facility and the Enlarged Access Policy. There are facilities of other variants, such as the Enhanced Structural Adjustment Financing (ESAF), Compensating and Contigency Financing Facility (CCFF).

6. The World Bank Facilities

Like the IMF, the world bank has similar lending facilities such as the structural Adjustment Lending (SAL) to assist World Bank Project lending, International Development Association (IDA), the reduction facility, the special programme of Assistance and the Trade Investment and Policy Loan from which Nigeria has benefitted.

7. Toronto and Trinidad Terms

At the Toronto Economic summit in June, 1988, leaders of the Group of Seven (G-7) agreed that the non-concessional bilateral official debts of low - income African countries should be rescheduled at the Paris Club, under a menu of three options.

(i) Cancel ⅓ of eligible maturities and reschedule the remainder.

(ii) Adopt the longer repayment of 25 years applicable to concessional debts with market interest rates; and

(iii) charge moratorium interest rates below market rate options for debt service relief,

a. cancel ⅓ of debt service due during the consolidation period, reschedule the remaining ⅔ over 14 years with 8 years grace period at market - based interest rates.

b. rescheduling debt service due over 25 years including 14 years grace period at market based interest rates.

c. rescheduling debt service due over 14 years with 8 years grace period at 3.5% interest below market rate.

The Trinidad terms, however, provide for the following options:

i. Two-third reduction of eligible debt stock;

ii. The remaining ⅓ to be paid off over 25 years with 5 years grace period;

iii. The interest due in the 5 years grace period would be capitalised and spread over the remaining 20 years.

Essentially, the Toronto and Trinidad proposal involve rescheduling arrangements ranging from 14 to 25 years, and 5 to 10 years of grace period as well as concessional interest rate[4].

4.9 DEBT MANAGEMENT STRATEGIES IN NIGERIA

Nigeria has so far used the following main instruments of debt relief and deduction, notwithstanding the international strategies analysed above.

1. EMBARGO ON NEW LOANS

This policy was applied in 1984 by the then Military Administration on State governments borrowing from External sources, except in cases where it was absolutely

necessary or it is specifically tied to a project whose viability can be reasonably guaranteed.

Occasionally, the Federal Government has fixed a maximum level of debt commitment for both the Federal and State governments. In 1987, such a fixation was ₦5 billion for the Federal Government and in 1982, it was ₦200 million for any state government.

2. LIMIT OF DEBT SERVICE PAYMENTS

This requires the setting aside of a proportion of export earnings to meet debt service obligations to allow for internal development. In this regard, the state governments were required in 1980 to spend not more than 10% of their total revenue on debt servicing. That is why external debt service was limited to $2.4 billion in 1993 instead of $4.6 billion, while ₦41.6 billion i.e., $1.89billion (at ₦22 per dollar), ₦22.00 was provided for debt service in the 1994 budget.

3. DEBT RESTRUCTURING

Debt restructuring involves the conversion of an existing debt into another category of debt, through Refinancing, Rescheduling, Buy - back, Issuance of Collateralized bond and the Provision of New Money.

a. Refinancing of Trade arrears. A refinancing arrangement involves the procurement of a new loan by a debtor to pay off an existing debt, particularly short - term trade debts. The new loan may be contracted from the same creditor or a new set of creditors.

The first refinancing arrangement was in July 1983 followed by another in September, 1983. In both agreements, $2.1 billion worth of trade arrears on confirmed letters of credit was refinanced. The applicable interest rate was 1.5% above the London interbank Offer Rate (LIBOR). By 1986, Nigeria had repaid the total amount involved in the two

agreements.

Agreements were also reached to refinance trade arrears arising from Bills for collection, open account transactions and unconfirmed letter of credit by the issuance of promissory notes of 6 - year maturity with the grace period of 2½ years. The total value of notes issued was $3,834.4 million at an interest rate of 1.0% above LIBOR, while redemption was to begin in October, 1986, on a quarterly basis.

b. Debt Rescheduling: This involves changing the maturity structure. It is not only merely postponing a debt; it is stretching out or elongating for a number of years the repayment period of a debt in one year. Interest payments are usually spread over a longer period until the debt is finally liquidated.

The rationale is to buy time. In cases where the debt problems are due to finance temporary foreign exchange short falls, rescheduling gives time for the balance of payments to improve. In cases where the problem is more fundamental, rescheduling lightens the country's burden and gives time for appropriate corrective measures to be taken in order to improve balance of payments.

In 1986, debt worth $1.6 billion due to the London Club and payable in 1987 was rescheduled to extend to 1996 with a 4 year grace period. Also, a sum of $7.0 billion has been set aside to be negotiated for rescheduling in the current fiscal year, 1994.

c. Debt - Buy - back, Collateralisation and New Money Options.

This implies the offer of a substantial discount to pay off an existing debt. This type of arrangement was concluded in February, 1992 when Nigeria bought $3,395.0 billion commercial debt due to the London Club at 60% discount. In other words, Nigeria paid $1.352 billion to liquidate or buy - back the commercial debt.

Furthermore, $2,054 billion has been collateralised as 30 years par bond with the

London Club. With this arrangement, the yield of the bond within a 30 year period would off - set or pay off the collateralised amount which is referred to as a zero coupon option. This resulted in savings of about $560 million per annum in interest payments.

The New Money Option refers to the granting of a new loan by a creditor to a group of creditors to assist a debt - ridden nation.

4. DEBT CONVERSION

This was adopted in July, 1988 with the setting up of the Debt Conversion Committee to implement Nigeria's Debt Conversion Programme, (DCP). It was implemented to complement the debt management strategies then in existence.

Debt conversion in a broad sense is the exchange of monetary instruments (e.g. promissory notes, for tangible assets or other financial instruments). It is a mechanism for reducing a county's external debt burden by changing the character of the debt. Debt conversion comes in various forms:-

(a) Debt for Equity: This entails the exchange of a country's foreign currency debt for local currency that can be used for the establishment of new enterprises, or for the purchase of equity shares in existing private sector conversion.

(b) Debt for Debt: It is the exchange of foreign debt for domestic debt which may be sold for cash in secondary market.

(c) Debt for cash: That is the exchange of debt for local currency which may be used for local working capital, loan repayments and local tax payments.

(d) Debt for Export: Here exports are paid for in combination of cash in foreign currency and debt.

In Nigeria, the debt conversion exercise basically involves the sale of existing debt instruments for domestic debt or equity participation in domestic enterprises.

From 1988 to 1992, 225 applications valued at $3.7 billion were received, out of which 214 applications valued at $2.2 billion were given approval - in principle. The total amount of debt actually redeemed from inception to 1992 stood at $760.9 million, total discounts also was $360.06 million. In addition, government realised $11.2 million and another $9.76 million as transaction commission from the conversions.

One of the key goals of the 1994 budget is "effective debt management strategies to reduce debt service burdens on domestic commitments and obtain debt relief from the external creditors."

In view of this therefore, government enunciated the following policy objectives:

(i) Outright elimination of contracts not provided for in the budget.

(ii) Vigorous curtailment of expenditure to assure a balanced budget.

(iii) As regards the servicing of Internal loans the Federal Ministry of Finance and the Central Bank of Nigeria are charged with the assignments of designing a scheme which would result in reduction in annual debt service in real terms.

(iv) On the external front, government will continue to strive to reach an agreement and accommodation with Nigeria's Creditors with a view to securing more favourable terms.

SUMMARY

This is the chapter that dealt with the issues arising from the Nigeria's rising external debt profile and its management problems. It explained that the trend in the Nigerian external debt was low when the country contracted its external loan of a meager,

₦408.9million in 1977. By ₦1987, it stood at ₦59.5 billion, in 1997 it was at ₦709 billion. The quantum leap in this external debt structure and its accomplished problems necessitated the calls for an effective management of the debt. .

In Nigeria, the Central Bank of Nigeria is the sole manager of the nation's externa debts. Since the early 1980s when external debt management system was introduced various strategic plans had been used like debt restructuring, re-scheduling, Buy - back and conversion, as well as, embargo on new loans and limit of debt service payment. But, these strategies has yield little or no results. nonetheless, there are other internationally acclaimed strategies like the Brandy, Bakers, ADB, Paris and London clubs plans, Toronto and Trinidad terms, the IMF and world bank facilities among others. The reasons for failure of most of these debt strategies initiated by Nigeria was nothing but the inability of the Nigerian government and it agencies to effectively articulate and monitor these strategies

REFERENCE

1. Management of the External debt of Nigeria - R.A. Olukole, CBN bullions, Vol. 15, No. 2 April/June, 1991 page 25.

2. The African debt Trap - P. Okidigbo, CBN bullion. Vol 14. No. 1 January/march, 1990, p. 37.

3. Management of Nigerian Public Debt CBN Briefs, Research Dept., Series No. 93/94 August, 1993 Page 6-7.

4. Management of Nigerian Public Debt CBN Briefs, Research Dept., Series No. 93/94 August, 1993 Page 9-10.

5.. 1994 Budget statement. New Nigeria Newspaper Tuesday, Jan. 11, 1994 Page. 2.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 SUMMARY OF THE STUDY

The study is a conscious analytical analysis, and examination of issues arising from the management of Nigeria's external debt under a period of 15 years[i.e. 1983-1999]. Attempt at this study was made in lieu of the fact that the rising profile of Nigeria's external debt has been of great concern to people within the well informed circle. This development which, has hitherto affected the Country is external reserve profile as well as her image within the International Community, most especially in her relations with those countries and agencies to whom it is indebted to.

Subsequently, existing literatures highlighted that, in general the increasing accumulation of foreign debt by Nigeria from a meager US $684.3 million in the 1970s to an alarming over US $32 billion by 1998--. The Country is in a deep mess. The best way out of this problem then is an effective management of the Country's external debt.

Attempt at generalizing the problems inherent in Nigeria's external debt opined that external debt is the Achilles hell of African, and most Third world countries as they attempt recovery and transformation. Nigeria's problem which was caused by the in ability of successive governments in the Country to develop their natural resources which were in abundance in the country, and, ther wish to achieve rapid economic advancement due to the experience in the colonial period. In spite, of the objective of contracting these loans from external creditors like the Paris Club, London Club, the IMF and World Bank ,various multilateral agencies, the results were nothing, but an unrepentant debt burden. The debt crisis that surfaced was one of the results that was obtained.

In general these debt crises are caused by low saving patterns of Nigerians, the unrealistic exchange rate of the Naira ,mis-match of project priorities and financing, over-dependency on foreign import and depreciation in the value of the dollar, amongst other factors.

In fact, the sharp increase in Nigeria's external debts and the correspondent increase in debt services which made the total debt stock to rise from N13 billion in 1981 to over N67.89 billion in 1995, has necessitated the need to put a better debt management strategy in place.

Management of external debt in Nigeria unwittingly implies more rational utilization of earned foreign exchange. In micro-economic terms, it means a conscious and carefully planned schedule of the acquisition, development and re-investing of external loans contracted either for development purpose or to support the balance of payment deficits. It involves national debt policies and strategies formation, regulation of debt projects, operationalisation of debt management, proper accounting of loans acquired, and analyzing options open to debt managers within a given market condition. All these are said to be a statutory responsibility of the Apex Bank in the country ---the Central Bank of Nigeria

The procedures of managing Nigeria's external debt are many. They include the short, medium and long-term debt management procedures. In Nigeria the debt management strategies involved are ; outlining of strategies for increasing foreign exchange earnings, setting out of criteria for borrowing; outlining mechanism for servicing external debts and the roles and responsibilities of the various organs of federal and state governments as well as private sectors in management of the debt. All these strategies follow some specific guidelines.

In a nutshell, in spite of these enumerated debt management strategies engaged by the Nigerian government the country is being classified as one of the Highly Indebted Poor Countries (HIPCs) with a ridiculous external debt profile standing at US$28.7 billion as at October,1998. However, it would be appreciative to note that Nigeria's debt management has been in line with the international debt management strategy. This has helped the Country to keep integrity with her foreign creditors.

There were some debt management and international relief proposals available to the Country. Some of which were the Baker Plan (1985), the Paris Club Plan (1981). The African Development Bank Plan, The Brandy Plan (1989), The IMF/World Bank Facilities; the Toronto and Trinidad Terms etc.

It needs to be said in conclusion that, it is not that Nigeria and its government just sat down and allowed herself to be wallowed up by external debt and its conditionalities. Over the years, Nigeria has managed her debts through various strategies like - Embargo on new loans; limits on debt services/payments; debt restructuring; debt rescheduling; Debt-Buy back, Collateralisation and New money option and, the debt conversion strategy. It is our believe that with proper adherence to the recommendations suggested at the end of this study, Nigeria's external debt management problems shall be overcome.

5.2 CONCLUSION OF THE STUDY

In general, it can be concluded that the intensity of Nigeria's external debt structures has seriously impaired on our domestic economic performance as well as, putting our international relations and reputation at stake.

On a more specific ground, it can be concluded that;

(a) Nigeria's rising external debt is generally, a grand design by the Advanced Capitalist

obtain an optimum structure and composition of debt. The strategy should involve finding the right mix between debt and equity flows; and a proper balance between public and private sector debts.

(c) Coupled with the above; another debt strategy which involves finding a proper balance between borrowing from official and commercial sources. It will also involve determining what should be the appropriate interest rate exposure, maturity structure and currency composition of the debt so acquired.

(d) The loan so acquired and debt incurred, should be adequately monitored and its portfolio reviewed. This should be done on terminal basis.

(e) An institutional arrangement should be put in place which shall; co-ordinates all parastatal borrowing; monitor and regulate private sector borrowing; guarantee policy and procedure for the government, most especially on monetary policies.

(f) Nigeria should establish a database system that would be comprehensive, timely and essential for effective debt management. This Database will help to monitor the evolution of debt and debt services; make payments on time; assess the country's foreign exchange needs; and, provide early warning signals on difficulties in debt management in the Country.

(h) The government should be serious about her economic policies. In this regard, viable macroeconomic models be put in place which will, stimulate the impact of alternative borrowing pattern on the country's budget and the balance of payment. The macro-economic policy that will be in place should be able to formulate an effective borrowing technique, policies and strategies; and

(i) Above all, all institutions and arrangements that encourages debt burden and discourage effective debt management strategies, should without any further delay be dismantled.

BIBLIOGRAPHY

TEXT BOOKS

(1) Akindele, R. et al (1988) Nigerian Economic Relations with some developed marked economy 1960-1985 1st edition, Lagos, Nelson Publishers.

(2) Baldwin, R.E. Economic Development and growth 2nd Edition, New York. John Viley and son ltd. 1972.

(3) Ekundare, R. O. (1983) Nigerian Economic History Ibadan, Heinemann press.

(4) Lambo, T. (1987) Nigerian Economy. Ibadan, Lidado press.

(5) Nwakwo, B. (1993) Nigerian Financial system Andule Press ltd, Lagos.

(6) Olashore, O. I. J. Perspective on Finance, Banking and Economic Policy in Nigeria 1st edition, Ibadan, Heinemann Press.

(7) Sandbrook, R. (1991) The politics of African Economic Recovery. Cambridge, Cambridge University Press ltd.

JOURNAL / MAGAZINES /NEWS PAPERS.

(1) Business times, (Magazine) . 31st May 1998.

(2) CBN Annual report and statement of Accounts for years 1985-1998, CBN Publications, Lagos.

(3) C.B.N Financial Review 1990 and 1998. C.B.N. Pbl Lagos

(4) C.B.N Briefs. Lagos, C.B.N Research Department, Series No 93/94. August 1993.

(5) C.B.N Bullion. Vol. 14 No1, January-March, 1990

(6) C.B.N. Bullion Volume 15, No2 April-June 1991.

(7) C.B.N. Financial Reviews, 1990-1998.

Economic Update: Journal of contemporary Public policy issues, Zaria, Ahmadu Universitty, Economics Department Volume 1. January 1087.

(8) New Nigerian (News Paper), Tuesday, Jan 11. 1994

(9) Nigerian Journal of Political Economy, Volume 2, No1 Jos, University of Jos, Department of political science, 1984.

(10) The Nigerian Journal of Policy and Strategy, Jos (kuru), NIPSS. 1987.

(11) United Nation report on Africa's strategy for Development in the 1990s, United Nations Economic Commission on Africa Publication. 1997.