DEBT CRISIS AND THIRD WORLD ECONOMIC DEVELOMENT NIGERIA, A CASE IN POINT

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DECLARATION

This is to declare that the work, here presented is done through my own research, and has not been presented in any University or research. But references to other research has been consulted and has been duly acknowledged.

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CERTIFICATION

This thesis entitled "Debt crisis and third world econmic Development, Nigeria a case in Point" by Yusuf Muhammed Sani, meets the regulation governing the award of the degree of Masters in Business Administration of Ahmadu Bello University, Zaria and is approved for its contribution to knowledge and literary presentation.

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Finally, to those I forgot to mention here who assisted me in one any or the other, encourage me to do the work no matter hard, after all; the hard way is the only why, I love you all and God bless you in all your positive endevours.

DEDICATION

To my father, late Mallam Yusufudeen Ahmad, mymother Mallama Hafsah, Ysufudeen, my wife Hadiza Muhammed Sani, my children Hafsat Muhammed Sani and Umulkhair Muhammed Sani and those who cherish scholarly exhibition.

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ABSTRACT

The complete emanation of the debt crisis in the third world nations has indeed escalating dimension with very destructive consequences.

A lots more submissions have been made on the critical issue in an attempt to look for a mutually sustainable and reliable debt management strategy to both the creditors and the debtor countries. This with a view to enhance economic and political development at this point therefore, much is still to be desired.

By and large therefore, the primary concern (problem) of this research endevour is why the third world countries has increasingly found it difficult to dash away out of the enigmatic force that hinders the economic development of their nations i.e. debt crisis. The researcher shall narrate the historical antecedent that led to third world debt, the dare need and inept effect of external indebtedness as well as the various debt management programmes and why political. Using ofcourse, the experience of Nigeria.

Many methods of data collection were employ incorporating the two fundamental sources, that is the primary and the secondary sources.

A complete findings of this submission make the researcher to critically take a position of the resources why and seek to locate the answer of third world debt crisis by looking only inside the under developed economic as not only disgusting but annoying, preliarly because the economic of the third world with ever increasing debt burden are systematically and badly incorporated into the exploitative structures of the Western Capital of economic system in a way that is very unfavourable to the third worked countries. Usually might make if difficult or even impossible for development to take place in the third world nations.

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY:

Negligible number of subjects have indeed attractive as much attractive attention in the international scene as the third world debt crisis.

For example in 1982 Mexico, for the very first time vehemently declared its incapability to meet its promised scheduled debt - service payments thus predicament was informed by the profound concern in political and financial circle for its glaring financial bankruptcy. Over the past (13) years, unfortunately hardly there has been a day passed with some glimpse of the crises making news or another dimension taken to cushion and perhaps alleviate the indebtedness of a specific country or reliving the third world debt problem in general.

Regrettably, all these efforts have not indeed substantially solve the debt crisis situation of the third world countries. The intellectual exhibition with its attendant radical remedies has always been at antagonistic disposition with the actual accomplishment of the real issue. At this point therefore the search for an acceptable solution to the Third World Debt Crisis is very paramount towards a meaningful and cogent political and economic developmental pursue, and indeed for other global economic and political objectives. Deceive not ourselves, trying to losses for sustainable growth in the world economic without critically addressing on a mode practical dimension mapping out a beautiful, well thought strategy that is realistic and humanistic in nature, to cogently dealt with the debt crisis sequence.

For the third world to remain indebted it is not only potentially destructive and destabilising for the global financial system but as HENRY KISSINGER warns "it threatens wider geographical balances and fragile social system in nascent demagogues as well".

At this point therefore, it should be dear in our mind that all energies must be exhausted to undertake this fundamental study which should emanates from a sound scholarly endeavour for a drastic solutions to the debt problems in the thirds world countries. The submission here should reflect that of patient of third word essentially concerned about more illuminating study on this critical subject as it affects third world in general and Nigeria in particular.

1.2 STATEMENT OF THE PROBLEM

As a policy declaration; debt should be incurred by a government for a developmental endeavours a forbidding solid industrial base. Rather unfortunate, the past experience has clearly shown that, it has been extremely difficult for government of the third world countries to keep to the declared policy.

The ever increasing difficulty could emanates from the structural imbalances and technical problems in the derivation and for application of these debt. The consequences has always been increasing stock without a corresponding increase in the official assets that will enable these countries to service such debts eventually as they fall due. This study will have its form towards identifying the why the debts, then various structural and technical problems in courting or application of debt in third world countries taking Nigeria's experience as a reference point.

PURPOSE OF THE STUDY

Every scholarly endeavour of this magnitude must have a clear purpose for which it is undertaken with a clear view of immensely contributing in no small measure to scholarship, In consonance with the above therefore, the principal purposes for this scholarly exhibition are:

1. To critically review why the external debt for what and for who?
2. To critically review the sources of external as a means of financing economic growth and developmental pursue in the third world countries, taking Nigeria's experience as a reference point.
3. To exposes the inept complexities and difficulties of the courses of most third world countries inability to discharge their debt obligations and when due. In other worlds, this study would seek to debunk the notions that third world dept problems emanates from lack of liquidity rather than a structural problem of solvency.
4. To furnish the reader with a rather vibrant contemporary, classical and of course dialectical recommendations that could be of use to check external debt burden in the third world countries.

SIGNIFICANCE OF THE STUDY

This research work is well though up to be of paramount important, and of immense relevance to both the creditors and debtor countries precisely because of its sensitivity nature and indeed this is t of the study, since a more realistic solutions to debt management are being sought all over the place.

Also the study is relevance since it strives to beautifully and objectively identify the implications of external indebtedness of the third world and where possible, useful suggestions are preferred.

Finally, of course not of less importance, the final results of this work is intended to serve as a good guidance for further research work on this area and assist in further policy decision making concerning external debt financing by the third world countries.

DELIMITATIONS AND LIMITATIONS

1.5 For the purpose of this work, the over all estimated external public debt of Nigeria includes among other things; all debts payable to creditors outside Nigeria in foreign currency, goods and services with an original maturity of one year or more. Private debt guaranteed or unguranteed, other external obligations and short term credits.

Figures herein does not therefore includes donations or cash gifts of any kind from individuals or corporate organizations; technical assistance from the United Nation Agencies Capital assistance from bilateral or multilateral sources and international or national for foundations.

Source on bilateral credits and other claims cover the following principal creditors of the London Club and Paris club, the United Kingdom, France, West Germany, Belgium, Canada, Italy, Japan, the Netherlands, Switzerland Denmark, Sweden, Israel and the former USSR.

LIMITATIONS:

The major limitation encountered in this work is in the integrating of data collected. This was because the data usually collected overlapped. For example, of recent, was only when the World Bank widen its scope, on collecting data before now

data collected by world Bank concentrated more on official and multilateral loans and of course less on trade claims, Unguanteed loans and other short term finance. The figures are therefore merely an objective reconciliation from the various insufficient invitational coverage.

Exchange conversion rate: the magnitude and quality of the work especially in relation to the data, was immensely obstructed by the incessant changes in the exchange rates. The terrible consequences of depreciating Naira as early as 1984 shows in itself significant dimension of the Naira value of the external debt.

DEFINITIONS AND ACRONYMS

THIRD WORLD COUNTRIES:

Before THE Unfortunate collapse of communism. The World economy was fundamentally categories into two principal mode of productions that is: The capitalist mode of production and the Communist mode of production, ranking countries to either belong to the capitalist state or a communist state. The development that made the two blocks to be super powers. However, what obtains now is either states/countries are developed or dependent (that is developed and underdeveloped) societies. The underdeveloped countries mostly come from Africa, Asia and Latin America are called THIRD WORLD COUNRIS.

EXTERNAL DEBT

This essentially mean a serious and fundamental obligation in a way of loan/aid that a country incurs from across its territorial boundary essentially for either economic development or growth or indeed helping balance of payments deficit to be balance.

EXTERNAL DEBT MANAGMENT

It principally show a process of a systematic and well though planned schedule of the acquisition, developmental growth or essentially for the balance of payment deficit.

FOREIGN EXCHANGES

This is a means of payment for international transactions. It is inform of convertible currencies that are generally accepted for the settlement of International trade and other external transactions. Such fundamental currencies includes the United states' Dollar ($) and the British pound sterling (£)

FOREIGN EXCHANGE MARKET

This is the force in which interaction between the sellers and buyers of foreign exchange in a bid to negotiate a mutually acceptable prices for the settlement of International transactions.

BILATERAL LOANS

This are funds that were strongly administered by an Internatioal Organization unbehalf of a single donor Government.

BILATERAL RELATIONS

This are rotations between countries that are administered by an International Organization unbehalf of a countries.

MILTILATERAL LOANS

Loans and credits facilities administered from the World Bank, International Monetary Fund (IMF), Regional Development Banks and ofcourse other International Organization and Inter government Agencies are regarded as multilateral loans.

LIQUIDITY PROBLEMS:

The inept incapacitation of debtor to service its debt and indeed amortize it on the schedule time and in a complete amount agreed upon.

FEFINANCING

This is refers to over all maturity debt obligation or perhaps the conversion of the current or future debt service payments into a new medium term loan.

LONG TERM DEBT

This is a loan which is public or publicly guaranteed debt generally on a maturity time of more than five (5) years.

SHORT TERM DEBT.

Debt that its maturity period is one or less than one year. And this are normally private and usually, non-guaranteed.

SOLVENCY PROBLEMS

This is the fundamental question of whether the value of a country's liabilities exceeds the ability to pay at any given moment.

COMMERCIALIZATION

The re-Organization of the public enterprises (that is enterprises fully or partially owned by the Government to be such that is meant for profit optimisation as such it gets no subvention from the federal government.

PRIVATIZATION.

This refers to the transfer of Government assets or functions to the private sector.

CBN - Central Bank of Nigeria

FEM - Foreign Exchange Market.

IBRD - International Bank for Reconstruction and Development

I.M.F. - International Monetary Fund.

I.C.M. - International Capital Market

U.N - United Nations.

LIBOR - London Inter-Bank offering rate

ADB - African Development Bank;

IDA - International Development Association

ITC - International Finance Corporation

MIGA: - Multilateral Investment Guarantee Agency.

CHAPTER TWO

LITERATURE REVIEW

2.1 UNDERSTNDING DEBT CRISIS IN THIRD WORLD CONTRIES, A CRITICAL REVIEW

2.2 INTRODUCTION

A significant number of scholarly exhibition has attempted to trace the historical antecedent of the debt crises and of course give some dose of options and suggestions towards an effective and efficient debt management this, with a view of seeing to the end of the menace of debt problems by the third world countries so as to clinically put away for the annulment fundamental economic developmental pursue of the underdeveloped countries in general and Nigeria in particular.

Regrettably and most unfortunately and indeed disturbingly too all efforts and energies being exacted towards the realisation of the fundamental objectives has uptill now pathetically not yield any meaningful dividends hence, third world countries still remain perpetually heavily indebted and, unwisely always look for more of it.

A fundamental work of debt management by Baker refers to "Baker, a former treasury secretary to the United States of America has highlighted (15) fifteen heavily indebted third world countries which include Nigeria.

The critical and indeed fundamental assertion of Baker plan was the fact that, third world debt problems has a result of that inadequate liquidity and not a matter of solvency. Evidence has clearly showed that this assertion ere simplistic and imagined. It is not of course surprising however, that ten (10) years after Baker plan was appreciated, recognised and implemented the debt problems persisted commanding squabbles and

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indeed confusion in the centre stage in the world financial circles causing series of serious concern the world over.

2.2 WHY FOREIGN FINANCING

In The fervent quest for economic and political development, the third world countries found it increasingly imperative to look elsewhere beyond their national boundaries, for finances this is precisely because the resources available in their disposal is significantly infinitesimally not enough to carry out such gigantic and meaningful developmental endeavour in the under developed World.

External financing is of course of paramount important as such if is desirable for the simple fact that it would help support sustainable economic growth if cogently and properly managed, while if economic growth should largely depend on the domestic capital formation and accumulation series of limitation surfaces on the process due to low productivity and low absorptive capacity in many third world economies.

The retrogressive position needs some level of technical technological, management and ofcourse financial support from across the national boundaries of the "NEEDY" nations to smoothen the resources gap need for the economic and political development.

Nigeria, like many third world nations has demonstrated inadequate internal capital base formation arising from the vicious circle of low savings especially up to the end of 1969. The execution of national Development plans from 1962 - 1992 was one of the steps taken to uplift the level of these variables that hinders enough liquidity formation and accumulation. The 1962 Development Plans contain a number of options designed to be implemented either exclusively or jointly with the prospective lenders

especially multilateral borrowers such as the world Bank, IMF and their affiliates that is, the International Finances Corporation (IFC), the International Development Association (IDA) and the Multilateral Investment Guarantee Agency (NIGA).

On the whole, strictly speaking Foreign Finances is suppose to cover two kinds of 'gaps' in the developmental process these gaps are:

(1) Foreign Exchange gap, which is the payment deficit a country faces arising from International Trading.

(2) The Investment Savings gap, which requests the foreign capital need to supplement domestic savings for finalising real investment of planned level.

The fact that there is financial availability does not guarantee a successful implementation of a desired project without ofcourse the request manpower expertise and technical support. To help matters of domestic effort, a good number of Foreign experts are employed either towards the execution of Government projects or the Installation and running of private sector industrial outfits through foreign portfolio investment and direct foreign investment which constitute borrowing of foreign experts. The cost of which is the payment for their services, which they remits to their countries as factor incomes of profits and dividends.

Also foreign lending could arise from public and private sector projects, this situation essentially requires guarantees by the Federal Government strategic sectors of the economy such as the Pert-chemicals, utilities, iron and steel necessitate external financial support because their financial requirements are beyond the domestic resources. National security also triggers borrowing especially for defence projects in form of air crafts/ships and ship carriers production.

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The employment consideration and social factor should of course out weigh the closure of utilities such as railways, airlines and shiplines, regional development in backward areas which the federal, state and local government are compelled to maintain their economic and social activities could sometimes be done perhaps through lending.

In summary therefore, the inadequacy of liquidity accruing from domestic endeavour which has informed by low productivity that leads to low income and consequently/give credence to as low savings necessitates fundamentally foreign finance to execute development aimed at sustainable economic growth and development. The support is not principally restricted to finance alone it also encapsulates, technical technological and managerial assistance.

CRITQUE: EXTERNAL FINANCE FOR WHAT AND FOR WHO?

The Fundamental variables that necessitates the assistance of the Western capitalist bodies to come to the aid of the developing nations help construct a viable economic growth and development cannot be over emphasise., and, since no country can prosper in isolation, it is indeed prominent to look elsewhere for assistance beyond the national boundaries if need of course base on this be fundamental going beyond domestic endeavour for such aid could not be a crime, especially if he overall utilization of these funds are geared towards the total upliftment and betterment of a given country and its citizen. And no country could go for such loan without a genuine and concrete need for it. However, with the type of capitalist orientation and subjugation of the third world countries and its leaders, and their cohort who give credence to the Western Capitalist Orientatlist and exploiters to perpetrate the Leaders in the third world nations simply go

for these loans to accomplish their selfish aggrandisement using their country's battered economies as a cover shamelessly stretch their hands begging for pinnacle, technical and technological assistance only to calmly cyphon the already domestically accrued finances accumulated and the external finance given to the IMF would think and Paris Club to this with a view to enriched themselves. The money/liquidity meant for execution of gigantic and meaningful projects were catapulted to "Swiss 'Ban" and buying assorted cars and wearing highly "embroided designer's quality" dresses building of mansions are emint and this are useless to the generality of citizenry.

The above and the inept callousness of the donor nations that swear not to transfer any technology to the third world nation, and not to assist in any meaningful financial upliftment, design stringent conditions to allow the finance, technical and technological assistance, they give to the debtor nations to benefit beautifully and enhance economic growth and development. Stringent conditions like devaluation of the country's currency is eminent, designs what is to done with the finance in equally devastating as such dependency syndrome perpetually remain the order of the day no matter any cosmetic and temporal measures employ to cushion the inherent hardship in the whole package of foreign aid.

2.3 CASTING UP THE THIRD WORLD DEBT CRISIS

The enigmatic problem of external finance debt management in the contemporary world economy predates the 1970's it is therefore as old as modern, civilization. It is pertinent to say here that it was assume to being practice to fund financial gaps in the investment situations in the 18th century countries like Egypt, Tunisia and Morocco has experienced such fundamental debt and debt management. Problem which is an

important respect, were later to pave way for their colonisation by Britain and France. During the late 1950's and early 1960's countries like Turkey, then Argentina, Brazil, Chile, Ghana and Indonesia encountered severe aid devastating debt difficulties.

The Building of developing countries debt crisis can be traced to the principle of comparative advantage in national production and the consequent inter-dependence of global economics. Countries naturally favour the production of those goods and services which they could produce more cheaply and exchange these goods then with those goods and services produced by other countries giving the part that some countries imports outweigh their exports. International trade leads to trade inbalances. Under this positions, nations with very unfavourable trade balance secured various forms of credits to meet the expenditure gap. But countries with weak foreign reserves solidly relied on external lending to help them accomplish vital capital intensive projects.

When Organization for Petroleum Exporting Countries (OPEC) was set of, the first and indeed fundamental oil stock enumerated receiving in the over due of prickling the oil price of crude oil this was untimely. The terrible consequences were basically on the third world countries while the effect on the developed countries were only mainly rise in energy cost; with a reduction in their consumption patterns and escalation in the prices of financial goods. But to the OPEC countries the oil palaver tremendously improved their domestic economy and ofcourse, boost unprecedented growth rates.

At this point, the negative impact on the world economies included among other disturbing thing the sky rocketing inflation from 2.6% between 1960-70 to a medium of 14.4% in the 70's and behind. Imports growth rate jumped to 100% In most of OPEC countries and under employment became conspicuous. The problem of inequitable

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industrialized economies for their primary goods while high interest rate made it extensively difficult for debtors to meet their debt obligation as and when due. Restrictive policies by the industrialised economies led to proterfonism and consequently, depression in the prices of primary goods produced by the developing countries ensured.

At this point therefore, the hard been loan default increasing at a disturbing dimension over the years.

Hence the historic "Mexico's declaration to default payment in 1982 ofcourse, many more countries have at one point or the other, approached the brink of debt disaster, so called for loan repudiation. But, ardent shuffling of policies and optima by the creditors and very painful adjustment programme, by the debtors countries have temporarily rescued the world economy.

2.4 THE GENESIS OF NIGERI'A EXTERNAL DEBT

The genesis of Nigeria's external debt has some historical undertone, this is why we can say without an data of doubt that the whole thing infact predate pre-independence period. Indeed Nigeria contracted its first major loan from the World Bank in 1958; the loan amount to $28 million US dollars and was meant for Railway extension in the country. Happily the loan has been fully paid to U.S.

During the period of independence and the Nigerian civil war Nigeria's foreign debt profile remained very low.

In the year 1970, and after the civil war, Nigeria's external debt stood at N488.8 million this constituted the external debt at only 7.2% of the gross domestic product (GDP). The external loans meant for (Rehabilitation reconstruction and Development)

distribution of new income informed by serious gap between income groups and an increased in social crimes ranging from delinquency to Adult disobedience to the conformity of the societal values, norms and standard laws and order of the society. The expenditure of Petro-dollar was no more based on rational economic consideration as many industrial land scape become littered with incompleted project. Corruption, mismanagement wangled into the public of the third world economies and the concomitant and devastating effect was first amount other thing cannot account balance of payment deficit and then budget gaps. By this time, many of these economies had become monocultural, their only export being oil.

The third world countries were indeed in a difficult situation. The so called industrialized nations which was the store for the petrodollars deposits were face with economic funds in the prevalence of fees investment outlets and ravaging inflanatimary pressures. The action taken was to recycle petro dollars through stringent monetary and fiscal pokiness to the newly rich OPEC countries. The fund gazzling industrialising economies such as Brazil, Agential and the cash strapped, non oil producing developing countries such as Bolivia and Ghana like fresh air to a drowning man, these countries lapped up the petro-dollars urged on by Western analysis and advisers.

The primary purpose of recycling funds was of course to enable the borrowing countries to meet their financing gap, the real and actual intention and the performance dramatically became a treble experience. Very poor sadistic and selfish borrowing decision were made, mismanagement and the impact of exageneors factors of the international economy made it extremely difficult for borrowers to earn good returns on almost all their investment. For example recession reduced the demand capacity of the

industrialized economies for their primary goods while high interest rate made it extensively difficult for debtors to meet their debt obligation as and when due. Restrictive policies by the industrialised economies led to proterfonism and consequently, depression in the prices of primary goods produced by the developing countries ensured.

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decree of 1970, had sanctioned the raising and use of external loans not to exceed N1 billion. The limit was later raised to N5billion in 1978.

During the period 1970 and 1977, external debt outstanding was far below N500 million on a yearly basis, with a service ratio averaged 1.4% a year. Nigeria therefore remained under borrowed through out the larger part of 1970s as the country was receiving large inflows of foreign exchange through the oil sector. Obviously, the Nigeria's foreign exchange position was very good, hence the flow of cash.

The fundamental blunder in Nigeria's borrowing strategy was indeed made in the year 1978 when the $1 billion jumbo loan was gallantly syndicated for the nation. The maturity terms was callously advanced so if then became extremely difficult to repay with ease. The first disturbing trouble was felt in 1978 soon after the FESTAC '77. Nigeria's second blunder was manifested in 1979 when it solicited for another loan to the tune of $1.2 billion but eventually secured $1.45 billion with the World Bank. The loan that attracted the eyes of the world commentators both domestic and international and was tagged the "most bungled deal of the decade".

Unemployed was ushered into the country and with a very stringent price control and import mechanism measures were introduced. Pathetically, the external debt from then was skyrocketed reaching very alarming proportion. In the year 1982, Nigeria, Mexico, Brazil, Argentina, Peru and the Philippines, was already in a debt palaver. The extraction of trade areas coupled with the maturity of bounced up debts put Nigeria in a devastating economic position. Bu 1984, the IMF estimated Nigeria's outstanding debt trade areas owed by both the public and private sector to stand at 5.8 billion U.S. dollar. By 1985, Nigeria had a total onstanding external debt of $18.904 million and was among

the 15 World most heavily indebted third World countries listed in the Baker Plan. Presently, Nigeria has a debt service ratio of 30% and a total external debt outstanding at

2.5 THE DEBT MANAGEMENT CRISIS

External debt management in the third world countries has always been extremely difficult thing to execute as such it is a very disturbing process to undertake. This is not because of the enigmatic shortage of qualified skilled manpower needed to help solve the problem but, more critically, because the process is a balance of local and external forces at play in the final result of third world debt management strategies. At the domestic proof, those forces with vested interest in their country's debt management programmes include, the indigenous nationalist, bourgeoisie, managers, of multinational subsidiaries, the working class, the students and of course the peasants. The external forces with interests in the debt management programmes of the third world nations include international finances owners of multinational corporation and the Banks in the World financial network, system backed politically by the might of international monetary fund. The World Bank and the advanced capitalist societies.

Each of the domestic and external factors identified and analysed above, either wholly or partially in consonance with each other store to ensure that the developing nations debt management strategies employed revel the interest of the decision makers or policy formulators. Thus, as a demonstration the western capitalist bank more often than not with the backing of the IMF and the World Bank insist on debt management strategy that captalizes on debt payment and servicing with this interest, they find the support of managers of multinational subsidiaries and sections of the local trading and producing class anxious to keep lines of credit open at any cost. On the other hand, the nationalist

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of the third world indigenous bougeosie always opt for as low a level of debt servicing as possible so that resources can be available for domestic accumulation working class Organization in the third world also spare no efforts to ensure that they are not made to carry the burden of debt crisis which is not of heir own making. They therefore protect against management programmes that seek to mortgage their living standard and working condition. The anti SAP riot in Nigeria in 1986 is an example. Again where at any time, the interest various domestic forces complement one another temporary alliance ensured to influence the direction of the country's debt management strategy. Mostly always, there is an antagonism of interest between the domestic forces on one hand and the external forces on the other.

Experience of debt management in most third world countries has so far reiterated that the management strategy yielded more to the problems and factors savouring accommodation and harmonising imperialism on terms prescribed by western capitalist Banks (organized in the Paris Club), the IMF and the World Bank the desperation of many third world government in the face of eminent economic collapse has made them easily susceptible to creditors solutions to their debt problem. Even with the prevailing government attitude, the internal forces whose interests uproar to have been relegated in the current debt management, have not given up their struggle for alternative debt management programmes. Their struggle have been kept alive because, the creditors prescription to the third world debt management has not yielded any success. Rather it has brought intolerable hardship for a majority of the citizenry. Perhaps, no wonder that apart from the fact that. Government of third world nations have had to make concessions to local popular forces, the IMF and the World Bank under pressure from indigenous

political forces in the third world popular in the Western Capitalist nations of the world, have had to shift ground in order to give the debtors, management programmes the semblance of a "Woman face".

The existing debt crisis broke in 1982. The first and fundamental issue which confronted third world countries was the question of ascertain how much they owed to International financiers.

Surprisingly as this may be of these countries did not know from the beginning how much exactly they owed. It is an issue that generated an immense deal of acrimony and mutual suspicious between the Federal Governments and holders of the countries promissory notes. Several factors were indeed responsible for this all resulting from the anarchy nature of the capitalist mode of production.

In most developing nations borrowing were poorly monitored if at all loans contracted by public institutions and private business were often reported to Government Agencies charged with debt monitoring. For example in 989, the London Club of Private Financiers submitted claims totally U.S $8.8 billion to the Federal Government of Nigeria. Nigeria therefore replied with a counter claim of U.S. $6.4 billion. The practise of over-invoicing contract by indigenous businessmen and multinational subsidiaries aggravated the matter. Indiscriminate use of short term trade credits as a means of transferring money out of third world countries contributed to the problem. Furthermore, speculative practices on the International Capital Market, the variable interest often charged on commercial Banks loans, the volatility of exchange rate have combined to make it impossible for third world to know exactly how much they owe. On this issue, the third world nations believe that the claims put forward by western creditors are

grossly inflated while the latter believe that, the refusal of the former to accept the correctness of their figures translated to an "unacceptable debt denial".

Again issue of debt management in third world is the kind of adjustment programmes needed to put in place as a frame work for their debt management. Whereas, the Western creditors, wanted the implementation of structural adjustment programmes whose basic orientation is the liberalization of the work forces, many debtor countries were reluctant to accept the proposals. In the end, third world countries were cajoled to accept and implement adjustment programmes. Prepared and supervised by the world Bank and the IMF.

In consonance with the market orientation, the structural adjustment programmes which most countries adopted as the broad frame work for their debt management, brought about massive currency devaluation, trade liberalization, privatization and commercialization of public utilities, deregulation of prices and interests removal of subsidies and reduction of public expenditure, strict credit ceiling and liquidity squeeze, rigorous inflationary measures, large scale retrenchment of workers in the public sector etc.

The adjustment programmes have led to a drastic reduction in per capital income while correspondingly increasing debt over hang and debt per head on citizens of third world debtor states. They have strengthen political pressures, social turmoil and capital plight. The "IMF Pills" have failed to stem the decline of industry and have not checked the stagnation of Agricultural sector either. Even though, between the period 1985 and 1989, the IMF courtesy of the Barka Plan sought to ease the pains of adjustment by injecting some $31 billion into 72 third world countries (Nigeria, Brazil, Peru inclusive)

the net out flow of capital from third world to developed capitalist states has been on the alarming increase.

2.6 MANAGEMENT OF NIGERIA'S PUBLIC DEBT.

One of the cardinal function of the Central Bank of Nigeria is indeed to serve as a banker to the Federal Government, in line with this fundamental duty therefore it keeps the finances and account of the Government. Its again involved in raising money from domestic and external sources for the execution of some important government programmes. The liquidity so raised or borrowed becomes a debt owed by the Government and people of Nigeria. This debt is commonly called public debt.

Other issues here could come as a sub title or heading for bother understanding of the public debt in Nigeria and its management.

SOURCES AND STRATURE OF PUBLIC DBET

TYPE OF PUBLIC DEBT

The type of any public debt shows exactly the purpose for which the loan/debt was incurred example are discussed as follows:

(a)Trade debt: This arise when Nigeria enter into trade with another countries and it unable to pay certain debt incurred as a result of the trade transaction this payment is either partly or wholly. For example in the early 1980s Nigeria inability to settle her imports bills amounted in the accumulation of trade arrears, this went to the tune of N4.4 billion in just 1983,

(b) Balance of payment support loan: The total transaction especially economic between a country and the rest of the world, classified into current and capital account and official settlement balance constitute the balance of payments

position which may be favourable when it is a surplus or unfavourable when it is a deficit. At this point persistent unfavourable balance of payments usually referred to as balance of payment disequilibrium. This situation naturally informed Government's decision to seek for balance of payment support loan from institution such as the International Monetary Fund (IMF) despite its attendant consequences and uproar that could lead to perpetual backwardness and under development of Nigeria.

(c) Project - Tied Loan some investment that have good and appreciable potential and prospects to accelerate economic growth and development may perhaps lead to government into contracting project tied loans. Since this type of loan is for a particular purposes, it is therefore self liquidating.

(d) Loans for Socio economic Needs. The need to provide some fundamental socio-economic needs of the people especially social infrastructure e.g Health, Education and other social amenities could necessitates borrowing by Government to finance.

SOURCES OF PUBNLIC DEBT IN NIGERIA

Nigeria has indeed contracted so many of debt obligations from both domestic and external sources.

1. Internal Sources: The internal source of public debt in Nigeria are the Central Bank of Nigeria (CBN), the strong commercial banks, the merchant banks and the non-bank public. The non bank public include the Insurance Companies, Savings institutions, finance houses, state and local government statuary boards and corporations and some times individuals. This type of loans/debt

are usually contracted through instruments such as treasury bills, treasury certificates government development stocks etc.

2. External Source: Normally, the external sources are the Paris Club. If creditors, representing official government creditors example, the United States of America, United Kingdom, Federal Republic of Germany, France and Canada); the London Club of Creditors (representing Commercial Banks mainly in industrialised countries), multilateral creditors such as the World Banks, International Monetary Fund, African Development Bank (ADB), European Investment Bank (EIB) International Development Association (IDA) and International Fund for Agricultural Development (IFAD). Promissory note holders are creditors in respect of refinanced debts, others are bilateral and private sectors creditors.

MATURIRTY PATTERN OF THE PUBLIC DEBT

Various segments of public debt carry different maturities such as short, medium and long term. This variation and classification indicates the maturity pattern of the original debts usually of not more than a year. Medium term debts however, have original maturity spanning over a year while long-term debt have original maturity exceeding five years. The structure of maturity pattern or public debt of a country determines the relative ease with which interest and principal payment are made. As for the internal instrument, treasury bills and certificate are issued to raise short term debts maturing with terms of 90 days and 1 to 2 years respectively. Debts contracted through these instruments amounted to N140.4 billion in 1993. The development stocks and the treasury bunds are long term debts with maturity ranging from 5 to 25 years, and by end -

1993, they were N121.3 billion. A treasury bond is intended to reduce internal debt service payment through the conversion of short-term debts (treasury bills and certificates) to regard external debts, promissory note, agencies, Paris and London Clubs, restructuring agreements are medium to long-term in nature. Trade debts and supplies credit are essentially short term debt.

III CAUSES OF NIGERIA'S DEBT CRISIS

Series of factors facilitated the ever increase of Nigeria Public debt (domestic and external). By the end of 1993 the Nigeria's public debt stood at N895.4 billion. The principal factors include the ever increased growth of public expenditure, particularly for capital projects, borrowing from the international community at non concessional interest rather decline in oil earnings, from the late 1970's and the emergencies of trade arrears.

DOMESTIC DEBT PROBLEM

The speedy increase in the stock of domestic debt was indeed caused by the fervent need to finance rising government expenditures. In the 1960's and much of the 1970s' domestic debt instrument were issued to develop the money market, mobilize domestic savings and assist monetary management. With the sharp decline in government revenue since the early 1980's owing to the eminent collapse of prices in International Oil Markets, borrowing by government from Internal sources has increased tremendously. Despite the efforts to rationalize public expenditure, much was not achieve in reducing or controlling them given the diverse socio-economic responsibilities of government. Moreover, higher domestic and international inflation rates have resulted in increase cost of government administration and development programmes.

EXTERNAL DEBT CRISIS

The skyrocketing dimension of Nigeria's external debt at a particular point in time was alarming, well the CBN report attested to the fact that, it was due to enormous factors underlined below.

The fact that Nigeria, as a developing economy which is characterize by a fundamental low productive base, the supply of goods and services is therefore augmented with importation of desired goods and services. Under the circumstances there was substantial growth in imports. Nigeria imports bill therefore rose from N756.4 million in 1970 to N165.6 billion in 1993. The inept incapacitation to settle imports bills led to the rapid build-up of trade arrears in the period 1980's as foreign exchange earnings declined substantially during the same period. Another cause of external debt crisis was perhaps some project-tied loans were contracted without consideration for economic viability. In addition, these were short-term loans source mainly from foreign private markets to execute projects of long gestation periods. By 1986 short and medium-term loans constituted about 85% of the total debt stock. The above developments resulted in bunding of debt service, thus compounding the debt crisis situation. Furthermore, upward movement in interest and exchange rates have affected the size of the debt stock.

DEBT MANAGEMENT STRATEGIES IN NIGERIA

Debt In what ever form either domestic or external its management always give a series of concern. This is precisely because of intricate nature as such it requires some fundamental, tactful and brilliant planning. Ofcourse, Nigeria like any other (developing nations of the world has in one times or the other had some varied debt management

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strategies. However, very articulated measures were indeed map out in the year 1988, it came with the following objection.

- To evolve strategies for increasing foreign exchange earning thereby reducing the need for external borrowing.
- To outline mechanism for serving external debt of the public and private sector, and
- To outline the roles and responsibilities of the various organs of the federal and state governments as well as the private sectors in the management of external debt.

2.7.1 DEBT CONVERSION PROGRAMMES

The debt conversion schemes is indeed the latest option in trying to solve the fundamental problem of debt in developing nations. It is a strategy that enables a debtor country to reduce its external debt burden by changing the characters of its debt. It came in numerous dimension such as a debt to equity, debt to debt or redenomination of debt in local currency, debt for nature and debt pepso swap.

Though, the idea of debt swap was rooted during the period of Mexico debt crisis, the scheme did not actually gain any meaningful acceptance until 1986 and 1987. Even that time, its occurrence has largely been restricted to the Latin American countries like Chile, Brazil, Mexico, Costa Rica and Bolivia. Other non-Latin American countries that have experimented with debt swaps include the Philippines, Turkey and Nigeria.

Debt for equity is the most pronounced conversion process not only in Nigeria, but the rest of the third world countries. This takes place when the Federal Government decides to allow the creditors take equity position in a willing privately owned firm in

exchange for a debt owed by a government owned firm. The federal Government then pays the private firm the local currency equivalent of the external debt which is then redeemed. Debt for cash is similar to Debt - equity except that the proceeds from the exercise are not capitalized but are used for working capital, for local loan repayments and for local tax payments. Debt for exports involve the exchange of export goods for debt obligations. When the conversion involves residents of the country interest of foreign investors, the deal is termed as debt pepso swap. By pepso here it refers to "local currency" simply. Hence debt pepso swap is designed for repatriation of flight capital. The method of conversion that allows debt of a country in say dollars, to be redenominated in the local currency is called debt for debt swap. Repayment can then be easier and the proceeds can be used by a multinational investment corporation to infuse money into its local subsidiary.

The Federal Government of Nigeria in an attempt to reduce the total external debt, set up a Debt conversion committee in1988. The objective of the committee are:

- To reduce Nigeria's external debt position by reducing the stock of outstanding for foreign currency denominated debt inorder to alleviate the debt service burden.
- To improve the economic environment to attract foreign investors.
- To serve as an incentive for the repatriation of fight capital.
- To stimulate employment generating investment in Industries with significant dependence on local inputs.

Table 2.1 Sectional distribution of disbursement of Debt conversion proceeds from 1989 - 1993 (U.S. $ million).

Sector	1989	1990	1991	1992	1993	Total	Percentage of
Agriculture	209.5	105.6	41.0	115.2	4.4	535.7	11.7
Manufacturing	232.6	389.2	152.8	617.5	617.3	1,544.8	33.8
Mining and Exploration	-	34.2	55.2	-	-	89.4	2.0
Buildings and construction	10.3	46.2	155.1	321.3	31.3	574.2	12.5
Hotel and Tourism	-	149.2	244.0	120.0	3.4	516.7	11.3
Gift and grant	201.5	144.4	10.0	89.0	121.3	544.2	13.0
Services	-	-	1.2	5.5	266.6	373.3	6.8
Other (Debt in Debt)	78.6	115.3	67.2	57.3	125.8	444.2	9.7
Total	532.5	1044.3	784.3	1325.8	605.6	4254.1	100

SOURCE: AKINTAYO FASIPE, NIGERIA'S EXTERNAL DEBT

Despite the benefits of Debt conversions, which includes, a systematic improved climate for domestic and external investment a transfer of risk to foreign investors and access to additional capital for privatization and funding of social programmes, this strategy has its disadvantages. The greatest of them all is the problem of inflation.

Inflation is normally inform when swaps has at its peak, debt is exchanged against local currency, the increase in the money supply is not regulated and compensatory fiscal and monetary measurers are neglected. The experience in Brazil and Nigeria, is a warning signal that in the premise, of high inflation and high budget deficits conversion can aggravate in already serious problem.

Another problem of debt conversion is that, it leads to inappropriate allocation of resources because of the element of subsidy involved in the programme. Although, this problem has not so bad significant impact in Nigeria's debt conversion scheme.

2.7.2 DEBT RESCHEDULING PROGRAMME

This is another method of debt payment. Some of the fundamental elements that are perhaps used for debt rescheduling are: grace period, interest rate, LIBOR and period of payments. By definition debt rescheduling means changing the original repayment term of a loan, usually by extending the payment period and introducing a grace period within the total payment period before capital repayment need start.

Grace period is the interval between disbursement and repayment of external debt. London Inter Bank offering Rate (LIBOR) is the rate of lending between International banks. Nigeria met with the steering committee of the commercial Bank creditors, on October,8-10, 1988 in London, where an agreement was signed to reschedule Nigeria's medium term public sector debt that fall due between October, 1986 and December, 1987. The estimated amount rescheduled here was $7,000 million with 10 years maturity period.

At the end of September, 1988, an agreement was reached with the London Club of creditors to reschedule a total of $5.9 million owed to them by Nigeria. The debts

were rescheduled over 20 years (1989 - 2008) with a grace period of 3 years (1989-1991). The rate of interest payment will be 13/10 period above LIBOR for the letters of credit and 7/8 percent above LIBOR for medium and long term debts as composed in the debt.

The Paris Club meet on March 3, 1989 (official Creditors) and discussed Nigeria's external debt rescheduling or refinancing. It was agreed to approve a consolidation of Nigeria's debt and rescheduling of the debts be made on bilateral basis between Nigeria and the creditors Institutions before September, 20, 1989.

Sequence to the Paris Club meeting on August, 6, 1989 Nigeria and West Germany signed a bilateral agreement in rescheduling of over N6 billion owed to the European Nation. The amount consists of medium and long terms debt with West Germany Companies. The terms of agreement includes:

- Payment for the debts would be made in ten equal and succession semi-yearly terms after a six year period of grace which elapses in 1998.
- The first payment is to be made on February 28, 1995 while the final payment would come up on August 3, 1999.
- The accrued interest on the loan will be paid twice yearly February 28, and 31 of each year. The rate of interest were fixed for 2.7 percent on DM 26, 685, 522, 62 owed to one German company (KFW) and 6.75 per cent for other commercial creditors guaranteed by another German firm (HERMES).

Again, in the same month, August 23, 1989, Nigeria signed the second debt rescheduling agreement with the United Kingdom, this agreement involved the rescheduling of U.S $ 853 million for 10 years with 5 years moratorium (grace period) and interest rate of 0.5 percent above LIBOR.

Nigeria has made tremendous progress since the inception of debt rescheduling in 1993. Where debt rescheduling was not successful due to largely political crisis that erupted in the second half of that year Nigeria is not the only third world country engaged in debt rescheduling, there are other countries like Brazil, Mexico, Argentina, Philippines, Venezuela and Chile who have also rescheduled their debt at one time or another. In September 1986, Mexico rescheduled U.S. $ 2.5 billion for a repayment in period of 20 years with a grace of 7 years and an interest rate of 0.81 percent above LIBOR.

But what's to be noted here from all these rescheduling process is the fact half. Third World countries can neither pay the money now or in the future. Something, much more comprehensive should be none now to prevent the debt cum poverty war. This has been indicated in 984 when Bolivia suspended the payment of both the principal and the interest on her external loan. Nicaragua followed in June 1985 when she decided to make only selective payment. Peru, in July 1985, Limited here debt service to 10 per cent of her exports earning. Nigeria, in January, 1986, decided to allocate on 20 percent of her exports. Earnings to debt servicing. These attitude continue unchanged.

The debt rescheduling strategy, though beautiful in theory, has a problem of providing only a temporary breathing space by postponing the debt payment to a future date which could even be more devastating, indeed it is an elongation of an unwanted marriage.

2.7.3 FOREIGN EXCHANGE

The second - Tier Foreign exchange market (SFEM) starts operational on September 29, 1986. This was in an effort to address the issue of the value of the Naira to find its realistic value. The market (SFEM) replaced the exchange control system - which

reached a level of various abuses including: under invoicing of exports, over-invoicing of imports, capital flight and diversion of official foreign exchange to parallel market, a practice termed, "Pound tripping".

The evolution of the foreign exchange market in Nigeria up to its present state was influenced by a number of factors which include the charging pattern of International trade, Institutional changes in the economy and structural shift in production. The exchange control system was unable to evolve an appropriate mechanism for foreign exchange allocation in consonance with the goals of internal balance.

On it inception and first operational proceedings the exchange rate (officially fixed at N1.50 to a dollar on September, 28, 1986, fall to N4.1406 to a dollar). To curtail the down swing of the Naira the first tier and second - tier exchange rates were merged at N3,7375 to a dollar in January, 1989 while foreign exchange market (FEM) was again introduced to replaced SFEM. Later on, inorder to improve the standard of operation of the FEM, on April , 2, 1987 the Dutch action pricing system was introduced and adopted. The Inter-Bank foreign exchange market (IFEM) was adopted in 1989. This innovation changed the bidding to a daily affair from the previous method of once a week or forth nightly bidding.

For reduction of wide divergence between rates in the various market and eliminated the need for foreign exchange abuses, a more deregulate market based system was introduced on march 5, 1992. Under this system CBN became a more active participant, buying and selling as occasion demanded. Bureaux de change was introduced in 1989 into the foreign exchange market, so as to increase the scope of the market and accord access to small users of foreign exchange thereby reducing speculative tendencies.

More reforms were then introduced in the foreign exchange market in 1994. These included the formal pegging of the Naira exchange rate, the centralization of foreign exchange in the CBN, the restriction of Bureaux de change to buy foreign exchange as agent of CBN, the re-affirmation of the illegality of the parallel market and the discontinuation of the open accounts and bills for collection as means of payment for exports except on specific approval for the manufacturing and Agricultural sectors.

TABLE 2.2 NIARA EXCHANGE RATE IN THE FOREIGN EXCHANG MARKET (FEM)

YEAR	U.S. DOLLAR	POUND STERLING	DEUTSCHE MARKET	FRENCH FRANCE
1982	0.6702	-	-	-
1983	0.7486	-	-	-
1984	0.8085	-	-	-
1985	0.9996	-	-	-
1986	3.3166	4.744	1.6464	0.4983
1987	4.1916	7.6005	2.5438	0.7512
1988	5.3530	9.8495	3.0387	0.8908
1989	7.6500	12.4542	4.5681	1.3357
1990	9.0001	17.9642	5.9250	1.7245
1991	9.7545	16.8940	5.8042	1.7073
1992		30.8185	12.3654	3.6324
1993		33.3561	12.9426	3.5829

SOURCE: AKINTAYO FASIPE NIGERIA'S EXTERNAL DEBT

The Above table shows clearly the general movement of exchange rates of the Naira to some selected currencies of other countries from 1982.

The principal benefits that could be derived from the operation of FEM in Nigeria could includes: increase in government revenue, reduction in the taste for imported goods repatriation of some of the flight capital diversification of the country's exports base

elimination of delays in processing import licence and foreign exchange application and to CAP it all it has improved the nations' external payment arrangements. But, on major sources of concern of this system is the continuous rising prices of goods ass a result of increase in the cost of commodity production. A single demerit that is making a poor man on the street to cry "foul" against the structural adjustment programme (SAP)

2.7.4 PRIVATIZATION AND COMMERCIALIZATION

As a systematic endeavour, privatization and commercialization was well thought to be one of the rich ways that could bring smiles to the faces of Nigeria government and people. By privatization and commercialization it is hope that it will reduce Nigeria's foreign debt. The process involve the transfer of government assets or functions to the private sectors. The complete and revolving intention of this strategy, is to sell government owned asset to private buyers by removing government entirely from any involvement in the activity. Privatization preaches against the economic policy of nationalization, where the government play an prominent role in directing, owning and managing a large elements of the economy today, there is the general realization in many parts of the world that private entrepreneur can manage industries; services and agencies more effectively and efficiently and at a lower cost to the public than the government./ Adam Smith advocated for this when he stated that "privatization is a means of eliminating waste and maximising the value of assets, this is necessary because people are more prodigal with the wealth of others than their own"

One hundred and ten (110) companies were listed in Nigeria for either full privatization or partial commercialization under Decree 25 of 1988. The objectives of the privatization and commercialization programme in Nigeria are:

- To restructure and rationalize the public sector in order to reduce the dominance of unproductive investment in that sector
- To re orient the enterprises for privatization and commercialization towards a new hemisphere of performance improvement, viability and over all effectiveness and efficiency.
- To ensure positive returns on public sector involvement in commercialised enterprises.
- To check the present dependence on the treasury for funding by otherwise commercially oriented parastatals and so, encourage their approach to the Nigeria capital market.
- To initiate the gradual cession to the private sector such public enterprises which by their nature and type can best be performed by the private sector.

The above objectives are to be carried out under the technical committee - on privatization and commercialization (TCPC), the fundamental changes that has occurred in the Nigerian privatization and commercialization exercise is the total transformation of TCPC into a parastatals to be known as Bureau of Public Enterprises (BPE) by Decree 78 of 1993. As at the end of 1993 a total of 55 public enterprises, including nine Banks, had been privatized mainly through public offering on the Nigerian stock exchange (NSE).

So far, the distribution of the shares between various buyers have been some how fair, Thus the need to improve the system of allotment of shares is highly essential.

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TABLE 2.3 TCPC ALLOTMENT SHARES (PERSENTAGES)

	Flour Mills	**A.P**	**National Oil**
Public	86.05	76.96	77.62
State investment			
Agents	7.50	15.00	11.40
Co-operative	1.45	4.10	2.98
Workers	5.00	2.00	5.00
Others	-	1.94	3.00

SOURCE: AKINTAYO PASIBE, NIGERIA EXTERNAL DEBT

The table above shows the percentage distribution of these share among the various sectors of the economy.

From the table above therefore, the major area that needs some further classification and amendment is the shares allotted to the public. It is portable that, the high income earners are the only beneficiaries of this exercise.

By and large therefore, Nigeria is not the only third world nation that has adopted privatization and commercialization of slumbering organization as a policy of alleviating external debt problem our concern here is very much with the progress so far made interms of political and economic development, so far very minimal signal has been indicated towards any meaningful developmental pursue, if at all any.

Countries like Togo, Kenya, Sudan Since, Korea, Malaysia, Bangladesh, Turkey and China has also use the privatization and commercialization strategy to alleviate their debt crisis; Even developed nations like Britain, Japan and United State of America

(U.S.A) at one time or another adopted privatization and commercialization to enhance the performance of their industries and arrest budge deficits.

ECONOMIC DEVELOPMENT IN THIRD WORLD COUNTRIES VIS A VIS ITS RELATION WITH CAPITALIST WORLD ECONOMY

In the precolonial period, Africans have a system whereby he most senior elder, in the extended family made it possible for every member of the family get a piece of land to farm, this with a view that no body would go hungry for this initiation therefore, traditional African subsistence economies were able to provide sufficient diet for the African Communities. And to the best of my knowledge their is no historical evidence to show that any part of African Society suffered a chronic level of famine and unemployment at least in the past.

However, coming into relationship that metamorphous into marriage with colonial masters, the situation indeed regrettably drastically change this is rather dramatic. Both the British and the French used what essentially indirect method of getting Africans to work for Europeans the means by which they succeeded in doing this was by imposition of tax on peasants and tax had to be paid in European monies what this exactly means was for the peasant to work for the Europeans, since they (Europeans) had the money acceptable to pay the peasant, for this reason therefore, the peasants had to leave their home sometime to numerous kilometres only to get a paid job for the Europeans which invariably will be used to pay tax.

At this point therefore, the incursion of European into Africa has destroyed the African mode of production and introduce the capitalist mode of production which indeed

is aimed at the creation and establishment of the exploitative class who will do every thing within their resources to explore and exploit other for their selfish interest.

Development at whichever, level is when the standard of living of the citizenry has drastically improved, here I mean the material condition under which the third world people live, we can use gross national product (GNP) to measure standard of living. GNP therefore, refers to the value to the final consumer of all goods and services consumed in a particular country in a given year.

The social infrastructure, health, roads, hospital when improved, technological advancement when explore and harnessed, educating the citizenry all these are ingredient of development, unfortunately therefore, right from the time the people of the third world have something fundamental to do with the capitalist world development is now a mirage. I believe if there is any thing, the capitalist world for the third world countries was to plunge them into borrowing which they succeeded and made them to perpetually remain under their bondage, and not to progress to achieve any meaningful economic and political development in this capacity since, the loan/aid given to them could not be paid talkless of thinking of any developmental pursue. And even if they do the stringent conditionalities attached to the loan are a complete hindrance to development.

2.9 SUMMARY OF THE CHAPTER

This chapter has indeed considered a variety of relevant issues to review the literature. Third World indebtedness is a critical issue and indeed very important not just because it direct linkage to global economy (financial system), but of course it is relevant within the political and social circles. A greet numbers of submission (publications),

have been made on this fundamental topical issue yet the menance of the indebtedness perpetuate.

Third world debt crisis was essentially built up from two cogent reasons the first one is the principle of comparative advantage in national production. The second reason is the excess liquidity in the developed countries that resulted from the first and second oil price shocks. External finance deficit and domestic investment shortages. External finance can take the form of financial, managerial technical or technological prices borrowing.

Nigeria was essentially under borrowed until ofcourse the 70's when it made the blunder in its first and second jumbo borrowing. Ever since then its debt shock has been on the increase. In an attempt to manage the debt crisis, there informs a series of conflict between the domestic forces and external forces each prescribing a debt management strategy that satisfies its own selfish interests. More often than not, the external forces have an advantage over the domestic forces. Series of enigmatic issues do arise in treating external third world debt, the first is determine the exact amount they owed. The second is selecting the appropriate mode of the adjustment programme and in solving the debt crisis.

Since the disturbing debt crisis worsened, Government has made fervent and cogent effort to lighten the debt burden through various means including the debt conversion programmes, debt rescheduling, foreign exchange market and privatilizaton and commercialization of hitherto government enterprises. The first two options mentioned here do not offer permanent solutions.

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 INTRODUCTION

A research dissertation of this magnitude is Ofcourse a tactful and cogent effort of trying to arrive at dependable solution to problems through carefully planned and systematic collection, analysis and interpretation of data. For this reason therefore, methodology used in trying to arrive at conclusion and recommendations must not only be scientifically enough, must be acceptable.

Research of this dimension is of emense significance, since it involves a tool by which knowledge is appreciated, and a claimed, and advantage, progress promoted effective and efficient relationship of man with his dear environment enabled and from the pedal through which purposes and conflict of interest of man are resolved.

In consonance with this therefore, study an external debt crisis in third world nations is centred towards the discovery of the relationship that exist between the creditor nations and the debtor nations in world economy. On this planes allowing common sence to over-rule our fundamental reasoning on this critical and very important issue of debt in third world, a thorough comprehensive and dynamic research has therefore been initiated to compare the objective of the external finanincing and if actual intentions and indeed accomplishment in third world nations.

RESEARCH METHOD

A combination of both the primary and secondary cources of data collection were employed here. The primary method used in collecting data included, interview and observation.

1. PERNAL INTERVIEW: This was face to face discussion with some top executive of the CBN of Nigeria, the Union Bank, First Bank, Inter-city Bank.
2. OBSERVATIONS Careful observation is the roots of a good number of knowledge seeking. Thus observation in this light refers to complete range of monitoring behaviours and non behavioural activities and conditions the change in the pattern of consumption in Nigeria, brought about by some structural programmes as debt management strategy is a behavioural condition, while non behavioural condition could be observed from the physical process analysis of debt indicators'
3. THE SECONDARY SOURCE: Of data collection came essentially from reports of various institutions, individual, scholars and interested economic analysts. It must be admitted here that, substantial secondary source of data collection was indeed used in consonance with the nature and dimension of this research topic.

3.3 JUSTIFICATION OF RESEARCH METHOD USED

Personal interviewing is the most useful and effective method of collecting data in social and economic surveys. It is similar in character and purpose as the questionnaire. But, the fact is that, interview permits rephrasing on misunderstood questions or inadequate responses, generally promotes interview by validity for more than questionnaire.

Again, the presence of interviewer could enhance much authenticity in the responses; especially when the interviewer exhibits a great deal of competence in guiding against possible biases on the part of the interview.

Basically speaking, the preference of interview to other survey techniques is generally a matter of weighing if merits against these questionnaire or other techniques. The specific advantages are:

(i) The apparent reluctance of the respondent can be easily noticed by the researcher.

(ii) Detail information is obtainable and problem associated with non return in questionnaire is checked. The rapport between the researcher and

(iii) the respondents increase the validity of the research work.

(iv) Misinterpretation of question are instantly corrected while ambiguous words clarified.

To replenish the possibility of flows in the interviewing process, the researcher has taken a great deal of time in observing the complete and general behaviours of the people, and citizens of Nigeria towards structural adjustment programmes informed to alleviate the suffering inflicted by debt burden.

Finally, the authenticated reports from various lending and borrowing organisations were collected and used, over whelmingly, to add necessary ingredient to the validity of arguments provided in this research work.

3.4 CONCLUSION

It's understood that, for a fundamental research work to be valid it must therefore developed via a systematic process of data collection, analysis and interpretation. In this study therefore, the primary source of data collection used through personal interview with Banks and organisation both in public and private sector as well as through observation in the general attitude of members of debtor nations. Particularly Nigeria

where consumption pattern has been narrowed due to austerity measures (programme) aimed at alleviating the menace of debt burden. Secondary source of data collection was also used, infact overwhelmingly used, through various reports to provide authentic ground for this fundamental study.

CHAPTER FOUR

4.0 DATA PRESENTATION AND ANALYSIS

The fundamental legacy of the debt crisis in the third world nations and their economies has indeed been the over increasing debt burden amounting to a big constraint that hinders growth and meaningful developmental pursuing.

Ofcourse the third world countries contracted loans they were not optionally deployed and manage with the result that the returns on investment have not been adequately met with the maturing obligations and leave a balance to augment domestic economic growth and sustainable development.

For this reasons therefore the crisis of poor economic performance and ( )t over stayed in third world countries which is worthy of continuous discussion through out the world this with a view to find the appropriate and ofcourse lasting solution to the fundamental menace.

This chapter reviews the sources of debt to developing countries. Nigeria a case in point, trends in its external debt stock and structures as well as its debt burden measured by the conventional debt ratios. It again undertakes a study on the cause s of the increased debt burden to the third world nation with, Nigeria a case in point.

4.2 SOURCE OF NIGERIA'S EXTERNAL DEBT

Looking at the table 4.1 it can therefore be seen that the major sources of Nigeria's external debt could broadly be identified into four (4) groups and they are as follows:

(a) Multilateral Institution such as the world bank group comprising of IBRD, IFC, IDA, and MIGA, African Development Bank (ADB).

(b) Bilateral sources made up of the United Kingdom, the EEC countries, the United States of America, the East European countries and Japan.

(c) International capital market and

(d) Contractor finance. Suppliers credits and deferred payment.

Foreign loan essentially represents the outflow of funds from the lending countries to the borrowing countries and endeavour lend negative impact and negative consequences on the balance of payment of such countries. Lenders therefore, stipulate very disturbing conditions that comes with it, such as the loan must be tied to the procurement of particular goods and services provided by the lending countries as well as tied to specific projects which form parts of the overall development plan which is always negative in conception and perceptive.

Multilateral loans, especially from the overseas Development Association (ODA) are not project specific, but tied to purchase of goods and services from donor countries, examples being the United Kingdom and the EEC countries.

Aid tying poses fundamental and enigmatic problems and very devastating consequences for the receipient countries. It can be demonstrated thus: Nigeria received $549 million from the world bank and from four other countries, the U.S., the United Kingdom, the Netherlands and Italy, for Niger Dam Project in the early 1960s. The World Bank tied its loan to the offshore cost of the Niger Dam Project only, the other tied their loans both as to project and procurement. Although, there is source international standardizationn of equipment and machinery, significant discrepancies in engineering specification do exist. The value of aid is reduced when it is find to procurement because the recipient cannot buy its imports from the cheapest market. According to Little

"Sometimes, the prices which the recipient have to pay for imports are magnified by the fact that aid-tying may introduced a strong monopoly element..... Even where the recipient are not exploited, the consciousness of having to pay more than world price is not good for loan relations"

TABLE 4.1 NIGERIA'S EXTERNAL DEBT OUTSTANDING 9END OF PERIOD

1982 - 1993 (=N= MILLION)

CATEGORY	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
SOURCES:												
1) PLATERIAL	163.2	179.3	851.3	365.1	1,159	2,467.6	3,866.9					

Another element in relation to the sources of Nigeria's external debt is the maturity structure of the loans contracted. Nigeria's debt profile has perhaps radically been transformed by the size of short term loans in form of trade credits and borrowing in the international capital markets whereas in 1970, short term credit accounted for 12.2 percent of total debt 15 years later, this proportion had trippled. Borrowing from multilateral bodies and international institution was replaced by commercial lending to fund transitional requirements such as working capital, temporary balance of payment shortfalls and budget deficit. For example, of the total Nigerian loan outstanding at the end of March, 1988, the sources of the loan was as follows:

(a) Bilateral = $1.8 billion

(b) ICM (Federal) = $14.2 billion

(c) ICM (State) = $3.9 billion

(d) World Bank = $5.5 billion

(disbursed and

outstanding)

Total = $28.4 billion

Breaking the loans into term structure of maturity shows the following situation

(i) Medium term = $13.0

(ii) Short term = $9.4

(iii) Long term = $5.0

Total = = $28.4

The intention of the Government was to use external borrowing to cushion its devastating deficit, reliance on medium term loan has only enable the bunding of debt servicing and has glaringly failed to achieve the objective so required.

Table 4.2 compares the external debt servicing of $1,800 million which was indeed raised from three different sources in 1979.

The Euro- market, the IFC, the IBRD, with their different terms and conditions. While the world Bank loan would mature within a period of 15 or more years.

The Euro-market loans would mature between 5 - 7 years. The debt service burden of the world bank loan is spread over a long period than a Euro-market loan. Also, while the world Bank grace period ranges between two and five years, that of the Euro-market ranges between six months and 2 years. With an interest of 8.5% charged by the World Bank, total interest payment amounted $1,224 million, while that of IFC with an interest payment of 9.67 percent amounted to $597 million interest payment on the same loan, from Euro-market amounted to $723 million.

The attendant implication of this differences in interest payment is that, the servicing cost though higher was spread over a longer period in the case of IFC and IBRD loan than in the case of the Euro-market loan. This was to ensure that, the project would have been completed and fully operationalized in order to provide the interest charges and the principal payment.

TABLE 4.2 SCHEDULE OF SERVICING COST 43800 MILLION LOAN (4MILLION)

EURO - BANK

Rate of Interest	Libor 1 - 2%	9.67%	8.5%
Maturity Period	5-7 years	10 years	15 years
Grace period	6 months to 2 yrs.	2 years	4 years
Year 1979	61574	-	-
1980	167.321	17.40.6	-
1981	151.281	156.65	153.00
1982	123.092	139.35	142.80
1983	94.716	121.84	112.20
1984	66.441	104.44	102.00
1985	38.368	871.03	112.20
1986	18.740	69.62	91.80
1989	140	62.27	81.60
1988	-	34.81	71.40
1989	-	17.41	61.20
1990	-	-	51.06
1991	-	-	40.80
1992	-	-	30.66
1993	-	-	
1994	-	-	20.40
1995	-	-	10.20

1996	-	-	1,224.00
Total Services Cost	22.997	957.33	1,224.00

+Libor estimate at 8.5 percent in 1970.

Given the variability of the London inter Bank after Rate (LIBOR) interest charge on Euro-market loans are not fixed. The implication is that the cost of servicing the loan and therefore, the impact of the balance of payment can not be ascertained. For World Bank loans, however, servicing cost are known through the life span of a loan agreement with Euro-market loan, as the interest rate rises, the banking cost rises also, thereby aggravating the debt servicing problem.

For this reason therefore, one of the fundamental constraints leading to the external debt disorder to perhaps the decision to borrow from the ICM of the Euro-market precisely because, loans from this particular sources are either medium term or short term loans which create the impression of providing financing when actually they are creating an obligation to pay when the project would likely be short of funds.

4.3 USE OF EXTERNAL LOANS

Succinctly, the basic use of external loans, incurred by Nigeria can be traced to some need arises from project. These projects can thus be classified into four fundamental groups:

(1) Purely military projects for which there is no public accountability

(2) Parastatals and corporations including River Basin Development Authority, with bad stories behind them.

(3) Purely commercial ventures which should ordinarily be handled by private investors.

KASHIM IBRAHI

(4) "Robber" project prompted for no commercial productive uses but merely for money making by siphoning funds abroad through over invoicing.

Most of the projects were actually known by almost every Nigeria since the mid 1960s and 1970s, unfortunately therefore uptill now many of them have not yet take off at all. Some of them have been abandoned midstream, some which have not been completed were sources of mismanagement fraud and ineffective and inefficiency have engulfed them all. Some of the project have no economic, financial utility basis for starting and establishing them.

The motive behind the purchase of Jarguar aircrafts, amoured vehicles on borrowed funds and obsolate jets by the Nigerian Airways have been issues of serious concern; since they are worthless.

The borrowing of $947 billion for the National identity cards scheme in 1983 is another source of squandamania act of the Nigerian Government officials. In 1981 however, six consulting firms were mandated by the Federal Government to undertake a study of thirty one Federal Government owned parastatals. The six counselling firms are:

(i) Arthur Anderson and Company

(ii) Coopers and Lybrand Associates

(iii) Milestone Investment Services Limited

(iv) New Decade Consultant

(v) PAI Associate International

(vi) Paul Taiwo and Company.

The table below shows the operating profit and loss account of selected parastatals studies from 1977 - 1980 by the six consulting firms above.

TABLE 4.3 OPERATING PROFIT AND LOSS ACCOUNT OF SELECTED PARASTATALS (N MILLION)

PARASTATALS	1979 Capital employed	Profit/Loss	1078 Capital employed	Profit / Loss	1979 Capital employed	Profit / Loss	1980 Capital employed
1. National corporation of Nigeria	2.0	6.1	5.9	1.6	10.0	4.5	N/A
2. West African Distillers Limited	2.6	1.0	3.1	1.5	3.9	2.3	5.2
3. Nigerian Railway Corporations	166.7	-239.6	-273.1	-273.2	N/A	N/A	N/A
4. National Shipping Lines	42.5	41.9	41.5	-19.5	1103	14.9	N/A
5. Chad Basin Dev. Authority	72.9	3.3	140.9	-5.5	187.8	12.4	307.8
6. Federal Mortage Bank	96.8	-6.1	1414.1	-2.3	138.7	2.3	N/A
7. Nigerian Airport Authority	N/A	N/A	N/A	0.8	891.8	12.4	99.9
8. Nigerian Mining Corporation	45.5	0.5	57.9	0.4	504.0	0.7	155.0
9. Nigerian Port Authority	N/A	N/A	424.0	40.9	32.2	54.7	676.2
10. Nigerian External Telecommunication	N/A	N/A	55.0	12.6	63.6	8.6	84.8
11. New Nigerian News Papers Limited	N/A	N/A	9.7	0.7	11.1	9.2	17.7
12. National electric power authority	N/A	N/A	988.5	18.9	27.6	1151.4	73.0
13. Nigerian National Petroleum Corporation	N/A	N/A	N/A	N/A	N/A		

*NA: Not Available

SOURCE; Nigeria's External debt burden.

The stories of the consulting firms are series of serious concern. The general conclusion enormous resources have been earmarked and sunk into these parastatals over the years but, they have not yielded any meaningful dividend. Even those that have generated must income to the nation, they have not shown any profit optimisation some do not just operate at any credible level of cost effectiveness and economic efficiency. It is very much clear that from the above analysis some of the projects for which foreign borrowing as necessitated are by design capable of generating most revenue to service loans and even, remain, but that has not been achieved.

However, our primary concern is that why this loans, must it be gotten to undertake a project that is not profitable? Our maintenance and sustainable culture seems to lack all facets of financial, human, technical and support management which is money effective, men and material conscious.

Perhaps the issue will be clear if I undertake to briefly explain some of the collapsing projects and the application of foreign loan to them.

In NIGERI STATE: The project water supply which an external loan of $141 million was procured and contracted ended up n public enquiry when it was realized that, the loan was embezzled via corrupt practices abuse of public office and misappropriation and squandamania attitudes of the government official. Another loan of $45 million had to be contracted from the African Development Bank and this also have its way to the same destiny of the first ones. What is more than moral bankruptcy and its attendant consequences?.

NITEL'S $60 MILLION DEBT: The 27 International Organization gave NITEL an initial sum of loan of $10million in 1979 which started accumulating until it reached $37.5 million in 1989 and peaked at $60 million in June, 1990.

But the technical committee on privatisation and commercialization allowed it to commercialise its services by raising its tariff by more than 100 percent.

It gallantly refuse to pay its debt instead a fleet of buses including 2 Jets were bought with the money that is purpose to offset the debt burden, this with a view to improve its services. That is yet to be evident.

SAVANAH SUGAR FACTORY: The Savanah Sugar Factory Palaver is no different in the way foreign loan was contracted and was not properly utilized. In 1975, it was started by the common wealth Development Corporation. Since 1975 when the federal government took over, not less than $1 billion was borrowed. A lot of funds was spent on it, but still produces below capacity.

ANAMBRA STATE GOVERNMENT borrowed the sum of $8 million from Samuel Montagh Merchant Bank through a Nigerian Company called Cross Oceans with a view to establish a carpet factory. The loan was drawn completely, but nothing tangible has been done with the loan.

ONDO STATE GOVERNMENT also took an external loan for the Oluwa Glass Industry. This project was conceived to be Technically viable and indeed financially profitable without even requiring the external financing.

There are other projects that was worthy of contracting external loan, such as teaching Hospitals, NEPA, and Federal Ministry of Aviation therefore the sum of N2 million was got, must of what is expected in this sensitive institution are not there to be seen, either abandoned or callously damaged.

Some of these project were ill-conceived and terribly managed, are often spurred by overseas contractors, backed, protected and encouraged by their governments via multinational corporation, with export cover facilities. Despite the fact that the projects were unprofitable they continue to execute the damage to us with zeal and favour as long as their contract fees and loan terms are inorder.

Indeed the consequences of these misused of resources are that, interest payments are capitalized and both capital and interest arrears are rescheduled.

The investments profile analysis of the projects in question will be shown in table 4.4. below in relation to the maturity profile of the debt for which case they were contracted will shown that an average life of investment being far shorter than the average maturity of the loans utilized. Again, it is glaringly evident that the average rates of interest on the foreign debt for these projects are much greater than the average rates of return on the investment which further compounds the servicing and repayment capacity. Or of what we are these lifts spanning big town and cities all over the country, that have never function since they were commissioned, adversely, the country committed external loans on this gigantic and unviable projects, a lot need to be desired.

SECTOR/PROJECT TITLE	INTERNAL RATE OF RETURNS PERCENT	NET ERCENT VALUE INCOREMCTAL COST	(=N=)
PULP AND PAPER:			
Nigerian News Print. Calabar	12.5	At 0%	222.7
Nigerian paper mill, Jebba	10.0	At 15%	4.7
Iwopin paper mill	4.4		
SUGAR:		N.A	NA
Savanah Sugar Company	Negative	At 0%	NA
STELL AND MINES:			114.5
Ajoakuta	Negative	At 15%	
Delta	Negative	At 15%	NA
			6

SOURCES: Samuel Bandele Falegan, Nigerian External Debt Burden.

Dimension of Nigeria's external debt.

Table 4.5,4.6 and 4.7 has revealed the trend in Nigeria's external debt. external debt serverce payment and ebt servicing capital ratios from 1983-1993. Nigeria's external debt stock as seen in table 4.5a has witnessed tremendous changes both in Quentin and in structure between the period under review. In complete terms, total

$7,705 million in 1983 through $25,514 million in External debt outstanding

1996, $33,264 million in 1991 back to $28,718.2 million in 1993. Thus between 1993 and 1994, the external debt increased by $10.953.2 million representing an annual growth rate of 6.2 percent.

Relatively, complete changes have not been extensively less, Available data before me showed that, though the ratio of debt outstanding to gross domestic profit (GDP) was only 20.5 percent in 1983, it increase to 62.3 percent in 1987, rising further to 250.1 percent in 1991. This principal means that, interest payment apart, Nigeria would require more than her three years GDP to pay off her fundamental debt obligation. This position is no less alarming when the debt export ration is used. At 148.9 percent in 1983, the debt/export ration reached a peak of 148.3 percent in 1988, declining to 241.5 percent in 1991 and 225.0 percent in 1993.

The gallant increase in stock is a total relocation of increase in loans from the international capital market (ICM) as well as the multilateral and bilateral institutions. The accumulations of trade areas default charges on overdue scheduled payments capitalization of unpaid interest and the depreciation of the U.S dollar against major International Currencies in which the loans were contracted.

TABLE 4.5a EXTERNAL PUBLIC DEBT OUTSTANDING (US $ MILLION)

Holderr year	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
Multilat ral	844	1097	1317	1887	2985	2838	3171	2842	3650	4578	181605
Paris Club	5390	5811	7833	10228	14400	15871	17171	17171	17793	3120	20558
London Club	6263	4996	3560	6088	5860	5680		5061	5988	3246	31599
Promis oryNote	3702	4125	4225	4498	4850	4810	4553	4550	4479	3246	16473
Others	1562	1318	1393	2873	2685	2311	231	2675	1454	12262	287182
Total	17765	17397	18904	25574	28316	31586	31586	33099	33384	275441	

SOURCE:CBN Final Report and Statement of Account for the year.

Ended 31st December. 1993 Volume two

TABLE 4.5b EXTERNAL PUBLIC DEBT OUTSTANDING (US $ MILLION)

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
Holdet s Year	5.0	6.3	7.0	7.4	10.0	9.2	10.0	11.6	10.9	16.4	12.9
Multila tral	3155	28.8	18.8	23.8	18.0	19.4	18.0	17.7	17.7	7.7	7.2
Londo n Club	30.3	33.5	4.4	40.2	50.2	46.9	50.2	51.9	53.3	59.7	63.2
Paris Club		23.7	22.4	18.0	14.4	15.7	14.4	13.8	13.4	11.8	1.0
Promis ary Note	20.8	70.7	10.4	1.2	7.4	8.8	7.4	8.0	4.5	4.4	5.7
Others	8.4										
Total	100	100	100	100	100	100	100	100	100	100	100

Table 4.5a demonstrated that, Nigeria's external debt has indeed experienced some changes interms of the structure and composition of the debt stock of the total debt outstanding in the year 1982 - obligations to the Paris Club of creditors amounted to $5,390 million or 30-3 percent, while $6,262 million (35.3%) and $884 million (5%) and $1,526 million (8.6%) were owed to the London Club of Creditors, multinational institution and others respectively. Trade arrears for which promisory notes were issued from November, 1984 is accumulated to $3,702 millions or 20.8%. By the end of 1985, the eve of our first rescheduling exercise with the Paris Club, the Paris Club's relative share in total debt outstanding had increase to 41.4 percent while the London Club's share had declined to 18.8 percent due to he cash payment on the unfinanced trade arrears. It is worthy to note here that Paris' Club's relative share has been on the increase, accounting for 53.3 percent at the end of 1991 and 63.2 percent in 1993.

At this point, the total debt service payment amounted to $1,954 million in1983 rising to $3,359 million in 1984. It increased to $4,029 million in 1985 but declined to $1,860 million in1986.

However, not only had debt servicing been increasing since 1987, interest payment as a proportion of total, witnessed substantial increase between 1985. Table 4.7 shows this clearly. The debt service ratio increased from 16.6 percent in 1983 to 25.9 percent in 1984, declining to 19.3 percent in 1987, it however increase to 29.8 percent in 1991 and to 20.1 percent in 1992.

The external debt service payment to external reserves ration which was as high as 190.6 percent in 1983, reached a peak of 286.1 percent in 1988 but decline to 88.3 percent in 1990. It however, increased to 336.2 percent in 1992. Debt service payment as a proportion of Federal Government retained revenue increased from 23.9 percent in 1983 to 40.5 percent in 1986, but since then maintained an upward trend, reaching 109.6 percent in 1991 and in 1993, it was 84.3 percent.

The skyrocketing increase in the debt service payment in 1990s is largely due to the fact that, two Paris Club agreements ran concurrently between May and December,

1990, thereby requiring substantial payment to service them. Table 4.7 shows the severity of Nigeria's debt Gross as a fateful devastated by the governments in certain debt ratios.

SUMMARY OF THE CHAPTER

This chapter has actually stated the various sources of external debt Nigeria comprising of four major sources over the years. Nigeria has intensified borrowing from the international capital market which has numerous contagious interest rate and short term maturity period which ran counter with multilateral and bilateral institutions which charged fixed interest rates for medium and long term borrowing. This blunder was partly responsible for debt funding and payment default.

The chapter has again undertook a critical appraisal of the application of these loans and the viability of the various projects embarked upon.

It's not discovery that, all the debt contracted were embezzled, siphon via corrupt practices as such the project were left starved financially, as a result of this fundamental problem of high magnitude concern, inefficiency, ineffectiveness, mal-administration coupled with lack of maintenance culture has rendered the project enviably devastating.

Finally, the chapter has fully demonstrated various economic indications in consonance with external debt and it was discussed that there was an appreciable upward trend in debt ratios.

CHAPTER FIVE

5.0 SUMMARY OF FINDINGS, CONCLUSION, AND RECOMMENDATION

This Research endeavour has discussed the third world's debt problem since the 1970's the ever magnifying debt burden which retards economic and political development instead using Nigeria as a case in point, Nigeria has been one of growing debt stock until recently.

The dimension of external debt stock of Nigeria and indeed, that of other third world countries maintained a viable upward trend between the 1980 and 1992, precisely in the periods 1982 - 1987. The disturbing growth in the debt stock of Nigeria has been appreciably accompanied but an equally enormous increase in debt service payment and indeed reduction in debt service capacity.

All the conventional debt service rations used for evaluating the seriousness of a country's debt condition has shown that, a high and unsustainable debt burden in Nigeria since 1983. One of the fundamental causes of growing debt burden in third world countries as shown in Nigeria's case, were the persistence of external stocks volatility of interest and exchange rates, the incidence of reverse transfer of resources from the indebted countries to the creditors nations and poor economic management which has prevented sufficient growth of incomes.

Third World countries, Nigeria inclusive has 'married' terrible, strenuous and stringent economic policies of the Western capitalist world that hinders political and economic growth, and meaningful and purposeful development. This situation has led not only to stagnation and retrogressiveness, but fundamental loss of confidence in Thirds World countries by international community since, the third world economies has no

capacity to service its obligations and secruningly always stretch hands to beg for an unending renegotiating for debt relief and rescheduling.

This study has also discovered that, the systematic shift to borrow from international capital markets has also brought in its trail, uncontrolled borrowings. Loans are always contracted with sadistic and stringent terms and conditions, and unfortunately and disturbingly some of this loan were always contracted for non-viable projects, while others were contracted for no end use inview but merely to siphon funds out of the country. No economic, financial or utility basis for contracting such loans. Where parastatals were involved, they do not operate at any credible and appreciable level of cost effectiveness and economic efficiency and were characterised by mismanagement and fraud. Most of them were operated at low or negative rates of return and high operating cost. The result of all these technical problems was the inherited debt and debt service crisis we are now expediency.

CONCLUSION

The unnegotiable conclusion of this important and timely research work could be looking for a more viable strategy for reducing the third world debt burden which should be a radical prescription for economic management in these countries. The disturbing and fundamental level of debt burden will obviously have to be considered as one of the terrible enigmatic force that retards economic transformation.

A radical shift in economic management is about the only solution to these problem, and it does not mean the use of strategy that have never been applied elsewhere and yielded dividends what it means are to redefine credible goals, and the means of attaining them. This must call for substantial social, political and economic

transformation. If it is agreed that, the third world must develop and define its own unique economic philosophy it then should be done with credibility it deserves.

However, it would be a woeful consideration third world can stand on its own without relating (positive) in isolation with an increasingly interdependent and competitive world economy.

There is the need to build the third world into that development strategy that links it with the world economy.

Finally, it should be noted that the third world debt crisis perpetually worsen inspite of the debtor countries adjustment programme; if commodity prices continue to fall, if oil prices do not recover substantially, if effective interest rate should rise sharply, if access of developing countries to industrial countries markets continue to be constrained by protectionism, if exchange rate continue to be volatile, or if growth in the industrial nation should continue to be weak. The rapidly deteriorating economic situation and the excruciating debt overhang in third world, deserve special and urgent attention in recognition of the growing interdependence between our economies and the world economy.

5.3 RECOMMENDATION

To find ever lasting solution to the global problem of third world debt crisis, recommendation in this research work are made putting cognisance the complexity and volatility of the world macroeconomics environment, in which complex and dynamic economic consideration such as the erratic movement of interest rtes, the world commodity market and the uncertainty of the world oil market, are reinforced by the lack

of political will in an environment of world tension emanating from unresolved squabble, tensions and conflicts in the middle East. Asia, Latin America and Africa.

For any recommendation to the third world debt crisis to stand the test of time, it must recognise the following fundamental facts:

(a) Debt crisis disturbing the third world countries varies from country to country in view of its difference in cultural background, populations etc., in consonance with this fact, solution cannot be uniformly adopted. At this point therefore, each country, my submission is that most tackle it debt's problem within the context of its economic environment and cultural circumstances,

(b) Sequence to the stability of the international capital system.

(c) Sequence for the survival of the individual creditors bank, and

(d) Continued growth and development of the debtor countries within the context of their solvency and liquidity.

For Nigeria, to be specific since it is one reference point, I believe to return to our indigenous cultural exhilaration will be a basis for our economic and political development.

The following recommendation may indeed be of assistance in the pursuance of debt relief programmes in Nigeria in particular and third world countries in general.

A fundamental institutional frame work for foreign borrowing and debt management to indeed specialises in souring of foreign loans, negotiations for external financing, uses to which foreign loans are to be put and procurement of goods and services from the cheapest sources among many.

The institutional frame work to handle Nigeria's external financial requirement should be ensure that project recommended for external financing are viable and could overtime sustain itself and financing.

A reappraisal of the external financing needs of a nation or a regular basis consistent with its development strategy is an absolute necessity for proper debt management.

For effective and efficient planning, foreign exchange projection and calculation, it is imperative to integrate debt management into the overall micro-economic policy frame work of the country, to avoid a situation of foreign exchange scarcity that will hamper the countries ability to service its external financial obligations.

Market forces of demand and supply should of course continuously be allowed to determine the cost of production and the prices at which they should be sold in order to ensure an effective allocation of resources.

The devastating experience of the last couple of years in economic issues problems and management, largely increased by debt crisis should tech as a lesson to avoid contracting loans that are not worthwhile ventures leading to growth and economic development.

An external loan for investment projects whose yield at a the margin lower than the marginal cost of borrowing or projects whose completion's for the far future when payment sports immediately compound debt burden.

Finally, third world countries should now design project that has technical feasibility and financial profitability and financial profitability thereby the government of these countries could be taken serious within the international financial system.

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