Article

Nigeria's Unending Debt Burden, Underdevelopment, and the Paradox of Resource Abundance

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OMEMMA, D.A.
Department of Political Science,
Caritas University, Amorji-Nike Enugu.

Abstract

Notwithstanding exiting its debt to the international creditors in 2006 and raising the expectation that it would channel its revenues to buoying up the economy, Nigeria instead walked back to debt burden which has continued to be on a steady upward trend. Yet within the interval of obtaining the debt relief, the country had witnessed a windfall in crude oil sales but with virtually depleted foreign reserves. Consequently, the country is being plagued by economic recession and underdevelopment. This study is, therefore, prompted to interrogate this paradox of mounting debt burden and underdevelopment amidst resource abundance in Nigeria. Both empirical and descriptive methods were employed in analyzing the data which were mainly generated from secondary sources such as books, journals, official reports, etc while the study relied on the resource curse explanatory tool to draw up conclusion that the Nigeria's endless debt burden and underdevelopment is incidental to both the unfair trade and payment terms on the one hand, and the profligate utilization of the Nigerian resources by its leaders. On the strength of this, the study posited that the route to escaping Nigeria's resilient debt burden and its attendant underdevelopment is the diversification of the country's economy and prudent management of the national resources.

Keywords

Debt burden, Underdevelopment, Resource Curse, Mismanagement, Economic Diversification.

Introduction

Nigeria is one of the richly endowed countries in Africa. Yet it is increasingly marooned in the vortex of debt burden and underdevelopment. Sequel to exiting the debt owed its external creditors in 2006, the country witnessed a windfall in oil prices and was able to save $22 billion foreign reserve that accrued from excess crude (Abimboye, 2010:21). This heightened the expectation that Nigeria would eventually experience prosperity and join the league of the twenty most developed countries come the year 2020. Alas, this dream was soon crashed by the rising spate of gloomy economic realities amidst an unprecedented oil boom that hovered between $70 per barrel and $90 per barrel. As a result, the country was once again pushed to subsequent resort to massive borrowings both locally and externally, which results in the current embarrassing debt profile of $64 billion comprising eight four per cent and sixteen

Corresponding Author:
Omemma, Dilichukwu, A. Department of Political Science, Caritas University, Amorji-Nike Enugu.
Email: diliomenma@yahoo.co

per cent of both local and foreign debts respectively. Specifically, the external debt stock stands at $11. 26 billion while the domestic debt status amounts to N1.87 trillion made up of Treasury Bills worth N2.9 trillion, Federal Government of Nigeria Bonds instrument worth N754 billion, and Treasury Bonds worth N230. 99 trillion (DM0, 2016). Expectedly, this disturbing trend is partly attributed to the drastic fall of the oil prices to the present abysmal rate of $35 per barrel and mainly blamed on the profligacy of the erstwhile Jonathan's administration which accounted for its failure to save for the rainy day. In any case, borrowing and by extension debt is neither an aberration nor peculiar to Nigeria as it is in fact, a legitimate part of everyday economic management, which most of the rich countries of the world today heavily relied on to attain their present enviable economic heights (Madavo, 2003:91). According to Ojo (1994:15), foreign loan does not constitute a burden when optimally used and the return on investment is enough to meet maturing obligations, while servicing of the domestic economy is not undermined.
This implies that Nigeria's soaring debt burden is largely a product of bankrupting utilization of contracted loans by inefficient and profligate public office holders which has largely been frustrating every effort mustered to tackle the debt crisis and the attendant underdevelopment in Nigeria. For instance, in the light of the crippling effect of debt crisis Nigeria has explored many options to redress the challenge. Prominent among this menu of approaches were the Baker Plan (1985), Brady Plan (1989), Lawson Plan (1987), The Venice Terms (1987), The Toronto Terms (1988), Canadian Plan (1989), Japan Plan (1989), French Plan (1989), West Germany (1989), UNCTAD Plan (1989), Poorest Nations Plan (1989), Jamaican Plan (1989), ADB Plan (1989), Economic Commission for Africa (ECA), Plan (1989), Nigeria Plan (1989), Okigbo Plan (1989), Houston Terms (1990), The Enhanced Toronto Terms (1991), Naples Terms (1994), including the IMF-dictated "home grown" economic reform programme encapsulated in the National Economic Empowerment and Development Strategy (NEEDS) et cetera. Yet Nigeria is unable to escape the debt resurgence of the debt burden and underdevelopment.

Despite this disturbing scenario, most analysts on Nigeria's debt and underdevelopment tend to ignore or gloss over the failure of the extant management plans in Nigeria. For instance, none of the scholars bothered to interrogate the failure of the extant menu of debt management proposals dished out to Nigeria by the erudite scholars and pundits of the world economy. A probe in that direction would have probably revealed why none of the plans both locally articulated and internationally prescribed or imposed had been unable to solve Nigeria's debt burden. Equally, they failed to probe the subsisting paradox of Nigeria's underperforming economy in spite of its oil wealth and other sundry natural resource endowments. Most fundamentally, the scholars did not probe the receptive posture of successive leaders of Nigeria towards the debt management options they often adopt and why loan taking and debt burden seem to have become intractable. This study, therefore, attempts to fill this gap by attempting to interrogate the persistence of debt burden and underdevelopment amidst natural resource gift and the inability of the successive management plans to curb Nigeria's rising debt stock with a view to providing a new path to the socio-economic development of Nigeria, devoid of debt burden.

Conceptual Clarification

To situate the discussion in proper perspective, two concepts deserve clarification. These are debt and underdevelopment. There appears to be a chaos of meaning of debt as scholars have conceived it from their respective ideological orientations. The controversy has given rise to a plethora of definitions that obfuscate rather than explicate its meaning. Hence most of the available definitions of the concept are couched on economic undertone suggesting that debt is an aspect of business transaction that is profit-oriented and uncharitable in nature. Another aspect of the definition that must not escape mention is its tendency to restrict debt transaction to only the residents of different countries thereby ignoring domestic debt that seems to be one of the resultant consequences of external debt. A major defect of this definition is its failure to include other non-economic liabilities, which appropriately qualify for debt. Added to this, is the fact that contractual liabilities are mostly carried out by states. Meanwhile, even if such transactions are carried out by individuals or residents, the state guarantees such transaction before it becomes a liability, a legal burden. It is particularly in this connection that most debtor countries, particularly Nigeria were plunged into debt trap because of their unguarded guaranteeing of export credits (Oyejide et al, 1985:17). Therefore, it is both inadequate and misleading to either limit contractual liability to only the residents in different countries or to exclude domestic debt and the state in debt transaction, Thus the conceptualization of debt should be broadened within the context of political economy. For instance, Fadahunsi (1977:4) conceives debt as:

> *Any negotiated transaction-in kind or monetary-on terms more favourable than normal commercial terms between nation-states and other governments or agencies that are consistent with the national interest as then perceived by the parties to the transaction.*

This definition recognises other non-economic variables such as foreign aid that is more or less political. In addition, it recognises agencies as integral part of the negotiated transactions. The position of this study, is that whether the transaction is in kind or monetary, the recipient becomes a debtor of gratitude or obligation, and by virtue of the aphorism that "he who pays the piper dictates the tune", the negotiated transaction in whatever complexion and terms may turn out to be a Greek gift that spells doom for the receiver. This, perhaps, explains why most, if not all the negotiated transactions result in a debt burden instead of the receivers' development which is the purpose of contracting loan in the first place. It is therefore, contended here that the creditor countries share in the blame of the non-sustainability of debt in Nigeria. This implies that foreign loan should be devoid of any strings so that it could be used to finance high return on investment and enhance the availability of resources in the future. But the non-adherence to this tenet has resulted in the virtual dynastic poverty and underdevelopment in the recipient countries. The deluge of meanings ascribed to underdevelopment suffices as an eloquent testimony that it has become a malignant growth bedeviling the countries in that category.

To be sure, there is no better way to appreciate the impact of debt burden on Nigeria's development than from the deluge of commentaries it continues to elicit from analysts. In any case, dominant scholarships on underdevelopment are polarized into the liberal and radical orientations. Thus the liberal position is that underdevelopment is a natural state of social, psychological, political and economic backwardness occasioned by internal milieu (Okereke and Ekpe, 2002:15). This implies that with hard work and prudent management of resources, every society will eventually experience economic prosperity. But the radical view is that underdevelopment is pot a natural state but a man-made process of backwardness, retardation and economic distortion induced by the exploitation and plunder of the economies of the developing areas following their integration into world capitalist system. According to Rodney (1972:21-22), it is a state of economic backwardness which, manifests in the inability of some human groups to advance further by producing more and becoming more wealthy. He further contended that underdevelopment is a product of exploitation which deprives the societies of the benefit of their natural resources and labour. Reinforcing this view, Ake (1985) points out that underdevelopment is characterised by the extent to which consumption is externally produced and the extent to which production is externally consumed. The implication is that the underdeveloped countries are prone to dependency syndrome which renders them not only vulnerable to external manipulation but also helpless to the whims and caprices of the strong economies to which they depend on for development finance and its accompanying repugnant terms that impede rather than stimulate economic prosperity. In a nutshell, therefore, underdevelopment signifies slow growth and backward prosperity characterised by mass poverty, ideological bankruptcy, inequality, enclave economy, illiteracy, high maternal and infant mortality rate, etc, In any case, opinions appear to be polarised about its source as some blame it largely on wrong policies and profligacy in the management of resources while others attribute it to external forces. Against this backdrop, even though, it could be argued that underdevelopment is one of the resultant consequences of debt burden in Nigeria, it is, however, being exacerbated by the repugnant terms attached to the contracted loans.

Theoretical Proposition

The phenomenon of debt burden and the accompanying underdevelopment in Nigeria has elicited a deluge of theoretical positions that have continued to wax and wane. Prominent among them include the modernization theory (Lipset, 1959), dependency theory (Frank, 1969), postcolonial theory (Alavi, 1972), etc. Each of these theoretical perspectives presents strong arguments that have been able to sway the minds of many scholars so much so that allusions to them are well spread throughout the related academic literature and therefore, need not to be over flogged here. But it suffices to point out that their inherent inadequacies explain the perennial incidence of the debt burden and underdevelopment in Nigeria and other countries that have usually patronised them, For instance, the modernisation theory paints the optimistic picture of every society having the potentials of development, provided it opens up to external intrusion by more advanced countries. But the many decades of adhering to this modernisation catechism without breaking out of debt burden and underdevelopment, has rendered it both misleading and unhelpful, thereby giving impetus to the rival theory of dependency. The thrust of this theory is that opening up the economy to the more advanced countries amounts to poisoned chalice, which exposes the emergent economies to dependency and underdevelopment.

Proponents of the theory attribute Africa's underdevelopment to the forceful incorporation of her economy to the global capitalism and, therefore, argue that opening the economy to external intrusion peripherizes African economies and makes them vulnerable to a syndrome of motion without movement. As a result, subscribers to this theory suggest equal rather than master-servant relationship as a panacea to Africa's debt burden and underdevelopment. The theory has also been found unhelpful to the explanation of the economic failures and backwardness of most African states as it tends to exonerate the internal forces, especially the subversive role of the political leaders who act as the conduct-pipe for the funneling of Africa's resources to the core capitalist countries. In other words, the dependency theory equally ends up catching the wind by glossing over the preponderant influence of the compradors in perpetuating the debt burden in the various African states. In the same vein, the postcolonial theory externalizes the driving force of debt burden by blaming the inherited weak economy and sheer absence of indigenous bourgeoisie. Exponents of the theory, however, failed to explain why other countries that had similar colonial experience such as Japan, Malaysia, and particularly the members of BRICS (i.e. Brazil, Russia, India, China, and Singapore) are now branded as the newly industrialised countries because of their exponential development indices. Equally the theory failed to reconcile the absence of prosperity in most states of Africa with the many decades of their independence which was touted by the nationalist leaders to be potentially prosperous. For instance, Nkrumah (1961:162) had admonished his African compatriots to "seek ye first political kingdom and all things will be added to it". Ironically, the postcolonial States of Africa are enmeshed in poverty, political crisis and economic backwardness which have prompted many to wish for the re-colonisation of Africa. This is because the reality in the postcolonial States of Africa is not the lack of resources but the profligacy and mismanagement of the continent's abundant natural resource endowment by the leaders that is responsible for Africa's underdevelopment. It is on the strength of this that this study relies on the resource curse theory as the most appropriate to explain the resilience of debt burden and underdevelopment in Nigeria and elsewhere in Africa. The thrust of the theory is that in spite of the availability of resources and the prospects of wealth, most resource-rich countries are paradoxically marooned in impoverishment and backwardness. But natural resource gift, all things being equal, leads to development and general well-being of the resources owners. The theory was developed by the development economist: Richard Auty in 1993 to describe the irony of pervasive impoverishment associated with most natural resources endowed countries. But it was adapted into political science and propagated by Humphreys, Sachs and Stiglitz (2007:1) in their joint study What is the Problem withNatural Resources Wealth?7\\e. choice of the theory is premised on its ability to link the natural- resource endowments with poor performance compared to the relative development in the areas that have natural-resource scarcity. In other words, the theory offers useful explanation to the driving force of the paradox of plenty through its rich analytical properties such as the Dutch disease and rent seeking attributes inherent in the most natural resource gifted areas of Africa.

(i) Dutch Disease: The term which originated in Holland following the discovery of North Sea gas has been defined in many ways. Literarily, it refers to the woeful economic condition induced by the appearance of a valuable commodity such as crude oil, diamond, uranium, gold, etc. Soros (2007: xi), however, conceives it as "the currency appreciation due to resource revenue and its negative effects on the competitive position of other industries". In a more precise and holistic manner, Larsen (2004:3) posits that it is the "shrinking non-resource export sector, in terms of labour hours and/or export earnings". The implication is that the discovery of a treasure and the overly dependence on its export earnings may delay or impede the growth and flourishing of the manufacturing sector which is often associated with productivity growth and technical advance.

Therefore, Larsen (2004:2) argues that since many resource booms are only temporary, the displacement may portend a later on-set of stagnant growth. Major symptoms of the Dutch disease include deindustrialization and a more lump-sided export base. This stems from the shifting of attention to the exploration and extraction of a natural resource at the expense of other sectors of the economy such as the manufacturing and agricultural sector. For instance, since the inception of exploitation and extraction of crude oil in Nigeria, manufacturing and other activities have been strangulated as result of over dependence on oil revenue as the mainstay of the country's economy. Consequently, whenever the world oil prices fluctuate downwardly, the Nigerian economy experiences recession leading to resort to foreign borrowing to shore up budget deficit and balance of payment crisis. Invariably, therefore, the path out of the Dutch disease affliction leads straight to the diversification of the economy in the light of its inherent absolute and comparative advantages in engendering economic stability and development (Abumere, 2015:239).

(ii) Rent Seeking: In a broad sense, this refers to the employment of political mechanisms to capture and appropriate proceeds accruing from natural resources for personal aggrandizement at the expense of national development. In other words, rent seeking focuses on distribution rather than on production. This is a consequence of the fact that the proceeds accruing from production outweighs the cost of production and therefore, makes distribution of proceeds more attractive than production. Regarding natural resource extraction, for instance, Humphreys et al (2007:379-380) see rent seeking as "the difference between the value of production and the cost to extract it". These differences which supersede the cost of extracting the natural resources is at the core of the scramble by the political class to acquire the exclusive license to exploit the natural resources, and explains why the dominant owners of oil blocs in Nigeria are mainly the former and present political leaders (Newswatch, 2013). To be sure, this has resulted in the bankrupting of the country and the consequent internal conflicts of redistribution such as the agitation for resource control and the militancy in the Niger Delta, Nigeria (Ross, 2003; Basedau, 2005). Apparently, the pervasiveness of rent seeking has virtually depleted the resources meant to provide the much needed infrastructure required to stimulate growth and development. This invariably, qualifies Nigeria as an oil resource cursed country saddled with a political economy that emasculates the future.

(iii) Cultural Constraint and Complacency: Another influential impetus of the resource curse phenomenon is cultural constraint exacerbated by complacency. In fact, it is apposite to assert that these two factors ipso facto, created the fertile ground for the affliction of curse on the resource-rich countries of Africa. This stems from the negative cultural precept of most of these countries which impede rather than promote balanced and sustainable development. In other words, based on religious custom, certain people are usually restrained from engaging in certain economic activities that they can be ingeniously productive. Rodney (1972:16) observes that "the religious belief that a certain forest was sacred was the kind of element in the superstructure that affected economic activity, since the forest would not be cleared for cultivation". For instance, in most parts of Africa such as is prevalent among the Igbo ethnic group of Nigeria, "women are not allowed to climb palm trees or carry out certain farming activities even when it is obvious that some women are stronger than some men" (Ezeh, 1997:13). Similarly, soils in some areas that were saturated with solid mineral endowments instead of being explored and exploited were given metaphysical description as evil forests or groves that should not be desecrated but left for the gods. This implies that, delving into some natural realities to discover and invent was forbidden in deference to cultural belief. As a result, this made material development comparatively virtually stagnated as some of these forests have since been discovered to be embedded with sold mineral resources such as oil, gold, copper, diamond, etc.

Aside the negative role of cultural constraint in predisposing resource-rich countries of Africa to the paradoxical curse of slow progress and underdevelopment is the complacent attitude of resource owners in harnessing their natural resource gift for prosperous future. As early as the eighteenth century, Montesquieu observed that people in tropical climate tended to be lazy and to lack inquisitiveness. As a consequence, they did not work hard and were not innovative, and this was the reason why they were poor (Acemoglu et al, 2012:49). For instance, they indulged themselves in the lavish celebration of every moon in contentment with the surplus foods. The implication is that while basking in the euphoria of raw material and food resource abundance, Africans ignored the deleterious intrusion of the scavenging resource scarce countries of Europe that plundered Africa's natural resources for their own development.

Most countries of Africa are quintessential laboratory to justify the utility of the resource curse theory, prominent among them is Nigeria. It is, therefore, contended here that the approach that is efficacious in treating the resource curse malaise is diversification of the Nigerian economy and prudent management of the resource gift rather than the bankrupting unrealistic policies

Dynamics of Nigeria's Debt Burden and Underdevelopment

Nigeria's debt burden largely emanates from external borrowing and dates back to 1958 when a sum of US$28 million was contracted for railway construction (Falegan, 1978:2). Between then and 1977, Nigeria's resort to foreign debt was marginal as debts from bilateral and multilateral sources with longer repayment periods and lower interest rate constituted about 78.5 per cent of the total debt stock (Aluko-Olokun, 1989:193). Thus between 1960 and 1970, its external debt profile was $60.7 million out of which, $458.8 was disbursed (Oyejide, 1985:16). In any case, Nigeria's debt stock began an upward trend following the resort to the two jumbo loans from the International Capital Market both in 1977 and 1978 respectively. The debt rose dramatically to about $35 billion shortly before the country secured debt relief in lieu of the $12 billion paid to its Paris Club of creditors (Onwuamaeze, 2012:12). Soon afterwards however, the country resumed the accumulation of more debt to the present $64 billion comprising 84 per cent local and 16 per cent foreign .portfolio (DMO, 2015). A breakdown of Nigeria's present debt stock for which record is available is captured in Table 1 below.

Table 1: Nigeria's External Debt Outstanding
(US $ Million)

Year	Multilater	Paris Club	London Club	Promissory Notes	Others	Total
2006	19,091.0	2,043.0	4,665.0	2,140.0	121.0	3,544.49
2007	18,980.4	2,043.0	4,237.0	1,612.5	79.2	3,654.21
2008	20,829.9	2,043.0	4,237.0	1,597.8	65.8	3,720.36
2009	20,534.3	2,043.2	3,933.3	1,486.8	69.3	3,947.30
2010	21,180.0	2,043.2	3,460.0	1,446.7	143.8	4,578.77
2011	22,092.9	2,043.2	2,797.9	1,291.8	121.2	28,347.0
2012	25,380.8	1,441.8	2,959.9	1,153.2	55.6	30,992.0
2013	27,469.9	1,441.8	3,042.1	911.4	51.6	32,916.8
2014	30,847.8	1,441.8	2,824.3	783.2	47.5	35,944.7
2015	15,412.4	1,441.8	2,512.2	649.8	460.0	20,476.2

Source 1. Central Bank of Nigeria
2. Debt Management Office, The Presidency, Abuja
3. Federal Office of Statistics (F. O.S).

Many factors both external and internal account for Nigeria's seeming intractable debt burden. These include but are not limited to the dependent nature of Nigeria's economy, the nature and conditions of contracted loans, and the profligacy of the Nigerian ruling class through mismanagement and misapplication of the funds, et cetera.

The Dependent Nature of Nigeria's Economy: The trap, for Nigeria's debt crisis and Underdevelopment was laid during the colonial era through the proletarianisation and peripheralisation of the country's human and material resources (Rodney, 1972; Chinweizu 1974; Ake, 1981). This derived from what Lugard (1965:6) rationalized as the "Dual Mandate" of colonialism. The most enduring of this despoliation was the massive siphoning of the resources of Africa through the deleterious activities of the multinational corporations and their counterpart in the financial houses.

In Nigeria specifically, the colonial economic policy of extraversion of agriculture and imposition of primary production, forced the economy to a structural dependence on the world market for manufactured products and the exportation of raw materials (Ominode, 1985:40). This consequently eroded real production and weakened the country's economy. As a result, the Nigerian economy was consigned to its present peripheral status in international economic relations which makes it vulnerable to external manipulation and a vicarious casualty of global economic crisis (Nwoke, 1988:10). Moreover, new technologies have changed the tastes of consumers and render the raw materials virtually redundant and often dried up. A case in point is the replacement of cotton that used to be the major export of some African countries with synthetic materials, thereby leading to the loss of overseas market by the few textile companies in Africa (Alabi, 2005:44). Even the coffee and cocoa that are produced in Africa still get to Europe first, where speculators determine prices and export them in raw form without adding any value. Also, similar maneuvers were employed to undermine the attempt by the Oil Producing and Exporting Countries (OPEC) to control and determine oil prices in the seventies through resurgence of protectionism that eventually resulted in the collapse of the oil market and consequent fall in the export earnings of the most of the Third World countries. Furthermore, the rising interest rates and the escalation of prices of imported (manufactured) goods attest to the fact that fluctuations in the world market or cyclical crisis of the advanced countries are systematically transmitted to the Third World countries as the derivative crisis of global capitalist reproduction (Nwoke, 1990:48). This was exactly replicated in 2008 when the economic/financial crisis in parts of Europe and the United States translated to the Arab spring and political crisis in Syria, Yemen, Bahrain, Tunisia, Libya, and Egypt, from 2011 till date. Even the World Trade Organization (WTO) to which African countries belong, does not provide a level-playing ground for its members, thereby leaving the fate of Nigeria and its counterparts in Africa in the cold hands of the industrialized world. The result is that sharp decline in the price of oil or a drop in foreign exchange receipts devastates Nigeria's economy and deepens its underdevelopment. It makes sense, therefore, to conclude that the source of Nigeria's debt burden and underdevelopment is located within the workings of the international capital in cahoots with the managers of Nigeria's economy.

The Nature and Conditions of the Loans: The resurgence of Nigeria's debt profile is further influenced by the nature as well as the terms or conditions of the contracted loans. These terms have maturity and grace period. All borrowings of short-term and medium-term nature from private foreign suppliers have average terms that are relatively unfavourable compared to the long-term loan from governments and international institutions regarding length of the grace period and rate of interest.

Nigeria contracted debt obligations from two principal sources, namely the official and private creditors. The official creditors are leagued into the Paris Club and are made up of France, Germany, Italy, Japan, the United Kingdom, the United States of America, Russia, Australia, Belgium, Denmark, Finland, Netherlands, Spain, Switzerland, and Canada, the World Bank, African Development Bank, Islamic Development Bank, Agence Franciase de Development, India and Exim Bank of China while the private creditors which leagued into the London Club comprise the commercial banks, holders of Promissory Notes, Contractors, Manufacturers, Exporters, etc.

The Paris Club loan is characterised by low interest rates, long-term maturity but tied to specific project, which invariably reduces the value of the loan and undermines the purpose for which it is contracted. In the first place, the long-term maturity of their loan hinders the realisation of the immediate need of the recipient states which are projects that can generate sufficient funds to repay any borrowing for financing them (Falegan, 1978:4). Secondly, the tying of the loans to specific project and purchase from specific market naturally denies the recipient not only the choice of buying from cheapest market but also makes it helpless in the face of unfavourable terms of trade. In effect, more money comes out of the borrowing countries than goes in. Apart from the long-term maturity and tying to specific project and market is their insistence on the use of their nominees as consultants for services in the field of engineering, insurance, legal drafting and management .(Oseni, 2005:14). This is in addition to the borrowing countries having to pay for these services as part of the amount to be borrowed with interest. These unfavorable conditions attached to Paris Club loans are influenced by political consideration and intended to serve their economic self-interests. For instance, the lending countries view Africa's development as a threat to their own existing market since some of the products if completed will offer direct competition to their products in the world market and thus become substitutes for their imports in African markets. This explains their employment of the harsh terms to help keep the potentially rebellious borrowers in line (Payer, 1974:48).

Furthermore, the London Club equally attaches even harsher and unsavoury terms to their loan. This particularly results from the shylock nature of their terms, which are characterised by short maturity period, high interest rates devoid of being tied to any specific projects. The consequence is that the short maturity period makes it impossible for the projects for which the loan is taken to reach full operation before starting principal repayment installment (Falegan, 1978:9). Another problem associated with the London Club loans is the high and unstable interest rates, which aggravates the servicing cost. In other words, the rising interest rate weakens the capability of the borrowing countries to bear the resultant heavier external debt burden. Most significantly, it is the complete freedom of using the London Club loans for whatever purpose that partly orchestrated Nigeria's debt crisis in the first place as it gave impetus for the waste of the two jumbo loans on inefficient investment and consumption.

Subversive Activities and Profligacy of the Nigerian Political Leaders: Findings reveal that the imposition of the foreign technical assistants ensures that the loan facility from the creditor country serves as a leverage to control the borrowing countries by diverting and squandering it on the altar of non-self liquidating projects contrary to the conventional wisdom of contracting external finance. As a result, it becomes obviously difficult for development to be achieved under this circumstance in which "much of the financial aid is tied to technical assistance which ensures that most of the money goes to pay for foreign advisors who have turned Africa into laboratories for testing their pet theories about development" (Ali, 2000:54). In other words, it is the creditor nations' desire to use the debt situation to strangulate and disrupt genuine development efforts in Nigeria, and thus control every sector of the economy, for example, banking, extractive the manufacturing industries, etc.

In any case, the Nigerian political leaders seem to be part of the structure of this exploitation as they often see national interests through the prism of their own specific interests (Ake, 1985:21; Toyo, 1985:12; Okonjo-Iweala et al, 2003:). Consequently, foreign loans are lavishly and recklessly given to repressive and corrupt leaders in exchange of their loyalties. Thus rather than allowing the loans trickle down to serve the people, successive Nigerian leaders use part of them to strengthen their hold on to power and the rest to buy expensive luxury goods abroad as well as lodge others in their bank account located in the same foreign banks where the loans were sourced. Invariably, the loans deny the Nigerian economy any regenerative capacity needed for development and thus underscore the fact that creditors use debt as an effective instrument of domination as well as a form of imperialism (Obasi, 1989:13).

This implies that the sheer display of siphoning spree and propensity for profligacy could not be successful or sustained without the complicity and systematic backing of the bankers. In other words, the Nigerian leaders diverted the proceeds of the Nigeria's oil to their private accounts in Europe with the assistance of their creditor countries while huge sums of the proceeds are mismanaged on the altar of wrong choice of priorities. More so, personalization, looting and bankrupting of national treasury intensified unabated as the country's so-called leaders not only legitimized their primitive accumulation of wealth through ethno-religious politics but also legitimized tyranny, vile opportunism and unflappable sycophancy so as to continue in power even after death (Enwegbara, 2000:27). Closely related to this is the inefficient utilization of loans by the successive governments and leadership of this country through misapplication such as the lavish hosting of both the Commonwealth summit and COJA Games in 2003 , etc (Newswatch, 1989; Alabi, 2005:14-24). This, perhaps, explains the initial reluctance of some of the external creditors to grant debt relief to Nigeria on the ground that the state officials in Nigeria both misapplied and stole the very large crude of oil that swells its external reserves to the tune of over $20 billion, thereby depriving it of a regenerative capacity (Blum, 2000:15).

Socio-Economic Implications of Nigeria's Debt Burden and Underdevelopment

The obvious inability of Nigeria to repay or service its debt has plunged it into the melee of intractable debt burden that impedes the country's strive for prosperity as discussed below.

Economic Backwardness: This emanates from the debilitating burden of debt servicing obligation that severely encroaches on the resources available for investment, socio-economic growth and development as well as poverty alleviation. In other words, to the extent that debt service outstrips the external reserves of a debtor country by wide margins to that extent that other major needs of the country would be set aside to the detriment of its economy. This implies that many projects would have to be grounded, as industries would no longer work themselves up to full capacity leading to retrenchment of workers, contraction of output and income as well as rise of prices beyond the reach of the average citizen (Onoh, 1989:170).

Nigeria has faced this situation since the early eighties when as a result of the faster growth of debt service over external reserve, the country's debt burden ballooned to an alarming proportion. This was in spite of the about $3 billion or 30 per cent of its total revenues that was expended annually on servicing the external debt that was initially $17 billion at the outset (Okonjo-Iweala et al, 2003:12). Thus, as at 2005 for which record is available, Nigeria diverted a whooping sum of $37 billion to unproductive debt servicing at the expense of self-liquidating products that would have not only boosted the country's economy but also ensured that it did not fall into debt burden in the first instance. Table 2 below vividly encapsulates this greatest financial hemorrhage that oozed out from Nigeria's revenue base and, therefore, demonstrates that through the shylock interests rates that drained the regenerative capacity of the loans, the country did not only pay more than it owed the creditors but also became an economic slave in the service of the debt and interests that accumulated.

Table 2: Nigeria's External Debt Service Payments
(US $ Million)

Year	HOLDERS								
	Paris Club	London Club	Multilateral	IBRD	ENB ADM	ADB DRO	Promissory Notes	Others	Total
2006	359.7	127.7	814.4	-	-	-	238.4	336.4	1,876.6
2007	306.0	127.7	800.2	-	-	-	226.8	181.8	1,642.5

2008	228.5	127.7	680.2	-	-	-	216.3	19.8	1,272.5
2009	644.5	127.7	659.2	-	-	-	258.7	34.8	1,724.9
2010	627.7	129.1	621.5	-	-	-	149.5	186.5	1,714.3
2011	1,273.5	134.1	491.5	-	-	-	1195.2	33.9	2,128.2
2012	161.6	266.8	472.1	-	-	-	192.1	75.9	1,168.4
2013	1,020.2	90.2	509.2	-	-	-	176.4	13.3	1,809.3
2014	994.4	190.2	487.3	264.8	11.4	211.1	171.2	11.6	1,754.8
2015	496.6	169.9	471.7	265.2	11.7	201.7	213.5	15.8	1,367.5

Sources 1. Central Bank of Nigeria
2. Federal Ministry of Finance
3. Debt Management Office, The Presidency, Abuja

Above all, debt service also resulted in a vicious circle of budget deficit that devastate the economy, and invariably increased domestic debt as captured in the table 3 below.

Table 3: Federal Government's Domestic Debt Outstanding (₦ Million)

Years	Treasury Bills	Treasury Certificate	Treasury Bonds	Developme nt Stocks	Others	Total
2006	103,326.5	-	237,387.6	2,960.0	-	343,674.1
2007	21,801.5	-	134,387.6	2,840.0	-	359,029.1
2008	221,801.5	-	179,620.1	2,680.0	133,389.3	537,490.0
2009	361,758.4	-	430,608.2	2,440.0	-	794,806.6
2010	465,535.7	-	430,698.2	2,110.0	-	898,253.9
2011	584,535.8	-	430,608.2	1,830.0	-	1,016,974.0
2012	733,762.5	-	430,608.2	1,630.0	-	1,166,000.7
2013	825,054.5	-	430,608.2	1,470.0	72,560.0	1,329,692.7
2014	871,577.0	0.0	424,938.2	1,250.0	72,560.0	1,370,325.1
2015	854,828.4	0.0	419,268.2	980.0	250,30.0	1,525,906.6

Source 1. Federal Ministry of Finance and Economic Development
2. Central Bank of Nigeria
3. Federal Office of Statistics (F.O.S).

The import of this is that debtor countries cannot spend more than they earn and still escape from the debt, especially when one's creditors are also one's customers, suppliers and employers. Therefore, the heavy debt servicing condition is a contraption by the creditors to keep the debtors in a perpetual motion without movement in the world market (Payer, 1974:24). Thus in a desperate bid to escape deficit spending, debtor countries such as Nigeria soon walked their way back to the debt trap.

Deplorable Social Condition: Another logical fallout of the debilitating debt service obligation is the decline in social services. This arises from the fact that the huge amount diverted annually to debt servicing results in the virtual abandonment of health, education and other areas. In other words, the high debt servicing cost has been the major constraints of successive governments to finance vitally needed investment in poverty reduction and infrastructure rehabilitation. In 1999, for instance, spending on health represented only about 0.2 per cent of GDP and 0.77 per cent of GNP respectively compared with 3.4 per cent spent on debt servicing during that same year. In the year 2000, actual debt servicing outlay was $1.96 billion translating to about four times Federal Government's budgetary allocation to health.

The trend continued in 2001 with actual amount of debt service payment put at $2.13 billion which amounted to six times of the Federal Government's budgetary allocation to education and seventeen times the allocation to health for that year. Yet these two sectors need substantial public expenditure to upgrade the level of facilities and services for any meaningful alleviation of poverty (African Economy, 2005:11).

The consequence is that the Nigerian people have been alienated from the government, resulting in the upsurge of anomic behaviours including apathy, contempt of constituted authority, lure of prostitution, drug trafficking, armed robbery, kidnapping, ethnic and religious violence, insurgency and other forms of security threats. It is only by channeling the debt service payment toward social provisioning that the local regional tensions and security challenges that threaten social stability can be eased off to create an enabling environment for foreign investment, which is a pillar of development. This is necessary because as J.F. Kennedy warned "if the poor cannot sleep because they are hungry, the rich cannot sleep because the poor are awake" (Akinyeni, 1991:25). After all, when the chips are down, the poor has nothing to lose but the chains of their poverty and neglect.

Virtual Loss of Sovereignty: Anotherimplication of unsustainable debt burden is the lack of the capability to withstand or resist pressures emanating from the creditors. One of these pressures is the insistence of the creditors that the debtors adopt policies that are formulated from outside as a road map to debt freedom and economic recovery. This derived from the "blame-the-victim" approach employed by the creditors who argue that the debt burden is a product of policy failures and mismanagement by the debtor countries. In the light of this, they insist on the IMF-World Bank dictated economic reform programme encapsulated in the deregulation as well as the liberalization and privatization of the economy and all public sectors as the panacea to the debt trap. Experience, however, has shown that the implementation of these reforms has produced a deleterious impact on Nigerians. As a result, the political legitimacy of the government tends to be endangered and its scope of action limited, because deregulation alienates the people from the government and creates unprecedented hardship for the populace in the form of mass reduction of the workforce. Moreover, since the public sector in Nigeria is not only the largest employer of labour but also the moving spirit of the economy, downsizing definitely leads to unemployment and increased poverty level. Therefore, to deregulate the public service is to break the backbone of the government and this breeds apathy and contempt to the constituted authority.

This implies that, in order to avert the social cost of unemployment, rising crime rate, broken homes, deaths due to hunger and starvation arising from deregulation and privatisation, the public sector rather than being destroyed should be preserved, developed and transformed to respond to the changing circumstances in every country. After all, the full participation of the people in all aspects of life in a country is a condition for development. As Sunmonu (1989:7) wonders:

> *When Doctors, Engineers, Teachers, Technologists and Technicians etc, are forcibly retrenched, who are going to develop the human resources and potentials of our countries in Africa? Should Africa continue in the next decades to import expatriates at 100 times the local costs of training and maintaining these types of cadres?*

In Nigeria for example, the incessant fuel increase occasioned by government's withdrawal of subsidy has virtually alienated successive governments from the already disillusioned and suffering masses who may rise up in resistance and even overwhelm the country's dedication to democracy. This obviously poses a threat to national security.

Another dimension of loss of sovereignty by the debtor countries is the unfettered intrusion of the creditor nations into their domestic policies and programmes in order to subvert and destabilize their drive for self-reliance. One of their consistent and effective means of penetration is through the imposition of leaders and economic managers on the debtor countries through overt or dubious contrivances. In many occasions, the creditors insist on or recommend the appointment of their acolytes into Finance Ministries and Central Banks of the debtor countries on the ground that such candidates are the credible, capable and competent hands that could implement the required economic reforms aimed at restructuring and revamping the battered and mismanaged economies of the debtor countries. Such policies are embodied in almost all the reform packages such as Structural Adjustment Programme (SAP), Highly Indebted Poor Country (HIPC) initiative, Poverty Reduction Strategy Paper (PRSP) and other complex poverty and debt management schemes that have emanated from the World Bank and the IMF's factory of economic solution (The African Economy, 2005:13). These crops of African leaders are trained and indoctrinated with Western values and orientation that predispose them to glorify whatever policies or programmes that emanate from the West.

In Nigeria, for instance, the economic managers planted to implement repugnant economic policies christened National Economic Empowerment and Development Strategies (NEEDS) and bank recapitalisation were the World Bank and IMF staff that were on leave of absence to Nigeria such as the erstwhile Finance Minister, Dr. Mrs. Ngozi Okonjo-Iweala, the former Economic Adviser to the President, Chief Osita Ogbu, the former Governor of the Central Bank of Nigeria, Professor Chukwuma C. Soludo, the former Director General of Debt Management Office (DMCj, Dr. Mansur Mukar, et cetera. Though they claimed that the reform package was home-grown, available evidence revealed that Nigeria's economic future was dictated, formulated and its implementation directed from the offices of the Breton Wood institutions.

Route to Escaping the Debt Burden and Underdevelopment in Nigeria

Attempt was made in this study to ascertain the driving force of Nigeria's debt burden and underdevelopment in spite of the fact that it is one of the most resource-surplus countries in the Africa and the sixth oil producing countries in the world. Consequently, findings revealed that Nigeria's persistent debt burden and underdevelopment is both externally induced and internally exacerbated by the unfair trade and payment terms imposed by the international creditors on the one hand, and the profligacy of the managers of Nigerian economy on the other hand. It is, therefore, the conclusion of this study that, more substantive debt restructuring involving significant debt stock reductions is required to free up resources for tackling poverty and boost the drive for an escape from the cycle of debt burden as well as the much desired economic prosperity in Nigeria. In the light of the obvious failure of the sundry externally-imposed plans and local initiatives to managing the debt burden and underdevelopment, it is suggested here that the route to escaping Nigeria's unending debt profile and economic backwardness lies in the following:

(i) Diversification of the Economy: Nigeria is richly endowed with assorted natural resources which if well harnessed would launch the country to the enviable height of a developed country in the world. Among these natural resource endowments include coal, iron-ore, rubber, tin, copper, hide and skin. Others are agricultural produce such as palm oil, groundnut, cocoa, etc. During the First Republic, the country depended on these natural resources to map out and pursue its First Development Plan (1962-1968). Invariably, the non-oil resources drove the Nigeria's economy and ultimately stimulated its post-independence development so much so that the then three dominant regions engaged in a healthy rivalry for development. But soon after the discovery and subsequent production of oil in commercial quantity at Olobiri in the present Bayelsa State in 1962, the country shifted focus to the accruing oil revenues as the mainstay of the Nigerian economy at the expense of other natural resources. As a result, every state in Nigeria began to scramble for the "manna" falling from the federal heaven in the form of revenue allocation while the non-oil resources were abandoned to waste. In any case, given the fact that crude oil price at the world market fluctuates and that technological advancement has given rise to alternative energy resources such as solar energy which has resulted in the steady dwindling of oil revenues and balance of payment crisis, it is high time that Nigeria diversified its economy to boost its revenue base and engender economic prosperity.

(ii) Prudent Management of Resource: One of the widely acknowledged banes of Nigeria's development is the profligacy of the managers of the national resources. This culture of impunity in the management of commonwealth was largely instrumental to the fall of both the First and Second Republics of Nigeria. Yet the trend seems to defy every effort aimed at exorcising it as it has rather permeated the entire fabric of Nigerian society. Thus the prevalent mismanagement and diversion of public fund prompted the former United Kingdom Prime Minister, David Cameron to describe Nigeria as "fantastically corrupt". There is no gain stressing the fact that corruption is an obstacle to development and thus has been undermining all the strides to rescue the country from the bondage of debt burden and underdevelopment. It is, therefore, contended here that the war waged against corruption and all forms of financial impropriety should not only be sustained but also intensified with utter disdain to sacred cows. In addition, the relevant anti-corruption agencies and laws should be strengthened to become independent of government control. This will ultimately lead to the speedy recovery and plough back of all the looted public resources into the economy to stimulate development while appropriate punishments are meted to the culprits.

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