

Debt Relief: Quest for Transparent Arbitration

By Senator Iroegbu

Stakeholders are calling for a Fair and Transparent Arbitration (FTA) mechanism in resolving trade disputes between creditor and debtor nations; to promote global partnership and economic growth. This was the highlight of a workshop organised in Abuja by the African Network for Environment and Economic Justice (ANEEJ) with support from the African Forum and Network on Debt and Development (AFRODAD). Senator Iroegbu, who was at the forum, reports:

The workshop as an official launch of the FTA in Nigeria helped to shed more light on the origin, principal actors, the consequences of Nigeria's foreign debts and the possible way forward.

Research work by AFRODAD and findings from groups of Civil Society Organisations (CSOs) stated that the symptoms of poverty and disillusionment prevalent in sub-Saharan Africa, which is showcased in lack of basic facilities like clean water, food, medical care, sanitation and rural infrastructure, are direct consequences of foreign debt acquisition. On the origin of external debts in Africa, the group posited that this is a product of grand conspiracy by a triad of African leaders and elite, the Western nations and the multilateral financial institutions to impoverish the developing countries.

They noted that for decades, billions of dollars have been illegally and corruptly appropriated from Africa by politicians, soldiers, business-persons, and other leaders, and kept abroad in form of cash, stocks and bonds, real estate and other assets.

To the participants, above scenario can best be showcased where the west and International Financial Institutions (IFIs), with direct connivance of African leaders, encourage illicit acquisition of huge sums by money launderers, public treasury looters and terrorist, and went further to provide safe haven for keeping such 'dirty money'. Criticising the west and IFIs of grand conspiracy to perpetually keep the sub-Saharan African countries under excruciating debt burden, many civil society groups have questioned the creditor nations' moral and legitimate right to claim debt servicing and payments; and called for an independent and neutral arbiter to adjudicate on the debt issues.

Narrowing it down to Nigeria, the group accused the west and IFIs of hypocrisy because they have been active in providing safe haven for the nation's stolen wealth, in flagrant violation of their own laid-down banking and anti-money laundering laws.

In an opening address, the assistant Executive Secretary of ANEEJ, Mr. Leo Atakpu insisted that Nigeria's external debt connotes stolen wealth, with the west described as a fertile breeding ground for the financial crime against the nation's citizens.

"The west who were pointing at us as corrupt people were at same time collaborators in this trade. The annoying thing is that anytime we ask for debt cancellation, all they say is

that we have enough resources, so why are we asking for it. Or that our leaders are corrupt", he postulated.

Delivering a paper on the need for an FTA mechanism, Akingbowa Amadasun stated that over half of Nigeria's debt are odious and dubious because most of the nation's creditors with headquarters in the west allegedly looted Nigeria's wealth through the window of international trade; with debt campaigners arguing that it is the IFIs and the west that are really indebted to Nigeria, and not the other way round.

On this premise, civil society groups and believers in the Nigerian project expressed reservation in the manner Nigeria went about her debt forgiveness by paying \$12 billion at once to the Paris Club in order to forgo \$18 billion.

Their grievance was based on the fact that the said debt is non-existent but a creation of the west, who encouraged borrowings from corrupt and illegitimate regimes only to collect it back through their banks which served as a safe haven for the looted funds. Illuminating on its research findings, AFRODAD said, "the IFIs and the west are implicated in Nigeria's debt crises because they consciously gave loans to incompetent and corrupt regimes in Nigeria even when they also realised that Nigeria's projected export earnings could not sustain the repayment of the loans they were giving".

The research revealed that one of the greatest culprits, whose unbending attitude to debt negotiations resulted in leapfrogging of Nigeria's debt stock, is the Paris Club. Partly because of its role as a 'non-performing creditor' who wanted to create a 'perfect debtor' out of Nigeria, the country's total debt reached \$35 billion in 2005, about 75 per cent of which was owed to the club, the group added.

In another twist, Action Aid International Nigeria (AAIN)'s Communication Officer, Mr. Tunde Aremu, accused the Nigerian leaders of insincerity in the whole debt crises. He deplored an annoying situation where Nigerian leaders still want to perpetually tie the country to the aprons of the Paris Club and other financial institutions by further borrowings.

"And this is on going, even after exiting the Paris Club with a great cost. Our leaders are still taking loans", Aremu said; warning that if the borrowing spree of Nigeria's leaders who convert personal loans to national debt are not checked, the nation may find herself back in the pre-2006 era.

The Special Project Officer, AFRODAD, Tirvangani Mutazu, also expressed the need for collective action towards setting up an independent, open, fair and neutral arbitration panel to the debt crises; instead of the present chaotic arrangement where the group of wealthy creditor nations use their collective bargaining power under the umbrella of the Paris Club to intimidate poor debtor nations who do not even have a common front to negotiate their way out of the debt crises.

Mutazu emphasised the need to propose initiatives that are fair, open and effective, otherwise called Fair and Transparent Arbitration Panel (FTAP) to engage the debt imbroglio.

"There is need for arbitration and debt cancellation through an independent body. The launch of FTA in Nigeria was based on the salient facts on ground. The reason we are here is to garner support because we see in Nigeria, Liberia and other African countries that the debt is impacting negatively on the lives of ordinary citizen", he said.

"Servicing of debts means health suffers, education, agriculture and other important aspects of the economy suffer. It became so obvious that the whole of Nigeria started crying that this debt will strangle us if nothing is done. This is why we are calling for FTA, a fair arbitration might be the only lasting solution", Mutazu advised.

On the hand, Amadasun questioned the independence and sustainability of FTA if it is to be structured in a way that still ties it to the whims and caprices of the United Nations (UN), IMF and the World Bank. If you set up an international arbitration panel who will supervise it?, he asked. Is it the IMF who is a double dealer or the UN that appears biased?, he reasoned.

Clarifying the issues raised, Mutazu said for FTA to be effective it needs the legitimate backup of the UN and governments of member countries; explaining that the UN has specialised structures and agencies under which the FTA can thrive efficiently. Buttressing his point he asked, "In your own idea how will you run it?. If you don't want the UN, IMF, World Bank and the government, then who do you think should take the lead? You know the UN, IMF and World Bank must have faith in such institutions and persons. This is a hard nut to crack".

Amadasun, in his response, re-emphasised that setting up an international arbitration court is not just the solution, but who will man it. Stating that he is not discarding the idea of working with the UN, IMF and World Bank, he said such effort must be on equal partner basis and as a watchdog for the people.

"The issue here is who takes the lead?. It is the CSOs. So we must see them as partners, we must dictate the pace and make it work by educating and mobilising our people. Civil society groups must be on guard to identify the likely spots of debt problems, and help the citizens of our country be alive to their responsibilities in terms of knowing what their countries are reacting to".

Above discourse further opened up reactions and contributions, with some suggesting effective mechanisms to prevent further escalation of external debts by ensuring that governments comply with the rules governing borrowing and taking of external loans.

"The funds that leave the country must be well documented and record keeping of all financial transactions accessible for public view should be a rule in the government circles. It is for the CSOs to make sure that government publish on annual basis what it

borrowed, the loans it incurred and the projects it used the money to execute. There should be a bill that makes it compulsory for government to come out with distribution of leaflets containing details of its borrowings, loans, debts situations, and projects or use of the loans," they suggested.

Participants recommended for parliamentary oversight functions on borrowings, loans and related projects. The civil society was also enjoined to put pressure on government, so that anytime it must borrow money, the issue must first be debated and approved on the floor of the National Assembly, with backing of the public opinion.

"Most of this illegitimate debt was possible in the first place because of lack of legislative presence, and where they exist they are completely ignorant of this crucial aspect of legislative functions. Hence, our law makers must be educated properly on their oversight functions", they noted.

To the participants, a sad reality is that both the leaders and entire citizens need to be indoctrinated in the politics of debt crises in order to present a convincing argument. "It is because of this ignorance that debtor nations lacked the negotiating power against creditor nations. We do not even have the political will to negotiate because our leaders are connivers and we are passive followers. We cannot blame the IMF and western institutions when we cannot caution our government, which we should start through sanctioning our leaders, educating our people and strengthen our political institutions".

Atakpu admitted that a loan is not totally bad in itself, because to finance development there is a need for assistance in form of loans.

"But we are against irresponsible borrowings. The issue is when government and individuals borrow only to finance invisible projects, thereby making the external loans as an instrument for domination. We should say 'no' to illegitimate debts and irresponsible borrowings", he added.

Participants reached unanimous agreements on the best approach to address the current debt relief mechanism, grassroots sensitisation, and strengthened legislative oversight functions.

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