

**NIGERIA'S  
DEBT  
AUDIT**

# **NIGERIA: ORIGIN AND PROFILE OF EXTERNAL DEBT**

## **1.0 EXECUTIVE SUMMARY**

The act of borrowing creates debt. External debt, therefore, refers to the resources of money in use in a country which is not generated internally and does not in any way come from any local citizens, whether corporate or individual. Debt is thus, a liability represented by a financial instrument of other formal equivalence. The World Bank (1998) describes external debt as the amount of money at any given time disbursed and outstanding contractual liabilities of residents to pay interest, with or without principal.

Some theoretical development analyses contend that development projects can be financed successfully with externally borrowed funds. Thus, external borrowing is presupposed to augment domestic resources. Arikawe (2003) conceives debt financing as capable of ensuring faster and smoother growth of economic activities. However, it remains contentious that external borrowings facilitate development in developing poor countries, especially as exemplified by the Nigerian situation. Hence, some contemporary development scholars are gradually making conclusions that external borrowings impact negatively on the economic growth and development of poor countries like Nigeria. Amongst other factors, they point to the assertive and exploitative tendencies of the forces of globalisation in Africa and the rest of the South as responsible for this.

While there are some gains from foreign capital flows to developing countries, where domestic resources are not sufficient to facilitate economic development, Obadan (2004) observes that capital flows have long displayed a boom-and-bust pattern. According to him, in a world of increasingly integrated financial markets and high capital mobility, the volatility of capital flows and sudden loss of market confidence have often resulted in severe financial crises with significant domestic and international effects. Thus, ASUU (2002) opines that if anything, and based on the realities of the intricacies of contemporary economic disposition, the so-called agents of development (World Bank, IMF and their allied institutions) have proven to be agents of underdevelopment. Nigeria's external debt, due to a number of factors, spiralled over the years. This report profiles Nigeria's external debt by taking some critical look into its origin and the process of its metamorphosis to the state of unsustainability before the intervention of the chief Olusegun Obasanjo government (1999 to date).

The report also identifies the country's creditors, amount owed, the programmes financed with borrowed money and the terms of the loans. Similarly, the report considers legal and institutional frameworks put in place by the successive Nigerian governments to regulate external borrowings and what happened to these laws which were supposed to check reckless borrowings. Also, the report examines the current profile of Nigeria's debt status by identifying the current IMF and World Bank agreements with Nigeria and conclude by making some suggestions on how Nigeria can maintain a low debt profile while working toward a complete exit from the debt trap.

## **2.0 PROCESS OF INDEBTEDNESS**

### **2.1 Briefing historical evolution of Nigeria's external debt**

Nigeria's total external debt stock, as at December 31, 2005 stood at US\$20,477.97 million as against US\$35,944.66 million in December 2004, indicating a decrease of US\$15,466.69 million or 43.03 percent. The significant reduction was as a result of the implementation of the first and second phases of the Paris Club debt deal, which reduced the pre-cut off Paris Club debt by 33 percent after regularization of arrears. As all arrears to the Paris Club have been paid, and no arrears are outstanding to any other external creditors, the entire external debt stock of US\$20,477.97 million comprises of principal balances (disbursed outstanding debt). This is the first time in twenty years that Nigeria has no arrears outstanding in its external debt stock (DMO: 2005).

The trend in Nigeria's external debt stock and debt service over the last five years (2000-2005) has been well computed and documented by the country's Debt Management Office (DMO). Nigeria's total external debt stock, as at December 31, 2001 was US\$28.347 billion. A significant portion of the stock consisted of arrears of principal, interest, as well as the late interest, which had been consolidated to form the current principal balance. Nigeria's external debt increased significantly between 2001 and 2004 despite the fourth rescheduling agreement with the Paris Club Creditors in 2000. The external debt stock as at December 2000, amounted to about US\$28.274 billion, interest arrears of US\$4.4 billion and late interest of over US\$5.1 billion. So one could observe the exacerbating effect not only of principal and interest arrears, but also of late interest which is interest charged on defaulted debt payments (Arikawe: 2003).

In terms of creditor categorization, the external debt stock in 2005 comprised US\$15,412.40 million or 75.26 percent owed to the Paris Club, US\$2,512.19 million or 12.27 percent owed to multilateral institutions, US\$1,441.79 million or 7.04 percent owed to the London Club, US\$649.80 million or 3.17 percent owed to the Promissory Note holders and US\$461.79 million or 2.26 percent owed to non-Paris Club Creditors (DMO:2003). (See tables 1 and 4).

External borrowing by Nigeria started towards the end of British colonial rule in the country. The last of such borrowing was the 1958 World Bank loan which was used to finance the Nigerian Railways Extension to Borum. This loan was US\$250 million and because not much borrowing took place in that decade, public charges were relatively small, averaging N3.2 million per annum and representing 0.2 percent of GDP (Obadan:2002).

In the 1960s when shortage of foreign exchange became one of the bottlenecks to national economic development, external borrowing became imperative for the country. During this era, Nigeria borrowed sparingly and cautiously too. The reasons are varied. Immediately Nigeria attained independence in 1960, some laws guarding external borrowings were enacted. The Promissory Notes Ordinance and the External Loans Act were enacted respectively in 1960 and 1962. A backing fund for loan redemption was established under the Promissory Notes Ordinance while the External Loans Act required that external loans be used for development Programmes and for lending to regional governments. The 1962 Act was amended in 1965 to broaden the end use of external loans. During this period, debt servicing was never a problem, hovering around 2% of exports. This cautious attitude prevailed throughout the 1960s and most of the 1970s (Umoren: 2001)

However, these legal frameworks failed to deter successive governments, whether military or civilian from abusing the external borrowing process. The country's external debt was N82.4 million, N435.2 million and N488.8 million as at 1960, 1965 and 1970 respectively. During these years, the values of exports were N337.4 million, N536.5 million and N885.4 million respectively. The external debt figures increased slightly to N349.9 million in 1975 when late General Murtala Mohammed took over the mantle of leadership (Fasipe: 1989) up to this period, 1975-1976, loans were taken in relatively small amounts and were largely to supplement domestic resources for the provision of

infrastructural facilities and agricultural projects. (See Tables 2 and 3 for Nigeria's external debt indicators for 1960-1988 and 1970 and 2001).

Thus, as stated earlier, in 1970, Nigeria's external debt stock was less than one billion dollars as shown in tables 2 and 3. By the second half of the 1980s, the debt profile had deteriorated seriously due to indiscriminate acquisition of short-term loans and trade arrears with little regard to the efficient management of the ensuing debt and its servicing. That resulted in mounting arrears and unmanageable growth of the debt stock relative to avoidable resources stock, which was about US\$9 billion in 1980, grew to nearly US\$19 billion by 1985. Correspondingly, the debt stock as a percentage of total export earnings and GNP rose to uncomfortable levels of 151% and 24% respectively. In that year, the debt service payment due was a little above US\$4 billion, which was about 33% of the total export earnings (Okonjo-Iweala: 2001). However, the actual debt service payment for the year was about US\$1.5 billion, in the early 1990s, total debt stock to export ratio hovered around 250 – 300%. As figures (from the World Bank's Global Development Finance, 2002) shows between 1998-2000, the country's key indebtedness ratios averaged as follows:

- (i) Total debt stock to export of goods and services - 203%
- (ii) Present value of debt service to export of goods and services - 112%
- (iii) Total debt stock to gross national income - 105%
- (iv) Present value of debt service to gross national income - 84%
- (v) Total debt service paid to exports of goods and services - 6%

The key ratios of Nigeria's unbearable debt burden until the Paris Club exit deal of 2005 place the country among the severely indebted low-income countries as categorized by the World Bank, although Nigeria is not so classified. These are the countries for which the present value of debt service to GNI exceeds 220%, the debt stock as percentage of total export and the GNP was 149% and 83% respectively (Arikawe:2003).

The story of how Nigeria got into the debt trap, part of which has been told earlier, if well appreciated by the policy elites can guide the country's excessive dependence on external financing for development in the future. The bulk of Nigeria's debt was incurred at non-concessional terms during the late 1970s and the early 1980s, during a period of significantly low interest rate regime when the London Inter-Bank Offered Rate (LIBOR) hovered between 3 and 4 percent. The debt grew rapidly through the eighties for two main reasons. The first was that LIBOR rose steeply during the period peaking at 13 percent in 1989. As a result, the pre-1984 debt of most developing countries, Nigeria inclusive, quadrupled by 1990. The second was the accumulation of debt service arrears due to worsening inability to meet maturing obligations as oil prices collapsed. The situation was compounded by poor economic policies, bad management and unfavourable loan terms, making it extremely difficult to service the mounting external debt obligations, particularly those due to the Paris Club. As a result, despite three rescheduling arrangements in 1986, 1989 and 1991, arrears continued to mount, and further aggravated the debt problem.

Since the 1977/1978 financial year when Nigeria, for the first time borrowed in larger chunks and shorter maturities from the International Capital Market (ICM) at higher and variable interest rates, many more such loans from the ICM were raised, especially as funds from bilateral and multilateral institutions became increasingly inadequate for the needs of the ruling elites. Consequently, ICM loan rose rapidly from N1.0 billion in 1970 to N5.5 billion in 1982 and to N40.5 billion in 1987, when it constituted 40.2 percent of total external debt (Osemwota:1994). As Obadan (2002) noted, the singular act of borrowing from the ICM changed the character and structure of Nigeria's external debt. The debt profile showed a significant shift from the mainly traditional concessional bilateral and multilateral sources to market sources characterized by short and medium-term loans, shorter repayment and grace periods, and high and variable interests.

In the same period, state governments joined the bandwagon of external borrowings, without recourse to the laws guarding external borrowings. As table 2 shows, the loans kept growing at a rate higher than the value of Nigeria's exports.

There were no new loans between 1984 and 1985. Ibrahim Babangida resumed borrowing. But this time only from the World Bank as the Banks had since 1982 stopped lending to Nigeria. In 1986, the World Bank made a \$452 million trade policy and export development loan commitments. The Babangida government did not stop at this World Bank loan; nor could it, for as far back as 1983, Nigeria was estimated to need \$11 billion external funding and that need deepened with dwindling export earnings. In 1988, the World Bank announced it was making available to Nigeria \$2.95 billion over 1988-90; this would include two structural adjustment loans to support trade and industry commercial banks were also to provide \$320 million and Japan \$200 million (Umoren;2001).

When General Ibrahim Babangida took over power from General Mohammadu Buhari in a palace coup in August 1985, the Group of Seven (G-7) countries refused to grant Nigeria trade credit facilities for export. Also, Nigeria's short and medium-term loans became matured during the period. By 1986 and 1987, Nigeria's external debt had risen to N42,2229.5 million (\$18,631.3 million) and N86,550.8 (\$26,200.00) respectively.

In 1998, the external debt stood at N146,410.00 million (\$29,282.00 million). In 1988, the external debt stood at N149,410.00 million (\$29,282.00 million). In 1989, it was N240,329.6 million (\$31,424.00 million). The figure stood at N298,614.3 million (\$33,179.0 million) in 1990. At the end of December 1991, external debt stood at N325,496.4 million (\$33,364.5 million) and in 1992, it stood at \$27,564.8 million) and in 1992).

In 1998, the debt stock stood at N633,144.4 million (CBN:1993). In 1994 and 1995, the debt stock stood at N648,813.0 million (\$29,429 million) and \$32,585 respectively (CBN;1995). By December 31, 1996, Nigeria's external debt stock amounted to \$26,060 billion.

That year, General Sani Abacha regime claimed to have serviced the nation's external debt at \$2 billion. (Offiong and Oriakhi, 2002). In 1997, 1998, 2000 and 2001, the stock of Nigeria's external debt stood at US\$27,087.8 million, US\$28,773.3 million, US\$28,273.7 million and \$28,347.0 million dollars respectively (Obadan; 2004). In 2003 and 2004, the debt stock stood at US\$32.9 billion and \$35.9 billion respectively (CBN;2004). See table 4, which shows Nigeria's outstanding debt by creditor, 2001-2005.

By December 31, 2005, Nigeria's external debt as stated earlier stood at US\$20,477.97 million as against US\$35,944.66 million in December 2004, indicating a decrease of US\$15,466.69 as a result of the implementation of the first and second phases of the Paris Club debt by 33 percent after regularization of arrears.

## **2.2 The Categories of External Creditors**

Earlier, we mentioned in passing the categories of Nigeria's external creditors. For emphasis, and to show how the Nigerian external debt piled up overtime, we identify in this section, the major categories of the country's external debt over the years, up to 2005 December.

Nigeria's external debt could be grouped into two main categories – official and private official debts consist of Paris Club debts, multilateral debts and non-Paris Club Bilateral debts. The private debts components on the other hand, are made up of uninsured short-term trade arrears contracted through the medium of bills for collection, open account, etc and commercial bank debts acquired through loans and letters of credit, commonly referred to as London Club debts.

### **(a) Paris Club**

Much of Nigeria's external debt is owed to fifteen creditor countries belonging to the Paris Club. Paris Club Debts are government-to-government credits or market-based term loans which were guaranteed by various Export Credit Agencies of the creditor countries. The Paris Club is a cartel of creditor countries that provides an informal forum where countries experiencing difficulties in paying their official debt meet with the creditors to reschedule the debts. It is an informal group with no permanent members, which works under the principle of consensus. Paris Club member countries, to which Nigeria is indebted, are: Australia, USA, Switzerland, Germany, Denmark, Italy, the Netherlands, Japan, the U.K., Spain, Israel, France, Belgium, Russia and Finland. As shown on Table 4, the total amount Nigeria

owed to members of the Paris Club for the respective years of 2001, 2002, 2003, 2004 and 2005 are as follows: 2001 – US\$22.092 billion, 2002 – US\$25.380, 2003 – US\$27.469 billion, 2004 – US\$30.847 billion and 2005 – US\$25.412 billion. (See DMO Annual Reports for respective years). The total debts Nigeria owed to the Paris Club stood at US\$15.412 billion, or 75.26 percent of total external debt stock, as at 31 December, 2005. This comprised entirely of principal balance as there were no arrears outstanding, and represents the third phase payment of US\$4.8 billion to be paid in March 2006 and the anticipated cancellation of approximately US\$10.6 billion by the Paris Club creditors in the same month. Paris Club debt outstanding decreased by US\$12,435.41 million, or 50.04 percent, from US\$30,847.81 million in December 2004. The significant decrease is due to the first and second phase of the Paris Club debt deal executed during 2005 (see DMO; 2005 Annual Report). Nigeria fulfilled its obligations in the Paris Club deal in May 2006

#### **(b) Multilateral Debts**

Multilateral Debts make up the second category of debts owed by Nigeria. These are project loans owed to multilateral financial institutions (e.g., the World Bank Group, the African Development Bank Group, the European Investment Bank Group, IFAD, and ECOWAS Fund) by federal and state governments and their agencies. The total amount owed to multilateral institutions as at December 31, 2001 was US\$2,797.87 million. In 2002, the amount owed was US\$2,960.59 while it was US\$3,042.08 million in 2003. In 2004 and 2005, the amounts owed to multilateral institutions were US\$2,824.32 million and US\$2,512.19 million respectively. (See Table 4).

#### **(c) Non Paris Club Bilateral Debts**

Another category of debts is the Non-Paris Club Bilateral Debts. These are debts owed to countries, which are not members of the Paris Club and creditors resident in Paris Club countries but whose debts are not insured by the Export Credit Agencies. The amount owed to this category of creditors was US\$121.21 million as at December 31, 2001. In 2002, 2003, 2004, and 2005, the outstanding amounts owed were US\$55.55 million, US\$51.63 million, US\$47.50 million and US\$461.79 million respectively.

#### **London Club Debts (Par Bonds)**

The final category of debts are the commercial debts, properly so called. They have been packaged into two groups. The first group are owed to the London Club. The London Club is a group of commercial banks that join together to negotiate the restructuring of their claims against debtor countries. London Club debts are arrears of commercial bank term loans. They also include some arrears of letters of credit, bills for collection, open accounts, dividends, airline remittances etc. The debts were consolidated in 1991 and amounted to US\$5,437 billion. Out of the stock, the term loans contracted by FGN and the arrears of the non-term loan components were bought-back in January, 1992. The portion bought back accounted for 62 percent of the stock, which was bought at 40 cents to the dollar. The remaining US\$2.043 billion (made-up of state government's term loans) were collateralized with US Treasury Zero coupon bonds maturing on November 15, 2020. The holders are being paid interest at 6.25 percent per annum that is, about US\$128 million up to December 2002 when about 30% of the stock was bought in a buy-back market intervention (Arikawe; 2003). In 2001, 2002, 2003, 2004, the amounts owed the London Club were US\$2,043.21, US\$1,441.79, US\$1,441.79 and US\$1,441.79 respectively. The total amount outstanding to the London club as at 31 December, 2005 was US\$1,441.79 million, reflecting no change from the previous year. This is because only interest is paid on the bonds as the principal amount matures in 2020 which is to be settled in one bullet payment. It should be noted that in 2002 the DMO carried out a debt buy back arrangement which led to a significant reduction in the stock of the Par Bonds from US\$2,043.21 million to US\$1,441.79 million. (DMO:2005). See Table 4.

#### **(d) Promissory Notes**

The second group of the commercial debts are what are now called Central Bank of Nigeria (CBN) Promissory Notes. These were trade arrears contracted by ordinary Nigerians, between 1981 and 1986 but who deposited the local currency equivalents of the cost of their imports, through their local banks with the CBN, which in turn had no foreign currencies with which to make the remittances. This is why Promissory Notes are now regarded as Federal Government of Nigeria's (FGN) debt. The arrears were finally covered with Promissory Notes (PN's) in January 1988,

the stock amounted to US\$4.8 billion to be amortized quarterly ending on January 5, 2010. The outstanding balance of the Promissory Notes as at December 31, 2001 was US\$1,291.73 million. In 2002, 2003, and 2004, the amounts owed to the Promissory Notes were US\$1,153.18, US\$911.39 and US\$783.23 respectively. The total amount owed to the Promissory Note holders at the end of 2005 was US\$649.80 million. The reduction in the figures of 2004 as reflected in that of 2005 was due to amortization of the debt (DMO:2005).

### **3.0 SOURCES OF EXTERNAL LOANS AND DESTINATION OF SOME OF THE LOANS**

Nigeria began to experience external debt problems from the early 1980s, when foreign exchange earnings plummeted as a result of the collapse of prices in the international oil market, and external loans began to be acquired indiscriminately. The phenomenal increase in the magnitude of Nigeria's debt is a reflection of increase in loans from the ICM as well as the multilateral institutions, bilateral sources, the accumulation of trade arrears, default charges on over-due scheduled payments, capitalization of unpaid interest and the depreciation of the United States dollars against other major international currencies in which the loans were contracted (Obadan; 2004).

Between 1978 and 1980, external loans acquired greater significance in the Nigerian economy. Very many loans were contracted from 1978 onwards. For example, between 1978 and 1983, the federal government contracted 37 loans totalling N2.854 billion. From 1980 – 1981, the value of external loans contracted by the states and guaranteed by the federal government was N3.5 billion (Obadan; 2004). What projects were these loans used to finance, and were they actually repaid? Also, under what kind of contract clauses were these loans taken by Nigeria. Given the vast nature of the borrowings of the Nigerian government and the varied processes of borrowings, we shall identify some of the projects for which loans were taken to implement and their contract clauses.

Majority of the loans taken by Nigeria especially in the pre-structural adjustment period, beginning in 1986 were secured to finance developments projects. It was during the period of the Structural Adjustment Programme (SAP) that borrowing for balance of payments support became very popular. Otherwise, before now, borrowed funds were used to procure imports needed for development projects or for adding to reserves and, hence, enhancing external and internal liquidity. In general, projects financed by external loans are to be found in virtually all sectors of the economy, namely, agriculture, industry, roads, steel development, telecommunications, energy, water supply, education, health, transport, forestry, dams and so on. Nigeria's borrowings from the World Bank are mainly for agriculture, water supply, road network, education – recall the episode of the US\$120 million World Bank loan to Nigerian Universities – Port development, small and medium-scale industrial projects, urban development, and other aspects of infrastructural development, and other aspects of infrastructural development. (See tables 5 and 6).

Tables 5 and 6 show the projects for which loans were taken to implement as at 31 December 1997. Table 7 shows the loans from the IBRD, the projects for which the loans were taken and their fully repaid status as at 30 June 1997.

External loans to Nigeria come from four major sources. In the 1960s, the Nigerian government relied heavily on contractor finance as a result of inadequate aid supplies contractor finance obligations and supplier credits to the public sector of the economy reached an alarming scale and consequently caused serious concern. The credits had high rates and very short repayment period of 5-6 years. As a result, of the cost of such credits to the economy tended to be very high. But from the early 1970s up to 1978 there was a major shift away from procuring loans through contractor finance to bilateral and multilateral sources (Obadan:2004).

In this direction, Nigeria has continued to enjoy substantial credit facilities from multilateral institutions such as the International Bank for Reconstruction and Development (IBRD) - a member of the World Bank Group; the International Development Association (IDA); the International Fund for Agricultural Development (IFAD); and the European Investment Bank (EIB). The World Bank Group has been the most dominant among the multilateral suppliers of loans to Nigeria. All the World Bank loans have been made to federal and state governments and to quasi-official institutions with a guarantee by the federal government. Borrowings from the IBRD increased tremendously in the early 1980s from US\$63.0 million in 1980 to US\$524.0 million in 1986. It, however, declined gradually in the late 1980s and early 1990s to US\$264.0 million in 1993 (Omorugi; 1995).

The cumulative amount of World Bank loans to Nigeria has been substantial. The World Bank Group accounted for 42 percent of Nigeria's disbursed and outstanding external loans in 1997. As at 31 December 1997, aggregate World

Bank Group's commitment in Nigeria amounted to the equivalent of US\$7,155.68 million, spread over 98 projects and programme. As of the same date, 77 IBRD loans with gross commitments of US\$5,312.7 million, had been completely drawn down. The principal, interest and charges of 26 of the project loans, with original commitment amounting to US\$676.9 million had been fully repaid (see Table 7) seven other IBRD loans with initial commitment totalling US\$935.5 million are still disbursing. This brings the total number of IBRD loan to the country to 84, with initial commitment of US\$6,248.2 million. The status of the IBRD loans as at 31 December 1997 can be summarized as follows:

- 26 fully repaid loans valued at US\$676.9 million
- 5 fully disbursed loans valued at US\$4,635.8 million
- 7 disbursing loans valued at US\$935.5 million
- a total of 84 IBRD loans valued at US\$6,248.2 million.

The IBRD loans range from the first loan of US\$28.0 million for the Nigerian Railway Project, effective on 3 July 1958 to the 84<sup>th</sup> loan, the National Agricultural Technical Support Project Loan, effective on 8 June 1993; and valued at US\$42.5 million. Since 1965, the International Development Association (IDA) has financed 14 projects in the country with credit commitment totalling US\$707.5 million. Two of the credits, one for education (US\$21.4 million) and the other for the Northern Roads project (US\$18.7 million) have been fully disbursed. The other 12 credits with a commitment value of US\$867.38 million are still disbursing (Obadan; 2004).

Another source of loan is IFAD. IFAD – assisted project loans in the country between 1987 and 1992 amounted to US\$53.2 million for four projects. (See Table 8). IFAD-assisted project loans in the country between 1987 and 1992 amounted to US\$53.2 million for four projects. IFAD loans are for food and agricultural development projects. Like other multilateral finance institutions, the European Investment Bank (EIB) has since 1980 also financed several projects in the country. As at December 1997, the total loan commitment of the EIB in the country was US\$648.6 million, and it was all fully disbursed. Compared to those of other financial institutions, the World Bank Group loans are significant in that they are relatively less expensive. In addition, they embody technical assistance in the form of technology and personnel. However, IBRD loans have the disadvantage of being revalued periodically, a practice which more often than not increases the value of debt (Obadan; 2004).

Nigeria also secured some bilateral loans from other countries over the years. Starting with the Nigerian Railways bilateral loan agreement in 1963 between the governments of the United Kingdom and Nigeria for US\$100 million, since then bilateral loans have also been given to the country by the governments of the United States, Italy, Netherlands, Denmark, Japan, Hungary, Bulgaria, Czechoslovakia, France, Austria, Canada, Korea, Israel, Western Germany, and so on. Although these loans were quite substantial in the past, none has been signed since 1994. The value of external resources that Nigeria mobilized from bilateral sources has been low compared to the inflow from multilateral sources. Bilateral loans increased from US\$49.0 million in 1980 to US\$212.0 million in 1986 and thereafter, dropped to US\$492.0 million in 1991 before rising to US\$170 million in 1992. As a large part of the bilateral loans is in the form of export credits guaranteed by the Export Credit Agencies of the exporting countries, only a small proportion of it is concessional.

Nigeria has also acquired credits from the African Development Bank (ADB), the African Development Fund (ADF) and the ECOWAS Fund (ECOF) to finance several projects since 1975. The ADB, however, has been the major African creditor institution to Nigeria, having financed over 33 projects in the country between 1975 and 1994. Between 1987 and 1997, the total loan commitment of the ADB on 13 projects in the country stood at US\$1,597.5 million while the commitment of the ADF on 21 projects between 1990 and 1997 were US\$545.6 million. On the other hand, loan commitments from the ECOWAS fund on three projects amounted to US\$13.12 million as at 1997.

From the late 1970s, the International Capital Market (ICM), particularly the Eurodollar Market, became a major source of loans to Nigeria. The government ventured into the Eurodollar market for loans at a time when loans from other sources were not forthcoming as before because of the oil exporter status of the country. The country borrowed

on the assumption that high prices for oil would persist or that price declines would be temporary. But then the loans had to be procured at relatively higher costs and harder terms than multilateral and bilateral loans.

The large scale commercial borrowing from the international capital market later caused a very sharp deterioration in the external debt profile and generated payment crisis. The large-scale involvements with commercial creditors explains why, up till the early 1990s, Nigeria owed a significant proportion of its debt to private creditors. In recent years, however, especially at the time of 1990, borrowing from the international capital market declined considerably, largely because of the large volume of loans the country contracted in the past. To repay these loans as well as the accruing interests has been difficult, and this has resulted in the nation's accumulation of huge arrears. A second reason for the decline is the high cost of borrowing and currency fluctuation in the international capital market. The observed decline in borrowing has not been restricted to the federal government. There has also been a drastic reduction in state government's borrowing from the ICM in the 1990s. For example, in 1990 out of the 19 loans contracted from the ICM, only three were for state governments; the remaining 16 were for federal government projects. Also, out of the 12 loans contracted from the ICM between 1991 and 1994, only four were for state governments' projects; the rest were for federal projects (see Obadan; 2004).

Loans from private sources generally take the form of bonds, export credits and transactions on bills for collection and open account as well as direct loans from the Euro currency market. Between 1980 and 1993, the country did not benefit from any inflow of external resources from the international bonds market largely because of the limited access of developing countries to the market. (Omoruji; 1995) The inflow of credits from commercial banks (buyers' credits) was US\$492.0 million in 1980. It declined drastically to US\$27.0 million in 1989 and ceased thereafter. On the other hand, suppliers' credits have been high and fairly steady, with inflows rising from US\$573.0 million in 1985 before declining to US\$250.0 million in 1991. In the 1980s, however, credit from private sources, particularly trade debt, created problems for the country. Trade debt arrears were accumulated then because of uncontrolled importation that continued even in the wake of dwindling foreign exchange earnings following the collapse of the oil boom. Consequently, pressures mounted on the various sectors of the economy, which resulted in balance of payments deficits and depletion of external reserves. Table 9 shows the status of ICM loans as at 31 December 1997. The total ICM loan commitment stood at US\$3,159.8 million out of which the Federal Government's share was 87.6 percent. Out of the commitment, US\$3,046.3 million was disbursed leaving the undisbursed amount of US\$113.5 million. (Obadan 2004)

To conclude this section it is pertinent to point out that the ICM loans and the Paris Club loans have been used to finance many public sector projects generally. Examples are Pipelines (Warri – Abeokuta, Kaduna – Kano, Port Harcourt – Enugu, Warri Refinery, Kaduna Refinery and Storage Tanks); Cement Projects in Sokoto, Nkalagu and Calabar; Pulp and Paper Projects at Jebba, Calabar and Iru, iron and steel plants at Ajaokuta and Warri; and Port development at Apapa, Calabar and Tin Can Island (see Table 10).

Also, as noted earlier, the African Development Bank (ADB), the ECOWAS Fund (ECOF), the African Development Fund and other agencies had also given loans to Nigeria since 1975. While the ECOWAS fund financed projects such as the Sokoto (Nigeria) – Birni N'konni (Niger) telecommunications in 1985, as well as the sub-Accelerated Artisounal Fist Project in 1990, the Federal Superphosphate Fertilizer Company, Kaduna, in 1991, and the Sepeteri Irrigation Project in 1992, the African Development Project (1987), Bauchi State Health Project with ADB loans included Ibadan Water Supply (1987), Anambra State Rural Infrastructure (1989), Niger State Water Supply Project (1990), Hadeja Valley Irrigation project (1992), Small Medium Scale Enterprises (NERFUND and Central Bank of Nigeria (SME11), Multi-State Health Project (1993) and so on. (Federal Ministry of Finance, Reports of various years). Bilateral loans, on the other hand, have been used to finance similar projects in different sectors of the economy. Examples are the Niger Dam Project, Eseravos, Police Staff College, Eko Bridge, Kwara State Hospitals Projects, Eleme Petrochemical Lagos State Waste Disposals, Oso Project, Rural Electrification, Hadejia Valley Irrigation Project, and the Telecommunications Network Development for US\$13.116 million by the Japanese six grants under its technical assistance programme, ranging from the first US\$207 million for Rivers State Rice Development Study (1991) to the sixth in 1993 given for Forestry Resources Study amounting to US\$2.9 million. As

indicated before, IFAD –assisted project loans are mainly for food and agricultural development projects. Accordingly, its first loan in 1987 was for cassava multiplication for component of MSADPI (US\$16.3 million), the fifth loan of US\$9.03 million in 1992 financed the Sokoto State Agricultural and Community Development Project (Obadan, 2004).

From the foregoing, available statistics show that external public debt which was US\$69.7 million in 1960, rose to US\$246.0 million in 1970, representing 252 percent increase, and then to \$3,146.0 million in 1977. From 1960-70, external debt averaged US\$160.4 million per annum. Although the total debt stock declined in 1975 and 1976 by 10.3 and 20.7 percent, the average growth of debt between 1970 and 1977 was 51.9 percent. (See table 9) (Obadan 2004)

Experts are united in the view that during the first two decades of Nigeria's political independence, external debt obligations did not present any serious problems to the economy. The government then adopted a cautious borrowing policy. Moreover, the sizes of total debt and debt service payments were small in relation to export earnings of the country. Computed debt service and interest service ratios show that debt service payment was not a real burden throughout the 1960-80 period. For example, from 1970-77, the debt service ratio (ratio of total debt service payments to export of goods and services) averaged only 1.3 percent. However, towards the end of the 1970s, there were major shifts in procuring loans, largely from contractor finance and bilateral (UK) sources in the 1960s to multilateral sources in the 1970s and up to 1977, after which syndicated loans in the form of Eurodollar credits were contracted. (See table 10) For example, the share of loans from contractor finance sources in total external debt declined from 25.3 percent in 1968 to 12.6 percent in 1974 and thereafter apparently ceased.

On the other hand, the relative share of the World Bank Group (IBRD and IDA) loans increased from 17.4 percent in 1968 to 38.2 percent in 1977, but declined thereafter to 9.6 percent in 1980. Table 10 shows that up to 1977 and of the non-contractor finance sources, Nigeria relied mainly on loans from the U.K; World Bank Group and USAID. From 1978, however, there was a significant shift to market loans from the International Capital Market (ICM) to finance a number of projects. This singular act changed the character and structure of Nigeria's external debt from mainly concessional loans to medium and long-term loans with stringent repayment terms.

Thus, Nigeria's first major borrowing of US\$1 billion, referred to as the "jumbo loan" was contracted from the International Capital Market (ICM) in 1978, and Nigeria's external debt shot-up to US\$5 billion by the end of that year, an increase of 16.8 percent from the external debt amount of US\$3,146.0 million in 1977.

The reasons why Nigeria resorted to the ICM for external funds have been well documented. First, the ICM loans was flexible and relatively easy to secure at a time when poor crude oil earnings contributed to Nigeria's balance of payments problems, and loans from other sources were no longer forthcoming because of the oil exporter status of the country. Also, the 1970s and early 1980s were periods of excess loanable funds in the Western World, and International Commercial Banks sought outlets for such funds, and they went wild pushing loans to unsuspecting developing countries in the guise of assisting economic development efforts. Nigeria accepted quite a good number of such loans (Obadan, 2004).

After the 1978 jumbo loan from the ICM, particularly in the first half of the 1980s, the spate of external borrowing by Nigeria increased with the entry of state governments into large external loan contractual obligations, coupled with a rapid accumulation of trade bills. From US\$5,091.0 million in 1978, external debt outstanding grew very rapidly to US\$8,934.0 million in 1980, US\$12,954.0 million in 1982, US\$19,550 million in 1985, US\$35,944.66 million in 2004 before dropping to US\$20,477.97 million in 2005, indicating a decrease of US\$15,466.69 million or 43.03 percent as a result of the implementation of the first and second phases of the Paris Club debt deal, which reduced the pre-cut off Paris Club debt by 33 percent after regularization of arrears.

The phenomenal increase in the magnitude of Nigeria's external debt is a reflection of increase in loans from the ICM as well as the multilateral institutions, bilateral sources, the accumulation of trade arrears, default charger on over

due scheduled payments, capitalization of unpaid interests and the depreciation of the United States dollars against other major international currencies in which the loans were contracted.

Apart from the stringent conditions in the International Capital Market (ICM), successive Nigerian governments also exacerbated Nigeria's debt crisis. Since the Obasanjo regime borrowed the one billion dollar jumbo loan from the ICM in 1978, successive regimes with exception of the Mohammadu Buhari regime (December 31, 1983 – August 27, 1985), the late Sani Abacha regime (November 17, 1993 – June 8, 1998) and the Abdulsalam Abubakar regime (June 9, 1998 – May 29, 1999) have borrowed indiscriminately without regard to the economic viability of the projects to be financed. (See table 11) A sizeable proportion of these external loans were diverted into unproductive ventures as opposed to being committed to the projects for which they (loans) were taken, some of them were even diverted to the coffers of political parties and into private pockets.

During the second republic (1979-1983) many long-term projects were financed with short-term hardly completed before amortization was due. This practice partly explains the proliferation of abandoned projects in the country (Onyeiwu, 1991) (see tables 11 and 12) for the list of some projects financed by external and internal loans and some of her projects financed in some states with external loans.

It should be noted that while official loans generally have low interest rates and long maturities, borrowing from private sources requires repayment of a higher interest rate. As stated earlier in this section, for reasons which we have identified earlier, from 1978, Nigeria resorted to a large-scale commercial borrowing from the international capital markets (ICM). This caused a very deep deterioration in the external debt profile and generated payments crisis, thus creating the need for debt rescheduling and refinancing.

In 1977, official creditors (multilateral and bilateral sources) accounted for nearly 100 percent of Nigeria's external debt. But in 1978, international capital markets accounted for more than 50 percent of the debts. The percentage rose to 62.0 in 1982 while trade arrears accounted for 22.5 percent. By 1985, ICM loans accounted for 44.7 percent and trade arrears had a share of 42.9 percent.

Experts have established that Nigeria's resort to the international capital markets for loans was the beginning of reckless borrowing by Nigerian successive governments. To imagine the states also took money from the ICM guaranteed by the federal government to finance projects, some of which were abandoned while others were not viable smack of the irresponsibility and corrupt nature of the Nigerian ruling class. (see table 12) What is more, the private creditors, the Eurodollar Markets (ICM) had so much funds to push around for borrowers. As stated earlier, the commercial banks pushed these loans and forced the Nigerian leaders, who were less circumspect to borrow these monies despite the unfavourable terms and short maturity duration of these ICM loans. Thus between 1978 and 1986, Nigeria borrowed hugely from ICM and the country's debt entered the club of unsustainability after several instances of rescheduling and refinancing.

Another thing to worry about in ICM loans is that they are not tied to specific projects and could, therefore, be misused. Furthermore, their repayment period is considerably shorter or floating interest rates and this have the effect of magnifying the cost of servicing one thing, though, is that borrowing from private sources can be generally be refinanced from time to time if a country continues to grow vigorously. But with Nigeria's and refinancing.

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As for the possibility of abusing the ICM loans, General Sani Abacha, himself a beneficiary of the primitive accumulation process in Nigeria revealed how members of the ruling class embezzled borrowed funds in his 1997 annual budget broadcast to the nation. He stated inter alia:

*During 1996, an appraisal of project financed with loans from International Capital Market (ICM) loans was conducted with a view to determine whether the country obtained commensurate value from the borrowings; this produced remarkable results. Field visits to the 145 projects with total ICM loans amounting to 13.157 billion US Dollars, revealed that 18 projects with total loan amount of 836 billion US dollars were never executed. The proceeds of the external loans obtained for their execution were drawn in all cases. These projects are classified as "failed". The failed loans are being serviced by government. Another 44 projects with loans amount of 4.811 billion US dollars and classified as "distressed" were either not commissioned or were commissioned and then closed down shortly after. The potential economic and social benefits of these projects cannot be achieved with further injection of funds. The third category classified as "successful" comprised 83 projects with an amount of 7.503 billion US dollars, were surviving and operating at some capacity during the appraisal (Abacha, 1997).*

Offiong and Oriakhi (1998) contends that the 18 projects which amounted to 836 million US dollars that were never executed were awarded to members of the ruling class – top bureaucrats, top military brass, retired and serving, renowned pro-government academics, politicians, businessmen and other apologists of the status quo fronting as contractors. The exploited working people, artisans, rural peasants, students, the unemployed and other members of the underclass were not the ones who were awarded the failed projects. That such huge sums of borrowed money, with interests which grew by geometrical progression could be shared among members of the Nigerian ruling class with reckless abandon demonstrates the crudity of the primitive accumulation process in Nigeria.

## 4.0 DEBT SERVICING AND ITS IMPACT ON THE NIGERIAN ECONOMY

Nigeria was a heavily indebted poor country until the 2005 Paris Club debt deal, which exited the country from the Paris Club debt conundrum. The country owed about US\$34 billion to its creditors. This amount comes from penalty and interest amounting during 1980's and early 1990's when military regime did not repay the debt. Before the debt relief, Nigeria was paying US\$1.7 billion in debt service annually, which was 3 times larger than budget for health sector (Okonjo-Iweala, 2005). Currently, the country spends roughly 800million in debt service.

Nigeria really did not experience any debt servicing difficulties until 1983. Before then both the absolute size of debt service payments and its proportion of exports of goods and services (XGS) were relatively small.

For example, total debt service payments increased from the paltry US\$192.0 million in 1974 to the phenomenal US\$4,503.0 million in 1985, representing 2,245.3 percent increase. The growth in the relative importance of private lending to Nigeria is also reflected in the structure of debt service payments. For example, in 1978, 17.5 percent of total debt service payments went to private creditors and 82.5 percent to official creditors. But by 1983 the situation had reversed itself. 90.2 percent of the debt service payments went to private creditors and 9.8 percent to official creditors. Between 1974 and 1983, total debt service payments to official creditors grew at an annual average of 154.7 percent. The dominance of private sector debt is further depicted in the 1983 figures in which private creditors accounted for 92.8 percent of principal repayments and 88.1 percent of interest payments. (Obadan, 2004)

The period, 1983 – 1986 was one of severe debt servicing difficulties to the extent that the country had to seek debt relief through restructuring. During this period, the ratio of external reserves to debt outstanding declined continuously from 468.0 percent in 1974 to 119.1 percent in 1980 and to 9.7 percent in 1985. Similarly, the ratio of reserves to imports of goods and services (months) declined from 13.6 in 1974 to 5.8 in 1980, and then to 1.0 in 1983. All these indicate the increasing inability of foreign exchange reserves and export earnings to finance debt service obligations. What then became clear was that the debt service ratios of over 30 percent were too high. When over 30 percent of foreign exchange earnings is devoted to paying debts, it means that very little would be left for importing necessary industrial raw materials, machinery and spare parts for industries, whose capacities are grossly under utilized. It is therefore, important that the debt service ratio be reduced significantly to free foreign exchange resources for funding economic recovery programmes, especially when it is recalled that the country experienced negative growth rates every year from 1981 – 1986, excepting 1985. Furthermore, it would also make the use of burdensome new loans unnecessary. In fact, the Buhari regime's policy of paying for imports on current basis was in the right direction. It was in the light of the above that government set a limit of 30 percent of total foreign exchange earning for external debt servicing in early 1986 (Obadan, 2004).

Indeed, Nigeria's debt burden has grave consequences for the economy and the welfare of the citizens. As stated earlier, the servicing of the huge external debt has severely encroached on resources available for socio-economic development and poverty alleviation. Debt service due in 2000 was over US\$3.1 billion (or 14.5% of exporting earning excluding arrears of US\$19.6 billion owed essentially to members of the Paris Club. Actual debt service outlay in year 2000 was US\$1.9 billion, translating to about 4 times federal government's budgetary allocation to education and about 12 times the allocation to health. In year 2001, actual debt service payment was US\$2.13 billion, which amounted to 6 times the budgetary allocation to education and 17 times the budgetary 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. (Arikawe, 2003)

Another area in which the external debt overhang is adversely impacting on the Nigerian economy is in the inflow of foreign investments. Following Nigeria's problem with servicing its debts, Export Credit Guarantee Agencies (ECGAs) suspended insurance cover for export's, not only of goods and services, but also of investment capital to the country. Consequently, the much needed inflow of foreign resources for the stimulation of investment, growth and

employment has been hampered. Nigerian importers were required to provide 100% cash cover for all their orders and are, therefore, placed at competitive disadvantage compared to their counterparts elsewhere who have access to ECGA covers and import credit facilities. This situation exacerbated the pains of the external debt burden as it blocks off the relief that would have been received via speedy economic recovery and growth. The severity of Nigeria's external debt can be further observed in some fundamental debt sustainability indicators. Nigeria performed poorly on virtually all the debt indicators. For example, the total external debt to GDP ratio in 2001 amounts to 59.4 percent, and had even reached astronomical level of 92.93 percent in 1998. Similarly, the debt/export ratio in 2001 stood at 15 percent. This was as high as 308.5 percent in 1998.

Between 1985 and 2001, Nigeria spent over US\$32 billion in external debt servicing. Prior to the October 2000 rescheduling arrangement with the Paris Club creditors, annual debt service payments due was in the range of US\$3.0 billion to US\$3.5 billion. Debt service due in 2000 was over US\$3.1 billion (or 14.9% of export earnings) excluding the arrears of US\$19.6 billion owed essentially to members of the Paris Club. On fiscal sustainability of the debt, the debt service to government fiscal revenue averaged about 30 percent between 1998 – 2001 (DMO, 2006). For 17 years, 1995-2001, it was only in two years, (1995 and 1996) that Nigeria did not post a fiscal deficit. This shows the enormous resource constraints faced by the country. External debt service payments constituted a large portion of the fiscal deficit for virtually all the years when deficit occurred.

The total external debt service payments for the year 2005 were US\$8,943.45 million, compared to US\$1,754.75 million in 2004, reflecting an increase of US\$7,188.71 million or 410 percent. The huge increase is due to the inclusion of the Paris Club exit payment under the first and second phases, which totalled US\$7,575.92 million. Excluding this payment, total external debt service payment were US\$1,367.54 million, comprising of principal repayments of US\$978.36 million and interest payments and commitment charges of US\$389.17 million (see table 13 for external debt service payments, 2001-2005). The largest debt service payment in 2005 was made to the Paris Club, amounting US\$8,072.55 million or 90.26 percent. This included US\$496.64 million principal and interest payments under Agreements III and IV; and US\$7,575.92 million of principal payment under the first and second phases of the exit deal. Payments to multilateral creditors amounted to US\$471.66 million, or 5.27 percent of the total, US\$213.55 million or 2.39 percent was paid to Promissory Note holders, US\$169.86 million or 1.80 percent to London Club creditors, US\$12.6 million or 0.14 percent to non-Paris Club bilateral creditors and US\$3.67 million or 0.04 percent to other creditors (DMO, 2005).

## 5.0 NIGERIA'S DEBT RELIEF AND ITS IMPLICATIONS

Obviously, the burden of amortization and interest payments drains the nation's resources and reduces the possible expenditure of resources on productive ventures. The setting aside of a disproportionately high percentage of export earnings to meet debt service obligations means increasing inability of the country to pay for imports of goods and services that are vital for economic growth. Debt Service payment, which is the increasing net transfer of resources from Nigeria increases the government budget deficit financed mainly by the Central Bank, it frustrates the achievement of other macroeconomic objectives including price, exchange rate, and interest rate stability as well as balance of payments viability. The implication of this, according to Obadan (2004), the need to reduce the debt-service burden substantially in order to release foreign exchange to fund economic recovery programmes as well as make the continued contracting of burdensome new loans unnecessary.

In its efforts to free the economy from this huge debt service burden and free up resources for development in the country, the President Olusegun Obasanjo government (1999-till date) attached priority to obtaining rapid and substantial external debt reduction from the nation's main creditors. The major planks of the strategy include regularization of relations with the international financial community to pave the way for constructive engagement with members of the Paris Club; negotiation of favourable terms for debt rescheduling and restructuring under "traditional" debt relief mechanisms in the short run; and building on that in the medium term, to secure deeper and more substantive debt reduction. (Arikawe, 2004)

To actualize its debts strategy, the Obasanjo administration embarked upon bold macroeconomic stabilization and structural reform policies, supported by a stand-by arrangement that was approved by the IMF on August 4, 2000. The good track circumstances, paved the way for negotiations with the Paris Club creditors on the restructuring of the Country's debts. (DMO: 2006) The Nigerian negotiating team was able to make a convincing case for debt relief to the major creditor governments, culminating in a formal announcement by the Paris Club on 29 June 2005. The total relief package amounted to an US\$18 billion debt write-off, with Nigeria expected to pay off the balance of approximately US\$12 billion to the creditors over a period of six months in order to completely exit from all Paris Club obligations (Muhtar, 2005) on Nigeria's gains from the debt relief, Mansur Muhtar, the Director General of the Debt Management Office said that the Nigerian Government will no longer need to spend US\$1 billion a year on average in servicing its Paris Club debts. Muhtar declared further: "To ensure that debt relief savings are judiciously utilized, a virtual poverty fund – oversight of Public Expenditure in NEEDS (OPEN) –has been set up to monitor and track spending of the debt relief savings. The 2006 budget has earmarked these savings for spending in priority areas, such as health, education, water, agriculture, power and works. In addition to the direct benefits above, the removal of the debt overhang will also help to restore investors' confidence in Nigeria, attract increased foreign direct investment and facilitate the smooth conduct of trade with other countries by improving access to the facilities of export credit guarantee agencies" (Muhtar, 2005).

Nigeria, in 2006 eventually sealed the Paris Club deal by paying a total of US\$12.124 billion to get a write-off of US\$18 billion loans from the Paris Club. Though, the civil society and some critical Nigerians seriously opposed the decision of the Obasanjo to pay the amount of US\$12.124 billion at a go to the Paris Club, at a time when serving external debt is having a heavy toll on the national economy. Indeed, civil society groups like the African Network for Environment and Economic Justice (ANEEJ) and other human rights organizations criticized the Paris Club debt deal and rather asked for unconditional cancellation of Nigeria's external debt on grounds that the debt is odious and that the pains of debt servicing fall on the poor people, who are over 70 percent of the population. Yet, the Obasanjo government ahead a release a total of US\$126 billion to the Paris Club, and it is presently negotiating with the London Club for a similar debt deal. Nigeria's debt to the London Club stood at a little over US\$2 billion as at December 2005. According to The Guardian newspaper reports, President Olusegun Obasanjo had on May 24, 2006 informed the senate of his government's readiness to pay-off Nigeria's last batch of outstanding debts owed the London Club amounting to US\$2.15 billion (N279.5 billion).

The President said he is following up its recent action in paying-off the country's debt to the Paris Club of creditors, and that the government will adopt a different approach in tackling the London Club creditors that would benefit the country (The Guardian, August 28, 2006). Yet, Nigerian civil society organizations are completely opposed to the government's decision to strike a debt relief deal with the London Club. Critics are worried that the country, still bleeding from the Paris Club debt repayments needs to benefit from its improved foreign exchange earned from the surge in oil price in the last four years or so.

The socio-economic implications of the US\$12.124 billion Paris Club debt relief leaving the economy is self-evident. The social cost as usual is being transferred to the poor citizens. It is important to point out that since Nigeria started swimming in the debt crisis, the national economy has been in complete ruins. The pains and burden over the years, are transferred to members of the underclass, especially, "the poor of the poor", women and other vulnerable members of the Nigerian society.

Today, over 70 percent of Nigerians live below the poverty line. The country in 2004 UNDP HDI report was ranked 151 out of 177 countries in terms of socio-economic development while between 105 and 159 children die out of every 1000 born (Human Development Report, 2004). Nigerians labour daily under crushing neo-liberal policies of IMF and World Bank which preach liberalization, deregulation, cuts in social welfare, and withdrawal of government subsidies to education, health, agriculture and privatization of national institutions. The IMF and World Bank imposed neo-liberal agenda, rather than alleviate poverty as the government claims to be doing, imposes poverty on the majority of the Nigerian people. Thousands of the citizens are daily loosing their jobs to government's "down-sizing" or "right-sizing" policies of job cuts. The majority poor Nigerians are bearing the brunt of Nigeria's unguarded, if not irresponsible borrowings of the past years and the greed of the country's creditors.

## 6.0 LEGAL AND INSTITUTIONAL FRAMEWORK FOR MANAGING EXTERNAL DEBT

It is on record that during the first two decades of Nigeria's political independence, external debt obligations did not present any serious problems to the economy. Apart from adopting a very cautious borrowing policy, the size of total debt and debt service payments were small in relation to export earnings of the country.

Compound debt service and interest service ratios show that debt service payment was not a real burden throughout the 1960 – 1980 period. For example, from 1970 – 1977, the debt service ratio (ratio of total debt service payments to export of goods and services) averaged 1.3 percent. As we have stated earlier, it was only from 1978, when Nigeria made significant shift to market loans from the Eurodollar market (ICM) to finance a number of projects that the debt crisis started. This singular act changed the character and structure of Nigeria's external debt from mainly concessional loans to medium and long-term loans with stringent repayment terms.

The successive governments put some legal frameworks on ground to guide and regulate external borrowings, although these laws were hardly obeyed by the various governments – states and federal. The military government of General Olusegun Obasanjo in 1978 Promulgated Decree No. 30 of 1978 that authorized the federal government to raise up to a maximum of N50 billion. Consequently, the first major borrowing of US\$1 billion, referred to as the "jumbo loan", was contracted from the International Capital Market (ICM) in 1978. Thereafter, particularly in the first half of the 1980s, the spate of borrowing increased with the entry of state governments into large external loan contractual obligations, coupled with a rapid accumulation of trade arrears. Thus, federal and state governments under the Decree 30 of 1978 borrowed indiscriminately. It is important to note that most of the loans procured were mismanaged – diverted or used for projects that were unable to generate funds for servicing the underlying debt. Many projects financed by external loans are either uncompleted, or partially completed and where they have been completed they are not functioning (see table 12). It is important to note that before 1988, indiscriminate borrowing and other indicators of inefficient debt management had characterized the external debt situation.

Other legal frameworks were put in place by the military regime to check-mate indiscriminate borrowing and huge debt service. For instance, the General Mohammadu Buhari regime (1984 – 1985) employed the counter-trade and high debt service posture, a situation which saw the ratio to nearly 44 % in 1985. Nigeria has used four main instruments of debt relief and reductions, namely:

- (a) Embargo or regulations placed on external borrowing since the early 1980s – to borrow only when it is absolutely necessary; therefore bringing order to external borrowing process. The Abacha regime (1993 – 1998) did not take fresh loans;
- (b) Pegging of debt service payments for instance, the federal government pegged the 1986 debt service burden at a level not exceeding 30% of foreign exchange earnings;
- (c) Debt refinancing/rescheduling first implemented in 1983; and
- (d) Debt equity swap or conversion.

There were several legal considerations which informed Nigeria's interest in the loan rescheduling option. Nigeria had expressly waived her sovereign immunity under the terms of the agreement governing the par Bonds. As a result, the failure to make debt service payments on the bonds as and when due, carry stiff penalties including the attachment of the assets of the Central Bank of Nigeria and the Nigerian National Petroleum Corporation, wherever found. This legal provision constitutes a major constraint on Nigeria's ability to manage her debt service payments effectively and flexibly. For example, at the beginning of 2003, the total debt service requirement for Nigeria's external debt including arrears of unpaid obligations carried over from 2002 is about US\$4.9 billion. In spite of the obvious reality that we cannot meet this obligation due to severe resource constraints, we must find money at all costs to satisfy our obligations to the holders of the Par Bonds, as these obligations are non-deferrable. It is, therefore, to our interest to seek a permanent solution to such a legal yoke (Arikawe, 2003).

Indeed, Nigeria's debt unsustainability over the years, (1978 – 2005) made the country to enter into all kinds of agreements and tight legal ropes in its quest to get some breathing space from its creditors. However, given the failure of the various debt management options of successive governments, President Olusegun Obasanjo (1999 – till date) initiated a revolution in the management of Nigeria's external debt on assuming office as elected president by establishing the Debt Management Office (DMO) in October 2000. It is on record that before the DMO was established, sovereign debt management functions in Nigeria were split among numerous government departments and agencies – four departments in the Federal Ministry of Finance and two major departments in the Central Bank of Nigeria (CBN). The diffused responsibility and poor coordination implicit in such as arrangement created problems of duplications, inefficiency, confusion, time-consuming debt servicing procedures and the lack of a coherent and well-defined national debt strategy (DMO, 2002). Thus, in the 1980s, through the 1990s, there were controversies as to what the actual size of Nigeria's debt truly was. In most cases, Nigeria quoted figures that were different from the figures often quoted by the nation's creditors. However, Obasanjo government recognized the urgent need to address the chaos, and hence instituted a decisive policy shift and sound institutional frameworks with respect to debt management in the country.

Since its establishment in 2000, the DMO's main functions include:

- (1) maintaining comprehensive accounts and timely records of the country's debts;
- (2) Prudently managing the debt portfolio and ensuring its affective servicing;
- (3) Negotiating on debt relief;
- (4) Accessing and advising on new borrowing;
- (5) Advising government on national debt strategy and borrowing policy (DMO, 2002).

In addition, the establishment of the DMO gives strong macro-economic management as it provides a crucial link with monetary and fiscal policy measures. The DMO also supports government's overall efforts to strengthen governance through transparency and accountability as well as to raise creditors' confidence in extending new credit line or rescheduling debts.

The DMO has lived up to its responsibilities since it was established. Nigeria now have correct figure of its debts and debt service payments through the activities of the DMO. The DMO played a pivotal role in the substantial debt relief which Nigeria secured from Paris Club in 2005. The chaos in the debt figures over the years have been strengthened by the DMO. The DMO is also contributing a great deal to the Obasanjo government's campaigns against indiscriminate external borrowings by all the levels of government. Also, the DMO is playing a great role in establishing a legal framework for controlling external borrowing and ensuring that the various levels of government are transparent and accountable to the people. As Muhtar (2005) reported. "During the year, the DMO was also a key driver behind the finalization of the draft Fiscal Responsibility Bill. It provided the secretariat for the Working Group on the Fiscal Responsibility Bill, which finalized the draft Bill and subsequently passed it on to the National Assembly to debate. This is a key piece of Legislation that will engender fiscal prudence and ensure a sound framework for transparent public expenditure management in Nigeria". The Fiscal Responsibility Bill is currently in the National Assembly for consideration.

The Obasanjo government has equally established other agencies to facilitate the "war" against official corruption which contribute a great deal to Nigeria's huge debt profile in the past. The major institutions and agencies fighting official corruption in Nigeria today are the Economic and Financial Crime Commission (EFCC) the Independent Corruption and Other related Offences Commission, ICPC, and the Code of Conduct Bureau. The government has also presented the Nigeria Extractive Industries Transparency Initiative (NEITI) Bill to the National Assembly for passage into law. The government also collaborates sometimes with civil society groups working in the areas of transparency and economic justice to ensure transparent public financial and expenditure management.

## 7.0 CONCLUSION

To bring this discourse to a close, it is pertinent to state that the necessity for external borrowing for national development will always be there. However, the Nigerian ruling class in collaboration with international finance capital messed up the country's external borrowing process.

Nonetheless, the new resolve of Obasanjo government to bring sanity to the debt conundrum through the activities of the DMO and the provision of some legal frameworks to regulate and control external borrowings is promising and quite ambitious. Indeed, the DMO has demonstrated that it is possible to have good records of the debt profile of the country and that progress can be made in reconciling the country's debt data with the Paris Club creditor countries and eliminate all areas of disagreements. Today, as at June 2006, the DMO puts Nigeria's outstanding debt at US\$4,847.47. The debt relief secured from the Paris Club in 2005, though quite satisfactory to the Nigerian people, is a step in some progress match. And it is expected that the Obasanjo government will listen to the voices of the common people by not committing the country's gains from the so-called oil price increase to paying the London club debt as the government is planning to do.

Also, the Obasanjo government should use its party machinery and influence in the National Assembly to hasten the various bills of transparency and good governance currently in the National Parliament for passage – the Fiscal Responsibility Bill, the NEITI Bill, and the Freedom of Information Bill. We believe that the passage of these bills into law will facilitate good governance and transparency in the political life of Nigerians. We also call on the government to deepen its work through its numerous agencies and diplomats to facilitate the return of Nigeria's stolen wealth which are abroad. We appreciate the efforts so far made in this regard as about five billion dollars have so far been recovered by the EFCC. These efforts should be intensified and funds recovered should immediately be used to tackle poverty in the country.

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**Table 1: Social Indicators**

|  | 1980          | 1985       | 1990       | 1995          | 2000          | 2005            |
|--|---------------|------------|------------|---------------|---------------|-----------------|
| Total population   | 84.73 million | 90 million | 94 million | 78.95 million | 115.2 million | 137.253 million |
| Health expenditure as total % of government expenditure    |               |            |            |               | 1.7           |                 |
| Health expenditure as total % of GDP                       |               |            |            |               | 3             |                 |
| Education expenditure as total % of GDP                    | 1.4           |            |            | 0.7           |               |                 |
| Education expenditure as total % of government expenditure |               |            |            |               |               |                 |
| HIV Prevalence rate %                                      |               |            |            |               | 5.1           | 5.0             |
| Life expectancy at birth                                   | 45.86 years   | 47         | 50.3       | 52.3          | 54.0          | 47              |
| % of population living under US\$1 a day                   | 27.2          | 60.2       | 62.1       | 65.6          | 70.2          | 70.2            |

Source:

**Table 2 Provide Basic Indicators of External Debt.**

Table Nigeria's Debt (million USD)

|   | 1980    | 1985     | 1990     | 1995     | 2000   | 2005      |
|---|---------|----------|----------|----------|--------|-----------|
| External Debt stock                         | 3,444.8 | 18,904   | 33,099   | 32,584.8 | 28,344 | 20,477.97 |
| Domestic Debt stock                         | 8,231.3 | 27,952.0 | 84,093.1 | 338,94   | 898.25 | 11,828.76 |
| Total Debt stock                            | 11,676  | 96,196   | 117,194  | 42,650   | 87,106 | 32,306.73 |
| Domestic Debt stock/Total Debt stock (in %) | 81.5    | 61.8     | 22.0     | 0.0      | 12.10  | 36.61     |

**Table 3: Debt Indicators (US\$ million)**

|                                    | 1970  | 1980  | 1990    | 2000      | 2005      |
|------------------------------------|-------|-------|---------|-----------|-----------|
| Total External Debt Stock          | 246.0 | 8,921 | 33,440  | 28,273.69 | 20,477.97 |
| Bilateral Debt                     | 175   | 422   | 18,846  | 22,214.10 | 15,874.19 |
| Multilateral                       | 185   | 571   | 3,842   | 3,460.0   | 2,512.19  |
| Total Debt Service paid            | 96.0  | 772.0 | 3,304.0 | 1,100.0   | 8,943.45  |
| Total Debt service as % of exports | -     | 32.1  | 226.4   | 178.5     | 15.7      |

|  | 1970 | 1980      | 1990        | 2000             | 2005             |
|--|------|-----------|-------------|------------------|------------------|
| External Debt as % of GNP                        |      | 14.6      | 130.7       | 74.0             | 44.0             |
| External Debt as % of Exports (goods & services) | 3.5  | 33.0      | 226.4       | 35.2             | 33.10            |
| Total debt amount rescheduled                    | 185  | US\$5,400 | US\$1,250   | US\$20.5 billion | US\$21.4 billion |
| Debt amount forgiven                             |      |           | US\$1,285.0 | NA               | US\$18 billion   |

**Table 1: Stock of External Debt Outstanding and Arrears by Creditor Type as at 31 December, 2005.**

|                         | Debt Outstanding<br>Excluding Arrears<br>1. | Arrears of<br>Principal<br>2. | Debt Outstanding<br>Including Principal<br>Arrears<br>3. (H2) | Arrears of<br>Interest/Commissio<br>n<br>4. | Late/Penalty<br>Interest<br>Arrears<br>5. | Debt Outstanding<br>Including Total<br>Arrears<br>6 (3+4+5) | Total Arrears<br>7. (2+4+5) | Total Arrears as %<br>of Debt<br>Outstanding<br>including Arrears<br>8. |
|-------------------------|---|-------------------------------|---|---|---|---|-----------------------------|---|
| Official creditors      | 18,386.38                                   | 0                             | 18,386.38   | 0   | 0   | 18,386.38   | 0                           | 0   |
| Bilateral               | 15,874.19                                   | 0                             | 15,874.19   | 0   | 0   | 15,874.19   | 0                           | 0   |
| Paris Club <sup>2</sup> | 15,412.40                                   | 0                             | 15,412.40   | 0   | 0   | 15,412.40   | 0                           | 0   |
| Non Paris               | 461.79                                      | 0                             | 461.79  | 0   | 0   | 461.79  | 0                           | 0   |
| ODA                     | 113.61                                      | 0                             | 113.61  | 0   | 0   | 113.61  | 0                           | 0   |
| NON ODA                 | 346.37                                      | 0                             | 346.37  | 0   | 0   | 346.37  | 0                           | 0   |
| Multilateral            | 2,512.19                                    | 0                             | 2,512.19  | 0   | 0   | 2,512.19  | 0                           | 0   |
| Concessional            | 1,296.70                                    | 0                             | 1,296.70  | 0   | 0   | 1,296.70  | 0                           | 0   |
| IDA                     | 979.07                                      | 0                             | 979.07  | 0   | 0   | 979.07  | 0                           | 0   |
| IEAD                    | 30.11                                       | 0                             | 30.11   | 0   | 0   | 30.11   | 0                           | 0   |
| ADF                     | 160.78                                      | 0                             | 160.78  | 0   | 0   | 160.78  | 0                           | 0   |
| EDF                     | 126.73                                      | 0                             | 126.73  | 0   | 0   | 126.73  | 0                           | 0   |
| Non-Concessional        | 1,215.49                                    | 0                             | 1,215.49  | 0   | 0   | 1,215.49  | 0                           | 0   |
| IBRD                    | 702.67                                      | 0                             | 702.67  | 0   | 0   | 702.67  | 0                           | 0   |
| ADB                     | 507.07                                      | 0                             | 507.07  | 0   | 0   | 507.07  | 0                           | 0   |
| ECOWAS Fund             | 0.40  | 0                             | 0.40  | 0   | 0   | 0.40  | 0                           | 0   |
| EIB                     | 5.34  | 0                             | 5.34  | 0   | 0   | 5.34  | 0                           | 0   |
| Private Creditors       | 2,091.59                                    | 0                             | 2,091.59  | 0   | 0   | 2,091.59  | 0                           | 0   |
| Promissory Notes        | 649.80                                      | 0                             | 649.80  | 0   | 0   | 649.80  | 0                           | 0   |
| Commercial Banks        | 1,441.79                                    | 0                             | 1,441.79  | 0   | 0   | 1,441.79  | 0                           | 0   |
| Total                   | 20,477.97                                   | 0                             | 20,477.97   | 0   | 0   | 20,477.97   | 0                           | 0   |

1. Exchange rate of US\$ vis-à-vis other currencies as at 31/12/005 applied.
2. Paris Club outstanding reflects the partial implementation of the Paris Club debt deal

*Source: Debt Management Office; Annual Report, 2005*

**Table 2: Nigeria's External Debt and Value of Exports (1960 – 1988)**

| Year | Total Outstanding Million (₦) | Debt Million (\$) | Value of Export Million (₦) |
|------|-------------------------------|-------------------|-----------------------------|
| 1960 | 82.4                          | N.A.              | 339.4                       |
| 1965 | 435.2                         | N.A.              | 536.4                       |
| 1970 | 488.8                         | N.A.              | 885.4                       |
| 1971 | 214.5                         | 308.9             | 1,293.4                     |
| 1972 | 263.4                         | 400.4             | 2,434.2                     |
| 1973 | 276.9                         | 420.4             | 2,369.2                     |
| 1974 | 322.4                         | 523.3             | 5,794.0                     |
| 1975 | 349.9                         | 559.2             | 4,925.0                     |
| 1976 | 374.6                         | 593.6             | 6,709.8                     |
| 1977 | 496.9                         | 762.9             | 7,064.4                     |
| 1978 | 1,265.7                       | 2,163.8           | 6,064.4                     |
| 1979 | 1,611.5                       | 2,824.6           | 10,836.6                    |
| 1980 | 1,866.8                       | 3,444.8           | 14,077.0                    |
| 1981 | 2,311.2                       | 3,667.7           | 10,470.1                    |
| 1982 | 8,819.4                       | 13,124.1          | 8,722.5                     |
| 1983 | 10,577.7                      | 14,130.7          | 7,502.5                     |
| 1984 | 14,536.6                      | 18,034.1          | 11,214.8                    |
| 1985 | 17,290.6                      | 18,034.1          | 8,513.0                     |
| 1986 | 42,229.5                      | 18,631.3          | 8,513.0                     |
| 1987 | 86,550.8                      | 26,200.0          | 30,239.9                    |
| 1988 | 146,310.0                     | 29,282.0          | 29,104.7                    |

*Source: Federal Ministry of Finance, Central Bank of Nigeria (CBN); Annual Report, 1988, N.A = Not Available*

**Table 3: Nigeria: External Indebtedness Indicators (1970 – 2001)**

| TOTAL DEBT STOCK<br>(\$ Billion) | 1970 | 1980 | 1985 | 1990  | 1995  | 2000   | 2001  |
|----------------------------------|------|------|------|-------|-------|--------|-------|
|                                  | 0.57 | 8.92 | 18.5 | 33.4  | 34.1  | 28.273 | 28.35 |
| Total Debt Stock as % of Exports |      | 32.1 | 151  | 226.4 | 257.4 | 178.5  | 149.7 |
| Total Debt Stock as % of GNP     |      | 14.6 | 24.0 | 130.7 | 131.7 | 740    | 83.7  |

*Sources: World Bank, Global Development Finance, 1998; Central Bank of Nigeria, Annual Report and Statement of Account, 2000; Debt Management Office file.*

**Table 4: External Debt Outstanding by Creditor, 2001 – 2005 US\$ Million**

| CREDITOR CATEGORY      | 2001      | 2002      | 2003      | 2004      | 2005      |
|------------------------|-----------|-----------|-----------|-----------|-----------|
| A. Official:           |           |           |           |           |           |
| 1. Bilateral           | 22,214.14 | 25,436.3  | 27,521.55 | 30,847.81 | 15,412.40 |
| Paris Club             | 22,092.93 | 25,380.75 | 27,469.92 | 30,847.81 | 15,412.40 |
| Non-Paris Club         | 121.21    | 55.55     | 51.63     | 47.50     | 461.79    |
| 2. Multilateral        | 2,797.87  | 2,960.59  | 3,042.09  | 2,824.32  | 2,512.19  |
| Sub-Total              | 25,012.01 | 28,396.89 | 30,563.63 | 33,719.63 | 18,386.38 |
| B. Private:            |           |           |           |           |           |
| 1. Promissory Notes    | 1,291.78  | 1,153.18  | 911.39    | 783.23    | 649.80    |
| 2. Banks (London Club) | 2,043.21  | 1,441.79  | 1,441.79  | 1,441.79  | 1441.79   |
| Sub-Total              | 3,334.99  | 2,594.97  | 2,353.19  | 2,225.03  | 2,091.59  |
| Grand Total            | 28,347.00 | 30,991.87 | 32,916.81 | 35,944.66 | 20,477.96 |

|                        | Percentage Share |        |        |        |        |
|------------------------|------------------|--------|--------|--------|--------|
| CREDITOR CATEGORY      | 2001             | 2002   | 2003   | 2004   | 2005   |
| A. Official:           |                  |        |        |        |        |
| 1. Bilateral           | 78.37            | 82.07  | 83.61  | 85.82  | 77.52  |
| Paris Club             | 77.94            | 81.89  | 83.45  | 85.82  | 75.26  |
| Non-Paris Club         | 0.43             | 0.18   | 0.18   | 0.13   | 2.26   |
| 2. Multilateral        | 9.87             | 9.55   | 9.24   | 7.86   | 12.27  |
| Sub-Total              | 88.24            | 91.63  | 92.85  | 93.61  | 89.79  |
| B. Private:            |                  |        |        |        |        |
| 1. Promissory Notes    | 4.56             | 3.72   | 2.77   | 2.78   | 3.17   |
| 2. Banks (London Club) | 7.21             | 4.65   | 4.38   | 4.01   | 7.04   |
| Sub-Total              | 11.76            | 8.37   | 7.15   | 6.19   | 10.21  |
| Grand Total            | 100.00           | 100.00 | 100.00 | 100.00 | 100.00 |

Source: Debt Management Office, Annual Report, 2005.

**Table 5: International Bank for Reconstruction and Development (IBRD):  
Status of Nigeria's External Debt as at 31 December 1997 (US\$ million)**

| S/N | Project Title                        | Borrower | Date Signed | Loan Amount | Amount Cancelled | Amount Undrawn | Amount Paid | Amount Paid | Disbursed Outstanding In US\$ |
|-----|--------------------------------------|----------|-------------|-------------|------------------|----------------|-------------|-------------|-------------------------------|
| 1   | Bauchi Agric. Development            | BASG     | 2/9/81      | 132.00      | 1.30             | 0.00           | 130.74      | 130.74      | 30.38                         |
| 2   | Kano Agric. Development              | KNSG     | 2/9/81      | 142.00      | 4.57             | 0.00           | 137.43      | 137.43      | 31.72                         |
| 3   | Agric. Technical Assistance          | FGN      | 2/9/81      | 47.00       | 0.00             | 0.00           | 47.00       | 47.00       | 11/01                         |
| 4   | Anambra Water Supply                 | ANSO     | 13/11/81    | 67.00       | 0.00             | 0.00           | 67.00       | 67.00       | 15.61                         |
| 5   | NEPA (sixth power)                   | NEPA     | 23/6/82     | 100.00      | 0.00             | 0.00           | 100.00      | 100.00      | 26.63                         |
| 6   | Sokoto Agric Development             | SOSG     | 4/1/83      | 147.00      | 0.00             | 0.00           | 147.00      | 147.00      | 44.30                         |
| 7   | Fourth NIDB                          | NIDB     | 28/7/83     | 120.00      | 1.17             | 0.00           | 118.83      | 118.83      | 2.08                          |
| 8   | Fertilizer project                   | PGN      | 7/10/83     | 250.00      | 0.54             | 0.00           | 249.46      | 249.46      | 57.90                         |
| 9   | Small-and medium-scale ind.          | FGN      | 16/2/84     | 41.00       | 14.95            | 0.00           | 26.05       | 26.05       | 5.21                          |
| 10  | Gas Technical Assistance             | FGN      | 13/3/86     | 25.00       | 16.44            | 0.00           | 8.56        | 8.56        | 2.04                          |
| 11  | Integrated Agric Dev. (Kaduna)       | KASG     | 7/12/84     | 122.00      | 8.13             | 0.00           | 113.87      | 113.87      | 28.78                         |
| 12  | Technical Assistance                 | FGN      | 8/3/85      | 13.00       | 4.37             | 0.00           | 8.63        | 8.63        | 3.64                          |
| 13  | Sokoto Health                        | SOSG     | 17/5/85     | 34.00       | 7.76             | 0.00           | 26.24       | 26.24       | 11.99                         |
| 14  | Borno State Water Supply             | BOSG     | 12/2/86     | 72.00       | 4.97             | 0.00           | 6.03        | 67.03       | 34.89                         |
| 15  | Second Urban Development             | FGN      | 31/10/85    | 53.00       | 8.40             | 0.00           | 44.60       | 44.60       | 21.47                         |
| 16  | Industry Technical Assistance        | FGN      | 17/7/86     | 5.00        | 2.58             | 0.00           | 2.42        | 2.42        | 1.02                          |
| 17  | Lagos Solid Waste and Storm          | LASG     | 31/10/85    | 72.00       | 3.12             | 0.00           | 68.88       | 68.88       | 36.23                         |
| 18  | Multi State Agric. Development       | STATES   | 6/11/86     | 162.00      | 0.11             | 0.00           | 161.89      | 161.89      | 91.71                         |
| 19  | Transport Parastatals                | FGN      | 31/10/86    | 20.90       | 2.76             | 0.00           | 18.14       | 18.14       | 9.83                          |
| 20  | Second Livestock Development         | FGN      | 31/10/86    | 81.00       | 20.05            | 0.00           | 60.95       | 60.95       | 34.10                         |
| 21  | South Borno Agric. Development       | BOSG     | 31/10/86    | 25.00       | 0.46             | 0.00           | 24.54       | 24.54       | 14.62                         |
| 22  | Trade Policy and Export Development  | FGN      | 20/10/86    | 452.00      | 0.51             | 0.00           | 451.49      | 451.49      | 271.49                        |
| 23  | Second Forestry                      | FGN      | 27/3/86     | 71.00       | 0.00             | 0.00           | 71.00       | 71.00       | 46.62                         |
| 24  | Technical Education                  | FGN      | 1/7/86      | 23.30       | 1.79             | 0.00           | 21.51       | 21.51       | 14.76                         |
| 25  | Second Multi State Agric Development | STATES   | 27/2/89     | 85.20       | 4.50             | 0.00           | 77.70       | 77.70       | 64.60                         |

|    |                                   |       |          |        |        |      |        |        |        |
|----|-----------------------------------|-------|----------|--------|--------|------|--------|--------|--------|
| 26 | Trade and Investment Policy       | FGN   | 22/12/88 | 500.00 | 0.00   | 0.00 | 500.00 | 500.00 | 439.00 |
| 27 | Refineries Rehabilitation         | NNPC  | 18/05/96 | 27.70  | 18.53  | 0.00 | 9.18   | 4.30   | 4.89   |
| 28 | NEPA (Power System Maintenance)   | NEPA  | 1/6/90   | 70.00  | 2.11   | 0.00 | 67.89  | 8.33   | 59.55  |
| 29 | Tree Crops                        | FGN   | 12/10/90 | 106.0  | 86.84  | 0.00 | 19.16  | 0.72   | 18.44  |
| 30 | NITEL (Telecommunications)        | NITEL | 10/12/90 | 225.00 | 205.22 | 0.00 | 1978   | 1.78   | 18.00  |
| 31 | NNPC (Oso Condensate Field Dev.)  | NNPC  | 24/4/91  | 218.00 | 3.55   | 0.00 | 214.45 | 13.67  | 200.78 |
| 32 | NEPA (Kainji)                     | NNPC  | 7/7/64   | 82.00  | 0.00   | 0.00 | 82.00  | 69.53  | 10.42  |
| 33 | NEPA (Kainji Supplementary)       | NEPA  | 27/11/68 | 14.50  | 0.03   | 0.00 | 14.47  | 12.31  | 2.07   |
| 34 | NPA (Second Lagos Port)           | NPA   | 1/8/73   | 55.00  | 0.00   | 0.00 | 55.00  | 51.33  | 2.53   |
| 35 | Third Education                   | FGN   | 16/8/73  | 54.00  | 16.77  | 0.00 | 37.21  | 35.26  | 1.93   |
| 36 | Nucles Estate Small Holder Oil    | FGN   | 24/7/78  | 30.00  | 0.00   | 0.00 | 30.00  | 28.00  | 2.00   |
| 37 | Bida Agric Development            | NGSG  | 17/9/79  | 23.00  | 0.00   | 0.00 | 23.00  | 20.66  | 2.35   |
| 38 | Ilorin Agric. Development         | KWSG  | 17/9/79  | 27.00  | 0.33   | 0.00 | 26.87  | 24.02  | 2.65   |
| 39 | Forestry Plantation               | FGN   | 29/10/79 | 31.00  | 0.57   | 0.00 | 30.94  | 28.93  | 2.02   |
| 40 | Kaduna Water Supply               | KDSG  | 16/7/79  | 92.00  | 0.44   | 0.00 | 91.56  | 82.39  | 9.18   |
| 41 | Agric. and Rural Mgt. Train Inst. | FGN   | 19/2/80  | 9.00   | 0.38   | 0.00 | 91.56  | 7.77   | 1.19   |
| 42 | Lagos Power Distribution          | LASG  | 19/2/80  | 100.00 | 0.00   | 0.00 | 100.00 | 83.38  | 16.63  |
| 43 | Urban Development                 | FGN   | 25/8/80  | 17.80  | 4.06   | 0.00 | 13.74  | 11.66  | 2.15   |
| 44 | Oyo North Agric. Development      | OYSG  | 15/12/80 | 28.00  | 3.91   | 0.00 | 24.09  | 20.48  | 3.60   |

|    |                                    |        |          |          |        |        |          |          |          |
|----|------------------------------------|--------|----------|----------|--------|--------|----------|----------|----------|
| 45 | Ekiti Akoko Agric. Development     | EKSG   | 25/8/80  | 32.50    | 18.07  | 0.00   | 14.43    | 11.71    | 2.72     |
| 46 | Sixth Highway                      | FGN    | 25/8/80  | 108.00   | 0.00   | 35.95  | 72.05    | 53.63    | 18.42    |
| 47 | Infrastructure Development Fund    | FGN    | 4/8/89   | 69.50    | 7.50   | 1.01   | 60.99    | 22.79    | 38.19    |
| 48 | Highway Sector                     | FGN    | 15/9/89  | 250.00   | 90.00  | 18.75  | 141.25   | 51.31    | 89.84    |
| 49 | Lagos State Water Supply           | LASG   | 31/3/81  | 17.20    | 0.00   | 7.73   | 165.47   | 45.92    | 119.53   |
| 50 | Private Small and Medium Ent. Dev. | FGN    | 22/12/88 | 270.00   | 160.32 | 0.00   | 109.18   | 22.58    | 86.60    |
| 51 | Imo Health and Population          | IMSG   | 2/5/89   | 27.60    | 11.74  | 3.50   | 12.35    | 7.19     | 5.16     |
| 52 | Essential Drugs                    | FGN    | 7/5/90   | 68.10    | 16.20  | 16.72  | 35.18    | 7.49     | 27.68    |
| 53 | National Seed and Quarantine       | FGN    | 21/6/90  | 14.00    | 0.00   | 0.15   | 13.55    | 1.38     | 12.47    |
| 54 | Oyo State Urban                    | OYSG   | 2/11/90  | 50.00    | 0.00   | 30.75  | 19.22    | 3.86     | 15.36    |
| 55 | National Water Rehabilitation      | STATES | 23/7/92  | 256.00   | 0.00   | 98.94  | 157.06   | 14.57    | 142.50   |
| 56 | Health System Fund                 | STATES | 6/8/91   | 70.00    | 16.00  | 32.70  | 21.30    | 3.06     | 18.24    |
| 57 | National Fedama Development        | STATES | 25/8/92  | 67.50    | 0.00   | 25.87  | 41.63    | 1.21     | 40.41    |
| 58 | NTL Agric. Technical Support       | FGN    | 25/8/92  | 42.50    | 0.00   | 17.23  | 25.26    | 0.76     | 24.50    |
|    |                                    |        |          | 5,571.30 | 771.56 | 289.30 | 4,508.22 | 3,502.98 | 2,354.57 |

Source: External Finance Department, Federal Ministry of Finance, Abuja.

**Table 6: International Development Association (IDA): Status of Debts as at December 31, 1997**

| S/No. | Project Title | Borrower | Date Signed | Loan Amount | Amount Undrawn | Amount Disbursed | Principal Paid | Disbursed Outstanding |
|-------|---------------|----------|-------------|-------------|----------------|------------------|----------------|-----------------------|
| 1.    | Education     | FGN      | 1/3/65      | 21.39       | 0.00           | 21.39            | 9.84           | 11.55                 |

|     |                                      |        |          |        |        |        |       |         |
|-----|--------------------------------------|--------|----------|--------|--------|--------|-------|---------|
| 2.  | Northern road                        | FGN    | 1/3/65   | 18.46  | 0.20   | 18.46  | 8.49  | 9.97    |
| 3.  | Third Multi State Agric. Development | STATES | 4/8/89   | 106.02 |        | 106.07 | 0.00  | 107.66  |
| 4.  | Federal Universities Development     | FGN    | 18/7/90  | 41.83  | 78.17  | 41.83  | 0.00  | 40.80   |
| 5.  | Primary Education                    | FGN    | 15/8/90  | 13.39  | 106.61 | 13.39  | 0.00  | 13.27   |
| 6.  | National Population                  | FGN    | 17/6/91  | 9.04   | 70.46  | 8.04   | 0.00  | 8.08    |
| 7.  | National Agric. Research             | FGN    | 6/12/91  | 35.74  | 42.26  | 35.74  | 0.00  | 35.18   |
| 8.  | Environmental Management             | FGN    | 11/5/92  | 5.57   | 17.43  | 5.57   | 0.00  | 5.48    |
| 9.  | Multi State Water                    | STATES | 14/12/92 | 41.96  | 57.04  | 41.96  | 0.00  | 5.48    |
| 10. | Multi State Roads                    | STATES | 11/11/92 | 0.83   | 56.17  | 11.83  | 0.00  | 11.71   |
| 11. | Econ. Mgt. Technical Asst. Project   | FGN    | 14/12/92 | 9.43   | 10.57  | 9.43   | 0.00  | 9.24    |
| 12. | Dev. Multi State Roads               | STATES | 30/7/93  | 1.36   | 6.67   | 1.36   | 0.00  | 1.33    |
| 13. | Second Multi State roads             | STATES | 30/7/93  | 14.13  | 70.87  | 14.13  | 0.00  | 13.76   |
| 14. | Lagos Drainage and Sanitation        | FGN    | 30/7/93  | 29.63  | 23.37  | 39.63  | 0.00  | 38.71   |
|     | Total                                |        |          | 907.48 | 543.82 | 368.83 | 18.33 | 347.76s |

Source: External Finance Department, Federal Ministry of Finance, Abuja.

**Table 7: International Bank for Reconstruction, and Development (IBRD) (Fully Repaid): Status of Debts as at 30 June 1997 (US\$ million)**

| S/N | Project Title                        | Date Signed | Loan Amount | Amount Undrawn | Principal Paid | Amount Disbursed | Disbursed Outstanding |
|-----|--------------------------------------|-------------|-------------|----------------|----------------|------------------|-----------------------|
| 1   | Nigerian Railways                    | 21/5/58     | 28.00       | 0.00           | 28.00          | 28.00            | 0.00                  |
| 2   | Nigerian Port Authority              | 10/12/62    | 13.50       | 0.00           | 13.50          | 13.50            | 0.00                  |
| 3   | NEPA (Transmission)                  | 12/3/64     | 30.00       | 0.00           | 30.00          | 30.00            | 0.00                  |
| 4   | Apapa Road Project                   | 26/9/65     | 17.50       | 0.22           | 17.28          | 17.28            | 0.00                  |
| 5   | Western Road                         | 26/9/65     | 14.50       | 2.47           | 12.03          | 12.03            | 0.00                  |
| 6   | Nigerian Industrial Development Bank | 5/3/69      | 6.00        | 0.32           | 5.68           | 5.68             | 0.00                  |
| 7   | Highway Rehabilitation               | 6/11/69     | 10.60       | 0.00           | 10.60          | 10.60            | 0.00                  |
| 8   | Transport Rehabilitation             | 26/6/70     | 25.00       | 0.65           | 24.38          | 24.38            | 0.00                  |
| 9   | Second Nigeria Ind. Dev. Bank        | 28/8/70     | 10.00       | 3.82           | 6.18           | 6.18             | 0.00                  |
| 10  | Rehabilitation Programme             | 23/3/71     | 80.00       | 0.00           | 80.00          | 80.00            | 0.00                  |
| 11  | Western State of Nigeria Cocoa       | 23/6/71     | 7.20        | 0.00           | 7.20           | 7.20             | 0.00                  |
| 12  | Second Cocoa                         | 11/10/74    | 20.00       | 0.60           | 19.40          | 19.40            | 0.00                  |
| 13  | Livestock Development Project        | 20/3/75     | 21.00       | 0.19           | 20.81          | 20.81            | 0.00                  |
| 14  | Funtua Agric. Dev.                   | 20/3/75     | 29.00       | 0.57           | 28.43          | 28.42            | 0.00                  |
| 15  | Gusau Agric Development              | 4/4/75      | 19.00       | 0.05           | 18.95          | 18.95            | 0.00                  |
| 16  | Rice Project                         | 25.4.75     | 17.50       | 1.17           | 16.33          | 16.33            | 0.00                  |
| 17  | Gombe Agric Development              | 29/9/75     | 21.00       | 0.01           | 20.99          | 20.99            | 0.00                  |
| 18  | Mid-Western State Oil Palm           | 31/12/75    | 29.00       | 16.68          | 12.82          | 12.82            | 0.00                  |
| 19  | East-Central State Oil Palm          | 12/2/76     | 19.00       | 0.00           | 19.00          | 19.00            | 0.00                  |
| 20  | Western State Oil Palm               | 22/9/76     | 17.00       | 10.13          | 6.87           | 6.87             | 0.00                  |
| 21  | Third NIDB Project                   | 24/7/78     | 60.00       | 8.87           | 51.13          | 51.13            | 0.00                  |

|    |                           |         |       |      |       |       |      |
|----|---------------------------|---------|-------|------|-------|-------|------|
| 22 | Lafia Agric Development   | 28/6/77 | 27.00 | 0.18 | 26.82 | 26.82 | 0.00 |
| 23 | Ayangba Agric Development | 28/6/77 | 35.00 | 0.17 | 34.83 | 34.83 | 0.00 |
| 24 | Second Education          | 18/4/72 | 17.30 | 0.00 | 17.30 | 17.30 | 0.00 |
| 25 | Fifth Highway Project     | 26/6/72 | 26.30 | 5.65 | 20.65 | 20.65 | 0.00 |
| 26 | NEPA (Fourth Power)       | 30/6/72 | 76.00 | 0.00 | 75.09 | 76.09 | 0.00 |

Source: External Finance Department, Federal Ministry of Finance, Abuja.

**Table 8: International Fund for Agricultural Development (IFAD): Status of Debts as at 31 December 1997 (US\$ million)**

| S/No  | Project Title                                  | Borrower | Date Signed | Loan Amount | Amount Undrawn | Amount Disbursed | Principal Paid | Disbursed Outstanding |
|-------|--|----------|-------------|-------------|----------------|------------------|----------------|-----------------------|
| 1     | Cassava Multiplication Programme               | FGN      | 2/27/87     | 12.05       | 4.67           | 12.08            | 5.59           | 6.49                  |
| 2     | Fisheries Development Project                  | FGN      | 1/23/90     | 11.15       | 7.52           | 7.78             | 2.59           | 5.39                  |
| 3     | Katsina State Agric. and Community Development | KNSG     | 6/5/91      | 8.55        | 8.47           | 3.42             | 0.00           | 3.42                  |
| 4     | Sokoto State Agric. and Community Development  | SOSG     | 7/11/92     | 6.50        | 8.29           | 0.74             | 0.00           | 0.74                  |
| Total |  |          |             | 38.25       | 28.95          | 24.22            | 8.18           | 16.04                 |

Source: External Financial Department, Federal Ministry of Finance, Abuja.

**Table 9: International Capital Market (ICM): Status of Debts as at 31 December 1997 (US\$ million)**

| S/N |                       | Federal | State | Total   | Federal Share % |
|-----|-----------------------|---------|-------|---------|-----------------|
| 1   | Loan Amount           | 2,766.5 | 393.3 | 3,159.8 | 87.6            |
| 2   | Amount Undrawn        | 87.2    | 2.4   | 89.6    | 97.8            |
| 3   | Amount Disbursed      | 2,655.4 | 390.9 | 3,046.3 | 87.2            |
| 4   | Principal Paid        | 1,291.3 | 122.0 | 1,413.3 | 91.4            |
| 5   | Arrears of Principal  | 149.7   | 44.1  | 193.8   | 77.2            |
| 6   | Arrears of Interest   | 134.3   | 71.2  | 205.9   | 65.4            |
| 7   | Disbursed Outstanding | 1,364.1 | 268.9 | 1,633.0 | 83.5            |

Source: External Finance Department, Federal Ministry of Finance, Abuja

**Table 10: Selected Projects Financed with Loans from the Paris Club (Above US\$100 million)**

| S/N | Project            | Borrower | Creditor  | Original Amount | Current Value (US%) |
|-----|--------------------|----------|-----------|-----------------|---------------------|
| 1   | Fertilizer Project | FGN      | EXIM Bank | 246.33          | 174.70              |
| 2   | ITT Resch National | FGN      | N.G       |                 |                     |

Table 11: Growth and Maturity Structure of Nigeria's External Debt, 1970 – 1994

Source: World Bank, World Debt Tables 1985/86, 1988/89, 1991/92, 1994/95, and 1996.

| Year | External Debt Stock (\$M) (1) | Growth in External Debt (%) (2) | Long-Term Debt (\$M) (3) | Short-Term Debt (\$M) (4) | (3) as % of (1) (5) | (4) as % of (3) (6) |
|------|-------------------------------|---------------------------------|--------------------------|---------------------------|---------------------|---------------------|
| 1979 | 246                           | -                               | 246                      | 0                         | 100                 | 0                   |
| 1971 | 651                           | 64.6                            | 651                      | 0                         | 100                 | 0                   |
| 1972 | 732                           | 12.4                            | 732                      | 0                         | 100                 | 0                   |
| 1973 | 1205                          | 64.6                            | 1205                     | 0                         | 100                 | 0                   |
| 1974 | 1274                          | 5.7                             | 1274                     | 0                         | 100                 | 0                   |
| 1975 | 1143                          | -10.3                           | 1143                     | 0                         | 100                 | 0                   |
| 1976 | 906                           | -20.7                           | 906                      | 0                         | 100                 | 0                   |
| 1977 | 3146                          | 247.2                           | 985                      | 2161                      | 31.31               | 219.4               |
| 1978 | 50081                         | 61.8                            | 2645                     | 2446                      | 29.99               | 92.5                |
| 1979 | 6235                          | 22.5                            | 3952                     | 2283                      | 63.4                | 557.8               |
| 1980 | 8921                          | 43.1                            | 5368                     | 3553                      | 60.2                | 66.2                |
| 1981 | 12039                         | 34.8                            | 7615                     | 4424                      | 63.3                | 58.7                |
| 1982 | 12954                         | 7.6                             | 10419                    | 2535                      | 80.4                | 24.3                |
| 1983 | 18537                         | 43.1                            | 13481                    | 5059                      | 72.7                | 37.5                |
| 1984 | 18537                         | -0.01                           | 12793                    | 5744                      | 69.0                | 44.9                |
| 1985 | 18550                         | 5.5                             | 14555                    | 4995                      | 74.5                | 34.3                |
| 1986 | 23403                         | 19.7                            | 19686                    | 3716                      | 84.1                | 18.9                |
| 1987 | 29021                         | 24.0                            | 27454                    | 1568                      | 94.6                | 5.7                 |
| 1988 | 29621                         | 2.1                             | 28074                    | 1547                      | 94.8                | 5.5                 |
| 1989 | 30122                         | 1.7                             | 29657                    | 465                       | 98.5                | 1.6                 |
| 1990 | 33440                         | 11.0                            | 31936                    | 1504                      | 95.5                | 4.7                 |
| 1991 | 33527                         | 0.3                             | 32668                    | 8.59                      | 97.4                | 2.6                 |
| 1992 | 29019                         | -13.4                           | 26809                    | 2210                      | 92.4                | 8.2                 |
| 1993 | 30699                         | 5.8                             | 26742                    | 3957                      | 87.1                | 14.9                |
| 2004 | 33485                         | 9.0                             | 28479                    | 5006                      | 85.7                | 17.6                |

**Table 12: Some Cases of Lack of Planning in Loan Management**

| S/N | State of Location | Project                           | Amount                    | Remarks   |
|-----|-------------------|-----------------------------------|---------------------------|---|
| 1   | Kwara             | Jebba Papermill (federal project) | USD 85m                   | The mill was built and commissioned but plant has not been producing since 1995 due to lack of working capital  |
| 2   | Akwa-Ibom         | International Biscuit Factory     | Austrian Shillings 82.52m | Factory was completed and initially produced at full capacity but subsequently closed due to federal government ban on importation of wheat. The factory was vandalized |
| 3   | Kaduna            | Zaria Pharmaceutical Company      | NA (Net Available)        | The project was completed and was manufacturing at 35% capacity, but suffers from competition from imported syringes  |
| 4   | Ebonyi            | Abakaliki Ring Road               | USDD 38m                  | Road built but in several state of disrepair since 1996 due to lack of maintenance.   |

Source: ThisDay Newspaper, 13 March 2005

**Table 13: Some Bad Cases of Loans which Contributed to Nigeria's External Debt Portfolio**

| S/N | State of Location | Project   | Amount                      | Remarks   |
|-----|-------------------|---|-----------------------------|---|
| 1   | Kaduna            | Purchase of 100 Buses   | French France 60,505,315    | The 100 buses were to be purchased to boost transport network of the state. But state officials claim no knowledge of the loan.   |
| 2   | Kwara             | Ilorin food mill  | F1.27 million               | Plant built but sold to private company – Panat Industries for N8 million in 1996 to repay debt owed to Panat. This were done without the knowledge of Kwara State Government |
| 3   | Anambra           | Specialist Hospital in Abakaliki 23 rural clinics in the then Anambra/Enugu State | Spanish Pesetas 220,011,160 | Hospitals/clinics were built but equipment supplied to the hospitals were carted away by the director in charge to private clinics  |
| 4   | Edo               | 3 ring roads projects, 2 Ekiadolor-Okolihua Elumegbimi Ake, etc                   | F 27,647,470                | The contractor were paid 85% of the amount but abandoned roads with only 1% of the job done   |

Source: ThisDay Newspaper, 13 March, 2005

**Table 14: External Debt Service Payments, 2001-2005 US\$ million**

| CREDITOR CATEGORY      | 2001     | 2002     | 2003     | 2004     | 2005     |
|------------------------|----------|----------|----------|----------|----------|
| A. Official:           |          |          |          |          |          |
| 1. Bilateral           |          |          |          |          |          |
| Paris Club             | 1,273.62 | 161.55   | 1,020.18 | 994.44   | 8,072.55 |
| Non-Paris Club         | 33.81    | 75.856   | 13.26    | 11.65    | 15.83    |
| 2. Multilateral        |          |          |          |          |          |
| Sub-Total              | 1,798.91 | 709.54   | 1,542.66 | 1,493.32 | 8,10.04  |
| B. Private:            |          |          |          |          |          |
| 1. Promissory Notes    | 195.18   | 192.12   | 176.42   | 171.23   | 213.55   |
| 2. Banks (London Club) | 134.08   | 266.75   | 90.21    | 90.15    | 169.86   |
| Sub-Total              | 329.20   | 458.87   | 266.62   | 261.38   | 383.41   |
| Grand Total            | 2,128.17 | 1,168.40 | 1,809.28 | 1,754.75 | 8,943.45 |

*Source: Debt Management Office*