EXTERNAL DEBT AND CRISIS OF DEVELOPMENT IN AFRICA: NIGERIAN EXPERIENCE 1999-2007

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A PROJECT REPORT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF MASTER OF SCIENCE (MSC) IN POLITICAL SCIENCE (INTERNATIONAL RELATIONS)

DEPARTMENT OF POLITICAL SCIENCE,
UNIVERSITY OF NIGERIA, NSUKKA

MARCH, 2010

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APPROVAL PAGE

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ACKNOWLEDGEMENT

For giving me strength when I was weak, for protecting me amidst dangers and obstacles, for his enablement, love, compassion, kindness, I remain eternally grateful. His name is Jehovah the almighty, all knowing, without him this program could not have seen light of day. To my erudite supervisor Dr Ken Ifesinachi, your brotherly disposition towards me in the course of this work has been most gracious. You have indeed imbibed in me academic thoroughness and hard work and my encounter with you shall ever remain ever green in my memory. It is worthy to mention your unprecedented virtue of teaching your students even at a time one may deem inconvenient. All these I have learnt from you. To my amiable H.O.D Prof. Emma Ezeani, you have set a leadership style in the Department worthy of emulation.To these myriads of scholars, whom I have been privileged to sit under their tutelage, Dr. A. Okolie Prof. Johnah Onuoha, Prof. Obasi Igwe Prof. Ikejiani Clark to mention but a few, I remain profoundly grateful. To the best mother in the world Chief Mrs. Monica Obasi your support assistance and encouragement made me a success, Mummy, your actions ever since have laid credence to the maxim that “a virtues woman makes her home”. You have always believed in the dream and struggle, am bereft of words to expatiate on your inestimable assistance in the course of my work and program. May God continue to keep us healthy and alive so that we shall enjoy the fruits’ of our labours Amen .To my indefatigable father, your support is worthy of mention. My siblings Uzoamaka, Chinweuba, Igwebuike and Chinedu you guys have been very encouraging. To my best friend who stood firm when most people left in despondence, who gave me the support and encouragement when circumstances were almost forcing me to doubt myself, Miss Ijeoma Asadu my debt to you is without measure. To other of my friends and brothers who were instrumental to the success in one way or the other. Emeka Orji, Okechukwu Mmadubuike, Isioma Ofosah, Tony Ugwu, Prince Onweremadu, Promise Charles, Chukwudi Nwaedozie, Ikechukwu Olisah, Obinna Onuoha, Nathaniel Ugwuanyi, Amuche Nee Iyoke, Obinna Omebi, Chioma Onyeama, Nkechi Ezemma, Oluchi Onyebuchi, Esther, Ginika, Hon Engr. Ifeanyi Chukwu Chukwu Barr. Onochie Ekwoms Bruno Chukwu, Chilaka Chigozie and lots of others too numerous to mention and to the families of Ugwu’s Agbo’s and Uzoka’s that helped in the course of this program may the good Lord reward everyone abundantly Amen.

DEDICATION

To God almighty.

ABSTRACT

The study sets out to interrogate the relationships between external debt and crisis of development in Africa within the period 1999-2007 in Nigeria. The aim of the research was to provide a framework that explains the effect of external debt on national development. The theory of post colonial state was adopted as the analytical framework to demonstrate that Nigeria has followed a developmental strategy dictated by the interest of the imperialists and their local allies among the indigenous population. The method of data collection used was the secondary sources of data. Three hypothesis tested were: there is no relationship between debt servicing and shortage of electronic voting machines in Nigeria; debt relief tends to have no effect on the rate of unemployment in Nigeria, and, debt rescheduling tend to deepen external dependence of Nigeria.The findings of the study revealed that there's no relationship between debt servicing and shortage of electronic voting machine in Nigeria in the 2007 election. Against the background of the national economic crisis, the study recommends that the international economic system should be restructured and unequal term of trade balance with fair economic trade relations so as to encourage enhance foreign exchange for national development.

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INTRODUCTION

1.1 Introduction

Anyone who observes the condition of Africa , comes up with so much confusion and perplexity. The average per capital national income in Africa is one-third lower than that of the world's next poorest region, South Asia. Most African countries have lower per capita income now than they had in 1980 or in some cases in 1960. Half of Africa 888 million people live on less than US $1 a day. African entire economic output is not more than $420 billion, just 1.3 per cent of the world's gross domestic product, less than a country like Mexico. African share of world's trade has declined to less than half of what it was in the 1980s, amounting to only 1.6 per cent ; its share of global investment is less than 1 per cent. It is the only region where school enrollment is fallen and where illiteracy is still common place. (Meredith,2005:682)

It was expected that Africa would become the giant of other regions at least going by its human cum natural resources. But unfortunately, reverse is the case. After independence African leaders shifted the responsibilities of their development to other imperialist nations and consequently sought and acquired external finance for development projects. (Ake,2001: 18) According to Fasipe (1990:1), "progress in the world is characterized and helped by interdependence of ideas and men, goods and capital". (Madavo 2003:91) stated that borrowing and therefore debt is neither an aberration nor peculiar to African countries. It is, in fact a legitimate part of everyday economic management. Hence most of the rich countries in the world today relied heavily on external finance to attain their present economic height.

Post second World War Europe especially Germany was reconstructed and rehabilitated through external borrowing under the aegis of the Marshal plan (ogbenovo,2005:2). African nations after the traumatic effect of colonialism resorted to external credit, this was expected among other things to be used to develop their economies and provide the social-economic needs of their citizenry.Unfortunately, this resort to external borrowing turned out to be the Westphalia treaty that settled nothing. This is not unconnected with their weak economic base, unfavourable terms attached to the loans, policy errors and mismanagement among others. Furthermore, the post colonial African states of which Nigeria is among, became unable to repay their debt and thus got entangled in the web of debt crises that bedeviled their socio-economic development.

Africa's debt crises attracted global attention during the last quarter of 1982, series of prescription to get the continent out of its economic doldrums have been offered. Prominent among them is the restructuring of African economy in line with IMF-dictated reforms of deregulation, privatization and liberalization (Obaseki and Bello,1995:241). However, many debtor countries and their sympathizers prefer debt cancellation to release fund for the development and welfare of the countries of Africa since they were overburdened by excruciating debt service obligation. Nigeria for instance, prior to 2006 was expending US$2 billion annually on debt servicing which was nine times the annual health budget (Okonjo –Iweala et al,2003:8)

When Obasanjo led democratic government came on board in 1999 the situation on ground made him to flag off an intensive campaign for debt relief/cancellation. This yielded positive result in April 2006 and 2007 when Nigerian major creditors-the Paris club cancelled 60 percent of the total debt owed to it by the country and also settled its debt to the London club. But the debt burden is far from being over as Nigeria present external debt stands at over $2.6 billion consisting bilateral and multilateral loans which have a grace period of ten years, attract yearly service charge of 0.75 per cent and it requires thirty and forty years to liquidate. As a direct consequence of external debt burden, this study investigates the causes(s) of the unabating debt crisis and assesses its impact on socio-economic development of Nigeria.

1.2 Statement of Problem

Nigeria after independence had a low ratio of external debt to gross domestic product (GDP) of 3.4 percent (Fajana, 1990:65). It was on this promising economic condition that Nigeria launched its first five years National Development Plan that was expected to usher in rapid development and emancipate it from the chains of colonial legacy.But partly because of the ravages of the civil war (1967-1970) and largely because of its burning desire for rapid socio-economic development, the Nigeria government resorted to development finance from public funds mostly from bilateral and multilateral lending bodies. Since the Five Year Plan of the early 1960 up to date, Nigeria had launched several Development Plans sourcing finance from the International Capital Market that is notorious for its high rates of interest and terms of repayment. Yet development seems to elude the country.

Nigeria is classified as one of the severely indebted low- income countries that are greatly afflicted by underdevelopment, dependency, general poverty and external debt, in spite of its widely acknowledge oil wealth. Coupled with this, is the magnitude of capital flight from the country in the form of debt servicing payments that not only absorbed a major proportion of export earnings but also eat into the funds that could be used to provide essential facilities and improve the welfare of its citizens (Aja,2003:106). This tends to negate the past imaginative and generous efforts at finding solutions to the debt crisis.

Nigeria's external debt stock prior to April 2006 stood at US$2 Billion being expended annually on debt servicing so that between 1977 and 2005 for which record is available, the country had expended over US$31 billion on debt repayment of the actual US$13.5 billion. Olusegun Obasanjo during his regime implored fervently for debt cancellation cum relief so that he would channel the about US$45 Million that occur daily from the sales of crude oil to poverty reduction and socio-economic projects. In spite of the debt repayment to its major creditors Paris and London Club, Nigerians are yet to experience any fundamental change on their socio-economic lives. Notwithstanding one can categoricaly affirm that it is not yet uhuru since the country is still not only saddled with an external debt burden of over $2.6 billion and a staggering amount of N1.87 trillion domestic debt (The Guardian, 2007:16). These are made up treasuring Bills worth N754 billion, representing 40.40 per cent of the total debt, Treasuring Bonds of N413.6 billion accounting for 22.16 per cent of the stock and finally development stock made up of N720 million, which is 0.04 per cent of the debt (DMO, 2007).

Despite this uninteresting reality, most scholars on Nigeria's debt crisis like (Oyejide et al, 1985:17) tend to ignore the implication of the large amount of domestic debt on the countries balance of payment capacity. Rather than dwelling on why all the debt management plans failed to address Nigeria's debt crisis, they prefer to dissipate their intellectual energy on celebrating a debt repayment that seem to be a waste of nation's resources. They also failed to probe the subsisting complementary interest of the countries ruling class and that of the international bourgeoisie with regard to debt repayment issue. The study shall attempt to fill this gap within the context of the questions stated below:

(i) Is debt servicing implicated in the shortage of funds for the implementation of the electronic voting system in Nigeria?

(ii) Is there any relationship between debt relief and reduction of unemployment in Nigeria?.

(iii) Does debt rescheduling resolve Nigeria's external dependence on the West?.

~~1.3~~1.4 Objective of Study

The central objective of this study is to evaluate the impact of debt crisis on Nigeria's socio-economic development. However, the study is guided by the following specific objective:

(i) To examine if Nigeria's external debt servicing is implicated in the shortage of the funds for the implementation of the electronic voting system in Nigeria.

(ii) To find out the effect of debt relief on the level of unemployment in Nigeria .

(iii) To interrogate if debt rescheduling has resolved Nigeria's external dependence on the West.

~~1.4~~1.5 Significance of Study

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The significance of this study is at two principal levels: practical and theoretical. Practically, this study will be of paramount importance to policy makers of developing countries especially in Nigeria as it provides guidelines for not only tackling underdevelopment but also averting debt trap in their subsequent domestic and external policies and other African countries. In as much as many articles, seminars and speeches have been written and presented on the causes and consequences of debt crisis and underdevelopment in Nigeria, this study is simply another contribution in the explanation of debt crisis and underdevelopment in Africa. This of course contributes to knowledge as well as stimulates further studies.

Also theoretically, this study explores and problematises external debt economic policy as a multi-dimensional process whose dynamic either impacts and transforms the lives of citizens , or impacts and escalates their living conditions. Thus, by interrogating the interface between external debt and crisis of development in Nigeria especially under Obasanjo's civilian administration, the study will be a good starting point for further studies in this sensitive but crucial area of international relations. Finally, by provoking and eliciting enlightened discourse, the study will not only join the on-going intellectual debate on the dynamics of international political, economic and social relations, but will also synchronize with existing inquiries to form a dependable pool of literature for scholars and policy makers alike.

~~1.5~~1.9 Literature Review

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Attempts to arrive at a broad consensus meaning of the word, debt seem to be in a quandary as scholars and commentators from economics and political science are sharply divided over its meaning. The controversy generated by this scholarly stand off has resulted in a plethora of definitions that obfuscate rather than explicate its meaning. Hence most of the available definitions of the concept are underscored by an economic undertone to the extent that one is left to wonder if debts is strictly an economic issue.We shall however, in this study limit ourselves to the specific study. Nevertheless, the flood of economic definitions of the concept that has punctuated international economic system is so over bearing that it will amount to academic prejudice if they are not accorded their deserved attention in this study. For instance, debt and in specific term external debt is conceptualized by Mark Ellyn and Han Flinch (1990:15) as: "the amount at any given time, of disbursed and outstanding contractual liabilities of residents of a country to non-residents to repay principal with or without interest or to pay interest with or without principal".

This is a purely economic definition of debt, which concerns itself with interest to be paid in addition to the capital disbursed. The implication of the definition is that debt is an aspect of business transaction that is profit-oriented and uncharitable in nature. Another aspect of the definition that must not escape mention is its tendency to restrict debt transaction to only the residents of different countries thereby ignoring domestic debt that seem to be one of the predisposing factor to external debt. A major defect of this definition is its failure to include other non-economic liabilities, which appropriately qualify for debt added to this, is the fact that contractual liabilities are mostly carried out by states and even when individuals or residents of the state guarantees such transaction before carrying out such transactions it becomes a liability, a legal burden. It is in this connection that most Third World countries, particularly Nigeria were plunged into debt trap because of its unguarded guaranteeing of export credits. (Oyejide et al, 1985:17). Therefore, it will be inadequate if not misleading to limit contractual liability to residents in different countries only. Unfortunately however Oyejide et al (1985) adopt similar economic position with Ellyn and Flinch above in their conceptualization of external debt as:a repayable obligation that has either a maturity of up to one year (i.e medium and long term debt)…..owed to non resident and repayable in foreign currency.(1985:17).

This definition from all intent and purposes excludes domestic debt transaction, which is a major pitfall. As earlier pointed out, publicly guaranteed debt (i.e. an external obligation of a private debtor that is guaranteed for repayment by a public entity) is one of the three component parts of external debt. However , their latter definition of debt as "the resource or money in use in an organization which is not contributed by its owners and does not in other way belong to them" seems more inclusive and useful to this study save for their utter disregard for non economic variables. This sheer omission or neglect of a more important aspect of debt renders their definition inconsistent with choices made in this study. Regrettably, many scholars adopt similar position in seeing debt generally as:any purchase or credit negotiated through government or voluntary agencies on terms more favourable than 'normal' commercial terms. (see for instance, Akin Fadahunsi, 1977 :4).

It is perhaps, this penchant for giving a purely economic definition to debt that might have rendered past efforts at addressing the debt crisis impotent since a lasting solution to a problem is contingent upon an impartial recognition and treatment of the problem. This actually informs our preference for Fadahunsi's conception of debt within the wider political economy context. In his exact words, debt is :

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

The relevance of this definition includes but is not limited to its recognition of other non –economic variables such as foreign aid that is more or less political. Hence the transaction must be consistent with the national interest of the parties.

Another area of interest in the definition is that it also recognizes that agencies are also engaged in the negotiated transactions. Our argument however, is that whether the transaction is in kind or monetary, the recipient becomes a debtor of gratitude or obligation and by virtue of the fact that "he who pays the piper dictates the tune" the negotiated transaction in whatever complexion but with terms attached may turn out to be Greek gift-a Trojan horse-that spells doom for the receiver. It is probably in the light of this that one wonders why most if not all the negotiated transaction either in kind or monetary should result in debt crisis and becomes a burden to the receivers' development contrary to the purpose of incurring the debt in the first place. For instance, separate and collaborative works of erudite scholars in debt such as Bahram Nowzad (1990:9), Oyejide et al. (1985:14), Falegan S.B (1978:9)

Akintayo Fasipe (1990:1) Graham Brid (1989:2), Callsito Madavo (2003:91), Ngozi Okonjo-Iwala (2003:169) and Chukwuma Soludo (2001:29), etc, all share pervading perspective of linking debt to development.

This could be seen from the assertion of Madavo (2003:1) that borrowing and therefore debt is a legitimate part of everyday economic management. To him, external debt does not constitute a burden when contracted loans are optimally used and the return on investment is enough to meet maturing obligations, while the servicing of the domestic economic is not undermined (Ojo, 1994:15). The implication of this is that the debt crisis in Africa is a product of poor economic management, and especially, the mismanagement of contracted loans by inefficient public enterprises. External factors such as decline in commodity prices, increases in world interest rate and collapse of world trade are absolved of debt crisis in Africa. But this the usual "blame the victim" approaches by the Western World and international lenders that only obfuscates the actual cause of the debt crisis. As aptly argued by Ake (2001:70) the foundation for debt crisis in Africa was laid soon after independence when the new leaders of Africa settle for economic development. In any case:

> With sparse resources of their own to work with, they looked to foreign powers to finance their aspirations and reintroduced in the economic context some of the issues of dependence that they had settled in the political context.

Ake's observation is timely because it helps in revealing that debt is a shared responsibility between the countries of Africa and their creditors. But the creditor countries should take the larger share of the blame since it was their activities in Africa during the colonial era that actually weakened the structure of Africa economy and left the emerging leaders at independence with no option but to foist the burden of development on other countries (S.Ibi Ajayi;2003:105). Ake elaborated on this further when he lamented that the consequence was what has become as dependent development because the conditions attached to the foreign loan /aid took for granted the validity of the inherited economic structure (Ake,2001:19).

It is perhaps in the fight of this that the OECD had to caution that development finance should be made to achieve “acceleration in the process of development in the less developed nations” (See Freund,1965).This however, can be possible when the fund according to Woods (1966:206-215) is released “on terms more appropriate to the facts of life in underdeveloped countries” This advice is necessary because since borrowing was engendered by the need to fill the resources gap in African countries in other to enable the public sector provide infrastructure, create assets and investment in productive enterprises that would create jobs imposing unfavorable terms would definitely produce contrary results as is the case presently in most of Africa (Okonjo-Iweala, 2003:169). Nevertheless, the lenders have a contrary intention which is that loan is never meant as a development finance. Rather, it is a huge trap for the recipient countries with the ultimate aim of ensuring that they remain firmly within the sphere of influence of the lenders. In other words external borrowing to underdeveloped countries is a ploy for the perpetuation of the economic domination of the borrowing countries through high interest rate and unfavorable terms. This is why the claim by other authorities (See Palmer, 2005:550) that the debt crisis occurs because “the capacity of underdevelopment countries to utilize outside capital is extremely limited” should not be taken seriously. Assuming the claim is true then it is an open acknowledgement that the colonial despoliation of Africa economy weakened its base and , therefore renders it incapable of servicing the loan and at the same time “carry out any development project either of macroeconomic nature or to finance transitory balance of payments deficits” (Soludo , 2003:29).

Therefore why not disputing the fact that “in many respects the taking on debt is an entirely rational and welfare enhancing activity representing an inter-temporal redistribution of living standard” (Bird ,1982:2),such loan should be devoid of any strings so that it would be used to finance high –return investment and enhance the availability of resources in the future. It is strongly believed that it was the none adherence to this tenet that paved the way for the debt crisis, which Hope (1996) describes as:

> When the overall external debt has become so largely relative to the economic size of the debtor country and relative to the export earnings that off setting parts of it in the short term would amount to an impossible burden on that country.

Madavo (2003:92) shares similar view with the Hope when he refers debt crisis to "a situation in which a country's income fails to keep pace with its rising debt". It is however, Bahram Nowzad , (1990:9) that offers a concise and illuminating conception of debt crisis as "a generic description applied to all types of debt servicing problems". From this conceptualization, it could be discovered that debt crisis is the difficulty or the anxiety arising from the obvious difficulty to pay something that is used. According to a one time director of research, Central Bank of Nigeria:

> Whether the external loan so raised results in debt servicing problems depends on the one hand on the amount and terms of the borrowed funds and on the other hand , on the recipient country's management of its economies –notably its investment and export promotion policies. It also depends on a set of external conditions such as the import demand of the industrialized countries and the terms of trade (Falegan, 1978 :2).

Soludo (2003:30) ,however, does not completely agree with him. According to him; debt crisis can only be attributed to :

> The accumulating of arrears symptomatic of the fact that either the incurred debt did not serve the purpose it was meant to serve or that the problem of underdevelopment and poverty were so overwhelming that the generation of surpluses to pay back the debt was impossible.

The problem of Soludo's position stems from the fact that as Jeffrey Sachs (2003:222) rightly pointed out , his memory was so saturated with images of corruption that he could not see through his myopia the external factors to the debt crisis. Consequently Soludo erroneously believed that the problems of underdevelopment and poverty in Africa also contribute to the debt crisis. This position from such an eminent scholar is unfortunate because of its tendency to mislead. The truth is that underdevelopment and poverty in Africa are consequences of debt servicing obligation that has caused a lot of economic hemorrhage to African countries. This is why Ajayi (2003:135) describes debt crisis as "a situation when debt exceeds the country's repayment ability" and Obadan (2003:197) also sees it as difficulties in servicing existing loans and in meeting current obligation".

Ngozi Okonjo Iweala (2003:2) captured the adverse effect of debt servicing obligation in Nigeria economy when they lamented that "annual debt service is nine times more than the annual health budget". Consequently, there is apparent severe lack of capabilities-education , health and nutrition among Africans' poor that threatens to make poverty "dynastic" with the descendants of the poor also remaining poor (Soludo,2003:23)To be sure there is no better way to describe the impact of debt crisis on the development of Africa than from the deluge of publications it continues to elicit from economists , political scientists, government, officials, bankers, businessmen, politicians and research institutes that is as impressive in its dimension as in the plethora of remedies proposed. We however, conclude by arguing that debt crisis in Africa is a colonial legacy meant to perpetuate Africa underdevelopment and dependency. This is derived from the discovery of Walter Rodney (1972:21) that the underdevelopment of some parts of the world is a product of capitalist imperialism and colonialist exploitation. This according to him is because the present underdeveloped world:

> Were developing independently until they were taken over directly or indirectly by capitalist powers. When that happened exploitation increased and the export of surplus ensured depriving the societies of the benefit of their natural resources and labours.

Thus ever since their colonization, African countries for the most part show stagnancy or slow rate of growth, while the developed countries are growing richer quite rapidly through the instrumentality of foreign loan/aid ,foreign investment and foreign trade which are carried out at the expense of Africa's development. What is more , the process of fulfilling their obligation in the face of these stringent terms has pushed the Third World into a debt trap that has resulted in deleterious economic, social and political situation. Socially, is the growth in poverty due to growing unemployment and a reduction of real wages in the formal sector.

Unemployment is one of the developmental problems that face every developing economy in the 21st century. International statistics portray that industrial and service workers living in developing regions account for about two-thirds of the unemployed. (Patterson et al, 2006). The Nigerian economy since the attainment of political independence in 1960 has undergone fundamental structural changes. The domestic structural shifts have however not resulted in any significant and sustainable economic growth and development. Available data show that the Nigerian economy grew relatively in the greater parts of the 1970s, with respect to the oil boom of the 1970s, the outrageous profits from the oil boom encouraged wasteful expenditures in the public sector dislocation of the employment factor and also distorted the revenue bases for policy planning. This among many other crises resulted in the introduction of the structural adjustment programme (SAP) in 1986 and the current economic reforms. The core objective of the economic structural reform, is a total restructuring of the Nigerian economy in the face of population explosion (Douglason et al, 2006).

However, these economic and financial structural reforms put in place have not yielded significant results. In the light of this, this paper seeks to examine if Nigerian debt rescheduling has any impact on the level of unemployment in the country. Of course unemployment could be reduced by injecting the money that occurred from our debt relief to building of industries and encouraging the informal sector which is a recent global issue targeted at empowering people towards being self productive and independent(Akintoye, 2006).

According to Briggs (1973) unemployment is the difference between the amount of labour employed at current wage lends and working conditions, and the amount of labour not hired at these levels, however, Gbosi (1997) defined unemployment as a situation in which people who are willing to work at the prevailing wage rate are unable to find jobs. The implication of the definition by Gbosi is that anyone who is not be counted as part of the unemployed labour force, in order to avoid overestimation of the official rate of unemployment. In recent times, the definition of unemployment by the International Labour Organization (ILO) is said to be more encompassing, “the unemployed is a member of the economically active population, who are without work but available for and seeking for work, including people who have lost their jobs and those who have voluntarily left work (World Bank, 1998). The application of this definition across countries has been faulted, especially for the purpose of comparison and policy formulation, as countries characteristics are not the same in their commitment to resolving unemployment problems, moreso, the preponderance of housewives who posses the ability and willingness to work, the definition of the age bracket all stand as limitations to the definition by ILO (Douglason et al, 2006).

According to the Central Bank of Nigeria (2003) the national unemployment rate, rose from 4.3 percent in 1970 to 6.4 percent in 1980. The high rate of unemployment observed in 1980 was attributed largely to depression in the Nigerian economy during the late 1970s. Specifically, the economic downturn led to the implementation of stabilization measures which included restriction on exports, which caused import dependency of most Nigerian manufacturing enterprises, which in turn resulted in

Operation of many companies below their installed capacity. This development led to the close down of many industries while the survived few were forced to retrench a large proportion of their workforce, furthermore, the Nigerian Government also placed an embargo on employment. Specifically total disengagement from the Federal Civil Service rose from 2, 724 in 1980 to 6,294 in 1984 (Odusola, 2001). Owing to this, the national unemployment rate fluctuated around 6.0% until 1987 when it rose to 7.1 percent. It is important to state here, that SAP adopted in 1986, had serious implications on employment in Nigeria, as unemployment rate declined from 7.1 percent in 1987, to as low as 1.8 percent in 1995, after which it rose to 3.4 percent in 1996, and hovered between 3.4 and 4.7 percent between 1996 and 2000 (Douglason et al, 2006).

The analysis by educational status also suggests that people who have been majorly affected by unemployment are those without basic education. For instance, persons with and without primary school education accounted for 76.8/80.6 percent of the unemployment in 1974 and 1978 respectively. In recent times however, the situation has been compounded by the increasing unemployment of professionals such as accountants, engineers, among others. According to a 1974 survey, reported by Aigbokhan (2000) graduate unemployment accounted for less than 1 percent of the unemployed, in 1974, by 1984, the proportion rose to 4 percent for urban areas and 2.2 percent in the rural areas. Graduate unemployment, (Dabalen et al, 2000) accounted about 32% of the unemployed labour force between 1992 and 1997. It is impressive to note here that, in 2003, Nigerian's unemployment rate declined substantially to 2.3 percent. This decline was attributed to the various government efforts to curb the menace of unemployment.

Nigeria is the second African exporter of crude petroleum oil and the sixth in the world, the Nation's underdevelopment is associated with weak management and corruption which characterized our management of the money gotten from the debt rescheduling of 2005 till 2007. Corruption in governance made the country to be overtaken by some other developing countries that were worse than the country in the 1960s. These countries include Malaysia, Indonesia, and Venezuela. Nigeria lags behind many sub-Saharan African countries, including Cameroon, Zambia, Senegal, Ghana, Togo and Benin in GNP per capita. The income of the average Nigerian declined by 10% from 1993 to 1994, when the GNP per capita dwindled from $310 to $280. There was further decline to $260 in 1995. The country abounds with abandoned projects and policy summersaults. The words of the political leaders are not their bonds, nor do people hold them accountable to their promises (Eneh, 2000 and 2006).

Debt crisis is an obstacle to growth and development. This emanates from the debilitating burden of debt servicing obligations that severely encroaches on resources available for investment, socio-economic growth and development as well as poverty alleviation. In other words, to the extent that debt service outstrips the external reserves of a debtor country by wide margins to that extent that other major import needs of the country would be set aside to the detriment of its economy. This implies that many projects would have to be grounded, as industries would no longer work themselves up to full capacity leading to entrenchment of workers. Contraction of output and income as well as rise of prices beyond the reach of the average citizen (Onoh, 1989:170). In an atmosphere of instability, no investors whether local or foreign will invest his money in an unstable country. Political instability including debt crises is therefore, a major consideration for investment (Sumonu, 1989:24). This provoked the assertion of Olugboji (1985) that the IMF's inspired liberalization and deregulation is a ticket to Nigeria's recolonization. Simple put, debtor countries like Nigeria have surrendered their sovereignty to IMF and international lenders who destabilize their political systems and bleed their countries to death. Unemployment according to Lipsey (1963) brings about economic waste and causes human suffering. The contribution and attitude of this economic waste were emphasized by the fact that the factor services are the least durable economic commodity. Unemployment is a result of the inability to develop and utilize the nation's manpower resources effectively especially in the rural sector (Fadayomi, 1992; Osinubi, 2006).

The negative consequences include poverty, psychological problems of frustration, depression, hostility, suspiciousness of people, food insecurity, all manner of criminal behaviour and general insecurity of life and property (Adebayo, 1999; Egbuna, 2001; Alanana, 2003; Okonkwo, 2005). Nigeria's ability to repay its debt became ensnared and culminated in the accumulation of arrears to capital, interest and penalties that formed the outrageous $35 billion external debt profile of the country before 26 April, 2006. This was in spite of the about $3 billion or 30% of its total revenues that was expended annually on servicing the external debt that was initially $17 billion at the outset (Okonjo-Iweala et al, 2003:12). Economies of debtor countries will all things being equal grow either in the short or long run and this, as we had observed earlier will put the creditors market in jeopardy. So with a depleted resources and resultant inability to service debt, accumulation of arrears and penalties reduced and in some cases totally eroded the debtor countries credit worthiness. Consequently, both lenders and investors were forced to stay clear of the economy.

For instance, when in 1980 Nigeria was forced to limit its debt service provision in annual budgets because of the continued crowding out of spending on infrastructure and social services meant to fight poverty, the ensuring debt overhang forced the Export Credit Guarantee Agencies (ECGAS) to suspend insurance cover for exports, not only of goods and services but also of investment capital to the country. The result was obvious because the much-needed inflow of foreign resources in the stimulation of investment, growth and employment was hampered. Debt servicing was partly the problem while government's mismanagement was largely the problems.

Which results in heavy debt servicing obligation that makes debtor countries to run faster and faster just to stay in the same place. The import of this is that heavy debt burden weakens an economy and ensures that such an economy becomes distorted and dependent. This is premised on the simple fact that "nations like individuals cannot spend more than they earn without falling into debt" (Payer, 1974:214) one's customers, supplies and employers besides, debt as we have noted earlier is a powerful instrument employed by the creditors to keep the potential rebellious borrower in line. Thus debt servicing is similar to peonage or debt slavery system in which:

> The worker is unable to use his nominal freedom to leave the service of his employer because the latter supplies him with credit (for over priced goods in the company store) necessary to supplement his meager wages. The aim of the employer/creditor/merchant is neither to collect the debt once and for all nor to starve the employee to death, but rather to keep the labourer permanently indentured through his debt to the employer. The worker can not run away, for other employers and the state recognize the legality of his debt; nor has he any hope of earning his freedom with his own wages, which do not keep pace with what he consumes let alone the true value of what he produces for his master (Payer, 1974:49).

Abiola (1984) captures this further when he asserts "if you are in debt, you are a servant of your creditor forever". In other words, the distortion is a contraption for the creditors to keep the debtors in a comparative disadvantage in the world market because without distorting and disrupting servicing conditions, Without export credit cover and other facilities Nigerian importers were required to provide 100% cash cover for all their creditors and were, therefore, placed at competitive disadvantage compared to their counterparts elsewhere who had access to Export Credit Guarantee Agencies covers and credit facilities. This kept the productive sector stunted and constrained profitability and tax revenue. Above all, the absence of export credit covers has certainly led to heightened demand pressure on the domestic financial market in general and bank lending in particular, providing conceivably, upward pressure on the cost of funds and contributing to the inflationary spiral. This situation, of course, exacerbated the pains of the external debt burden as it blocked off any relief that accompanies fiscal and monetary reforms such as the Central Bank of Nigeria's recent reform on bank recapitalization. This provoked the assertion of Olugboji (1985) that the IMF's inspired liberalization and deregulation is a ticket to Nigeria's recolonization. Simple put, debtor countries like Nigeria have surrendered their sovereignty to IMF and international lenders who destabilize their political systems and bleed their countries to death. Debt crises also have its toll on our electoral system, which is a very important aspect of democracy. If our leaders are sincere in converting the money gotten from debt relief of 2005, our 2007 election would have been far better this paper is out to as ray the implication of debt relief on our procuring of electoral voting machine.

Prior to 2007 election INEC and Government state that they remain determined to utilize a complex and expensive new system of voting using electronic booths in 2007, claiming that this will prevent rigging and aid collection of results. Yet civil society groups have reiterated in a series of consultations that the multi-million dollar system would be unsuitable and inadvisable, given not only the country's extremely poor electricity supplies, but the impossibility of independently observing and confirming results gathered in such a manner, the ease with which such results could be altered at the data collection stage, and the consequent general distrust the wider public has indicated in such a system. For INEC to successfully carry out these duties, its independence is critical. The 1999 Constitution is not oblivious of this independence challenge; hence, it provides that the Chairperson of the Commission is to be appointed by the President of the Federal Republic of Nigeria but such appointment must be subjected to the confirmation and approval of the National Assembly.

In fact, Section 158 (1) of the 1999 Constitution provisionally guarantees the independence of INEC and other Federal Executive Bodies when it said "…and the Independent National Electoral

Commission shall not be subject to the direction or control of any other authority or person." While there are good provisions in the Nigerian 1999 Constitution for the Commission, there are also bad provisions in the same legal document. For example, Section 156 (1) (a) of the Constitution provides that those to be appointed as electoral commissioners must be qualified to be members of the House of Representatives, implying that the person must be a member of a political party.4 Such a provision does not in any way insulate INEC from being an institution that is partisan in its dealings, which also has serious implications for its functions as an independent and impartial umpire (Adejumobi, 2007).

The information technology revolution has affected election management in a number of ways. Electoral authorities use computer systems to make their internal management and communications more effective, to systematize voter registration records, and to communicate with voters, among other tasks. In recent years, computerized voting has also become prevalent, starting with the adoption of optical scan voting and counting systems in the 1980s and extending more recently to DRE voting systems. DRE systems require a voter to indicate a choice or choices using a computer interface (often either a push-button or a touch-sensitive screen); the voting computer records the votes and eventually calculates the totals.

The use of DRE technology has expanded rapidly in the United States since the 2000 elections—from 12 percent in that election to 29 percent in 2004—often encouraged by the availability of federal funds. Nigeria hope of running an electronic voting system is not unconnected with the fear of the ruling class. Hence, they have alienated themselves from the electorate and wouldn't want any thing that will ensure free and fare election2 For INEC to successfully carry out these duties, its independence is critical. The 1999 Constitution is not oblivious of this independence challenge; hence, it provides that the Chairperson of the Commission is to be appointed by the President of the Federal Republic of Nigeria but such appointment must be subjected to the confirmation and approval of the National Assembly. In fact, Section 158 (1) of the 1999 Constitution provisionally guarantees the independence of INEC and other Federal Executive Bodies when it said "…and the Independent National Electoral Commission shall not be subject to the direction or control of any other authority or person."

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The theory is an attempt to provide an explanatory tool by which Third World countries can defend themselves against globalizing capitalism, which they believe is the generator of their underdevelopment. Put simply, dependency theory is an intellectual rebellion against the hitherto prevailing modernization theory packaged and marketed by the economic liberals from the advanced capitalist countries.

The basic assumption of the liberal theory or modernization theory popularized by Walt Whitman Rostow (1960:4 - 39) is that underdevelopment is an original state which must be overcome through a gradual or a particular sequence of clearly definable stages classified as "traditional, the precondition for take – off, the drive to maturity, and the age of high mass consumption." These stages according to this theory were instrumental to the development of the capitalist west and therefore, a prerequisite for the development of other countries. Africa should therefore, shed of its nostalgia to traditionalism, which inhibits development, and rely on the influences of the advance capitalist countries because in the words of Rostow (1960) “the stage of precondition arises not endogenously but from some external intrusion by more advance society”. Toeing this standard in the view of the modernization theorists will definitely lead to the spread of development in every country at the long run. The case of the four “Asian Tigers” – Hong Kong, Singapore, South Korea and Taiwan – and their economic miracles are quickly cited as an example of countries that imitated the West and achieved accelerated economic development (Offiong, 2001: 38). In sum, the proponents of this theory argue that rather than blame the west and capitalism for its debt crisis and underdevelopment, Africa should blame the profligacy of their leaders and their failure to over come the barriers of pre-industrial production, backward institutions and parochial value system that impede the process of growth and modernization in their countries (Lewis: 1970).

The fact that the many decades of applying the modernization catechism have worsened rather than ameliorated Africa’s debt crisis and underdevelopment, and also that the achievement of the so-called economic miracle by the “Asian Tigers” was never through the rigorous application of liberal economic policies but by combining major state intervention in economic areas with ruthlessly repressive political and social policies (Holland, 1986:23) led to the condemnation of the modernization theory for being not only patently ideological rather than theoretical but also a mere impressionistic interpretation of historical analysis than a scientific analysis (Dudley, 1982:23). It is these criticism that gave impetus to the emergence of the dependency theory.

The major thrust of this theory is that the integration of African economy into the global economic system at the time when African economy was vegetative is responsible for Africa’s debt crisis and underdevelopment (Dos Santos, 1972, 71 - 77). This integration, according to, is proponents truncated, disarticulated, distorted, disrupted and even destroyed Africa’s autogamous development process and paved the way for the increasing disequilibria between the poor and the rich economics. Thus it is the nature of the integration that consigned African economy to dependent status serving capitalist countries interests and thus externally teleguided and regulated by the metropolitan countries. An understanding of Africa's underdevelopment and poverty is possible only through the appreciation of the master-servant relationship that characterize the international capitalist system and which makes African development a mere reflection of capitalist expansion. As noted by one of the famous dependency theorists, Theotonio dos Santos, dependency is:

> A situation in which a certain group of countries have their economy conditioned by the development and expansion of another economy to which the former is subject, the relation of interdependence between two or more economies and between these and would trade assumes the form of dependence when some countries (the dominant) can expand and give impulse to their own development, while other countries (the dependence) can only develop as a reflection of this expansion (Dos Santos, 1972: 71 - 77).

This asymmetric relation is described by Andre Gunder Frank as "centre – periphery" relation and Samir Amin as "international division of labour". The bottom line of this characterization is that Africa's forceful incorporation into the world market reduces her to a mere supplier of raw materials and buyers of manufactured product at unfavourable terms of trade. This makes African economy vulnerable to the fluctuations of the global market and reinforcers the assertion of Walter Rodney (1972) that "development and underdevelopment are two sides of the same coin". After all, it is the tendency of making Africa primary producers of raw materials and consumers of manufactured products that facilitated its exploitation and dependency on the advanced capitalist market. Therefore, it is unreasonable to expect the Third World to develop from this position of global weakness (Offiong, 20 (4:39) without de-linking (Babu 1980) from this exploitative globalist system. As Kwame Nkrumah (1973:30) pointed out long ago, the underdeveloped countries would not make a forward march towards economic independence because the industrialized societies of the West were hindering the economic development of the poor societies thus making it difficult for them to break out of poverty (Baran 1957":118). If Africa does not de-link from this unequal relations of production and distribution, Africa's debt crisis will continue because as John Rapley puts it.

> By siphoning surplus away from the Third World, the First World had enriched itself. By keeping the Third World underdeveloped the ruling bourgeoisie of the First World ensured a ready market for their finished goods and a cheap supply of raw materials for their factories. (Cited in Offiong 2001: 43.

From the above review , however, it is apparently surprising that none of the scholars bothered to probe into the content and implementations of the extant debt management plans that have been dished out and imposed on the debtor countries. A probe in that direction would have probably revealed why none of the plans both locally articulated and internationally prescribed (or is it imposed?) had been unable to solve Africa's debt crisis. Most fundamentally, the scholars did not probe the accommodative spirit of most leaders of Africa , and Nigeria in particular in respect of debt management options they often adopt and why loan taking and debt crisis have continued. The concern of this study is to fill this yawning knowledge-gap by attempting to discover why debt management plans are ineffective in addressing debt crisis in Africa .

1.6 Theoretical Framework

The theory of post colonial is adopted to guide this study. The theory is developed by Hamza Alavi (1972) and popularized by Claude Ake (1985); Ekekwe (1985); and Ibeanu (1988). The most distinguishing feature of the theory of post-colonial state is its assumption that the post-colonial state is a creation of imperialism. As such, it has followed a development strategy dictated by the interests of imperialism and its local allies, not by those of the majority of the indigenous population. The post-colonial state has created a deep crisis from which it can hardly extricate itself without fundamental changing its present nature. According to Ekekwe (1985:56), the post-colonial state rests on the foundation of the colonial state, which in turn, had incorporated some important elements of the pre-colonial rudimentary state structures. The main goal of the colonial state was to create conditions under which accumulation of capital by the foreign bourgeoisie would take place through the exploitation of local human and other natural resources. It was on the basis of this that the post-colonial state emerged.

As Ibeanu (1998) has observed, in spite of anti-colonial struggles, the post-colonial state altered very little in the arbitrariness of its predecessor. This is especially the case in countries like Nigeria where independence was negotiated with the colonialists. Negotiated independence, according to him, implied that the structures of the colonial state were not changed in any fundamental sense; it was just a change of personnel. Therefore, the state that now emerged, though ostensibly independent and sovereign, was no less a creation of imperialism than the colonial state (Ekekwe, 1985: 57). The post-colonial state is a creation of imperialism too, but that it also sought to dovetail its interests with those of the foreign bourgeoisie

One basic character of the post-colonial state is that it has very limited autonomy (Ake, 1985A: 3). This means that the state is institutionally constituted in such a way that it enjoys limited independence from the social classes, particularly the hegemonic social class, and so, is immersed in the class struggles that go on in the society. This lack of relative autonomy is one reason why the post-colonial state in Nigeria is incapable of mediating political conflicts (Ake, 1985B:28).

The post-colonial state is also committed in such a way that it reflects and carters for a narrow of range of interests (Ake, 1985:28, 31). As for the post-colonial state in Nigeria, it carters mainly for the interest of the Nigerian bourgeoisie and that of the metropolitan capital. In fact, Ekekwe (1985:55) has noted that in any discussion of the post-colonial state, there is need to consider capital and the state as being closely related. This is because foreign capital plays very dominant role in post-colonial states. The choice of the theory is predicated on its ability to explore complex linkages between the postcolonial Africa economies and the international economy and also explain how this linkages condition their socio-economic policies in favour of the advanced capitalist countries.

According to Alavi (1972) , the western capitalist state was created by ascendant bourgeois class for the promotion of capital formation. In the colonial Africa, however, the same western bourgeois class created the state for the subordination of the natives and to further the promotion of capital formation through their inordinate exploitation of the resources of their colonial territories. In other words, the state in post colonial Africa was not established by indigenous bourgeoisie as the colonial state in fact , prevented the emergence of such a class through its various obnoxious policies that threw the colonial economy open and therefore emasculated the indigenous bourgeoisies.

At independence, therefore, the indigenous bourgeoisies were economically weak and had to rely on the colonial state, which they inherited for the enhancement of their economic position. Consequently the postcolonial state became:

> institutionally constituted in such a way that it enjoys limited independence from the social classes, particularly the hegemonic social class and so is immersed in the class struggle (Ake, 1985:3).

In reality, however, it is the indigenous ruling class that compromised their independence to the postcolonial state. For as a creation of the foreign bourgeoisie, the postcolonial state became canonized to dominate and regulate the operation of the indigenous social classes. But with some compensation however to the later. This explains why the form and function of the postcolonial state in Africa remains essentially the same with that of the state in colonial Africa: immense, arbitrary, often violent, always threatening (Ake, 2001:6).It is this imposing stature of the postcolonial state that predisposes it to play the role of a parent state, and intervene in the economic processes with reckless abandon. As vividly captured by Olashore (1994:6), this role of the postcolonial state is evident in its provision of infrastructure, training, salaries, equipment, personnel, technical knowledge and political bureaucracy so that it is saddled with enormous responsibilities often beyond its competence. Consequently, the postcolonial state resorts to external finance and subsequently to debt overhang. The situation is made worse by the need for a more secure material base, which drives the indigenous elite to increase the statism of the economy notably by nationalization.

In Nigeria, and elsewhere in Africa, the economically marginal class that inherited the postcolonial government has been maneuvering to create an economic base for its political power. This as earlier pointed out takes the form of:providing infrastructures, nationalizing enterprises in the national interest; setting up numerous corporations to run utilities and even commercial enterprises (Ake, 1985:19).In Nigeria, for instance, this urge necessitated the Indigenization and Nationalization Policies of 1978. But is was explained away as part of the government's responsibility to promote national development and protect the nation's vital interests. The same reason was advanced for the Land Use Decree of 1978. The covert objective of the policies however, was to increase the concentration of wealth in the hands of the ruling class.

The implication of this interventionist role of the postcolonial state in Nigeria is the dominance of foreign capital that is exploitative in character. This is because while the Nigerian state has a weak material base and limited control of the productive base of its economy, foreign capital not directly involved with administration of the machinery of state is powerful through its hold over technology and capital (1985:20). This makes the Nigerian bourgeoisie to give implicit consent to the wealth it brings to many member of this class. Any wonder then that foreigners were retained in the management of the production line while the Nigerian bourgeoisie assumed the honorific position as general managers after the indigenization exercise. This according to the proponents of the postcolonial theory is a critical factor accounting for the underdevelopment of Nigeria. As captured by Ake (1985:32):

> Mirroring the relation of the Nigerian bourgeoisie and metropolitan capital and their domination of the Nigerian state, Nigeria's development strategies view development in terms of its compatibility with the maintenance of existing property relations and of movement along the vertical links of center and periphery.

This explains the failure of all debt management plans to address the debt crisis in Nigeria. it further explains why the international bourgeoisie through an idea and set of policies propounded and monitored by some states, public intellectuals and international agencies, especially the international monetary fund (IMF), have made the implementation of neo liberal policies, namely deregulation, liberalization, and privatization as a condition for foreign assistance, loans, credit ratings and foreign investments in the developing countries (Mittleman, 2001:3). above all, the post cold war era structure by the ideology and practice of global neo liberalism and the attendant lack of alternative to it makes it a matter of faith for the Nigerian bourgeoisie to comply and thus further the country's underdevelopment (Moore, 2001:910). this underscores the utility of the postcolonial theory in this study.

1.7 Hypotheses

In the light of the above, the study makes the following propositions:

i. There is no relationship between debt servicing and shortage of electronic voting machines in Nigeria.

ii. Debt relief tends to have no effect on the rate of unemployment in Nigeria.

iii. Debt rescheduling tend to deepen external dependence of a country.

1.8 Method of Data Collection/Analysis

This study is qualitative in nature. Thus data were secondary sourced from existing records such as books, journals, seminar papers, workshops papers, magazines, Newspapers and other related documents. Secondary sources of data refer to a set of data authored by another person, usually data from the available data, archives, either in the form of document or survey results and code books (Ikeagwu, 1998:211; Asika, 2006:27) identify the advantages of secondary sources of data to include that of economy. Again, is the fact that much information of this sort is collected periodically thereby making the establishment of trends over time possible. Hence, the study also relied on institutional and official documents from international organizations such as IMF and World Bank and so on, on the performance of Nigerian economy.

This study extensively utilized materials sourced from the internet that border on the same subject matter.

Accordingly, the study is both exploratory and explanatory in analysis as it offers a causal explanation of the debt crisis with a view to suggesting actions or solutions that will eventually lead to the upturning of the status quo of debt crisis and underdevelopment in Nigeria.

CHAPTER TWO

NIGERIAN EXTERNAL DEBT AND DEMOCRACY

~~2.1~~2.3 Background of Nigeria's External Debt

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Nigeria's first loan from the Paris Club of Creditor Nations was a US$13.1 million loan taken from the Italian government in 1964 for the building of the Niger Dam. From that time till the end of the decade, Nigeria's borrowing from foreign lenders was generally insignificant. However the oil boom of 1971-1981 introduced the era of big borrowing in Nigeria. Loans were acquired by various tiers of government as Nigeria embarked on major development and reconstruction projects in the wake of the civil war. The borrowing continued well into the civilian era, as the Federal Government embarked on the guaranteeing of many unviable loans taken by private banks, state governments and parastatals.

In 1982, when oil prices crashed, Nigeria was unable to pay off the loans it borrowed. Interest payments spiked, penalties rose, the crisis had begun. This pattern continued well into the military regimes of 1985-1993 and 1993-1998, when Nigeria stopped paying its debts to the Paris Club altogether, after the Paris Club refused to substantially reduce Nigeria's debt. With the return to civilian rule in 1999, Nigeria embarked on a relentless campaign for debt relief. Nigeria's debt, which stood at US$36 billion in December 2004 was unsustainable, President Obasanjo campaigned. Nigeria spends more on interest payments than it does on health care and education. Given this debt level, debt relief effort yielded fruit on June 29, 2005, when the Paris Club and Nigeria agreed on an US$18 billion debt relief package.

2.2 Nigeria Debt Regime And Paris Club

Table 2.1: Nigeria's External Debt Outstanding (1970-2005) (N Million)

Years	Multilateral	Paris Club	London Club	Promissory Notes	Others	Total Debt
1970	37.9	136.0	-	-	1.1	175.0
1971	37.9	137.8	-	-	2.8	178.5
1972	102.1	158.1	-	-	5.4	265.6
1973	107.1	150.8	-	-	19.0	276.9
1974	122.0	179.0	-	-	21.4	322.4
1975	126.0	200.7	-	-	23.2	349.9
1976	130.3	220.1	-	-	24.2	374.6
1977	139.5	218.5	-	-	7.1	365.1
1978	154.3	838.0	-	-	259.8	1,252.1
1979	163.9	1,433.7	-	-	13.9	1,611.5
1980	179.1	1,576.5	-	-	111.2	1,866.8
1981	199.6	1,975.9	-	-	175.7	2,331.2
1982	530.4	5,474.4	1,981.7	-	832.9	8,819.4
1983	566.4	6,002.2	2,758.8	548.9	701.4	10,577.7
1984	1,271.2	6,360.4	5,443.7	1,155.1	578.3	14,808.7
1985	1,293.5	7,726.4	6,164.3	1,272.9	842.5	17,300.6
1986	4,670.7	21,725.3	8,444.7	4,152.6	2,459.1	41,452.4
1987	8,781.5	63,205.6	6,766.5	20,634.7	1,400.8	100,789.1
1988	9,991.8	75,445.3	14,986.1	25,742.1	7,791.0	133,956.3
1989	21,473.6	121,229.6	42,840.0	35,067.6	19,782.9	240,393.7
1990	34,606.3	154,550.6	53,431.8	40,950.5	15,075.2	298,614.4
1991	39,458.3	173,051.2	58,238.1	43,561.9	14,144.3	328,453.8
1992	89,274.3	324,729.9	41,890.6	64,140.0	24,229.3	544,264.1
1993	81,456.3	400,380.9	45,323.8	69,665.7	36,317.7	633,144.4
1994	97,042.0	400,380.9	45,367.9	70,069.1	32,106.8	648,813.0
1995	97,042.0	476,731.2	44,990.0	69,256.0	28,846.4	716,865.6
1996	102,630.0	420,002.0	44,946.0	47,080.0	2,662.0	617,320.0
1997	69,199.0	417,568.0	44,946.0	35,475.9	1,742.2	595,931.9
1998	93,214.0	458,257.8	44.946.0	35,151.6	1,447.6	633,017.0
1999	369,194.9	1,885,664.8	187,627.1	136,523.8	6,363.8	2,577,374.4
2000	379,043.0	2,353,134.0	223,834.0	158,48.0	15,753.3	3,130,250.9
2001	313,504.7	2,475,509.0	224,950.2	144,746.2	13,58.9	3,176,291.0
2002	375,700.1	3,220,823.5	182,964.4	146,341.1	7,055.6	3,932,884.7

2003	413,877.7	3,737,279.9	196156.9	123994.6	7,020.2	4,478,329.3
2004	384,248.7	4,196,844.6	196,1558.4	106,558.4	6,462.4	4,890,269.6
2005	330,654.4	2,028,580.1	189,768.4	85,526.4	60,542.6	2,695,072.2

Source: 1) Central Bank of Nigeria
2) Federal Ministry of Finance
3) Debt Management Office, the Presidency, Abuja

How much does Nigeria owe?.

As at December 31, 2004 Nigeria owed, a total of US$35.994 billion. At the official exchange rate of N134 to US$1.00, this is equal to N 4.82 trillion. If shared among Nigerian's 130 million people, each person will owe N 37, 101. 51 to the outside world. But Nigeria's Gross Domestic Product (GDP) Per Capita is N 3,379.50, meaning that on average, each person in Nigeria is only able to earn N 3,379.50 in one year. This implies that every Nigerian who in the very unlikely event manages to save say half of his total annual income (N 1, 689.75); will need about twenty-two years to save enough money to pay off all our debt.To achieve this, each Nigerian must survive on N 5.00 a day.

Who does Nigeria owe?

Table 2.2: Nigeria's External Debt Outstanding
US $ Million

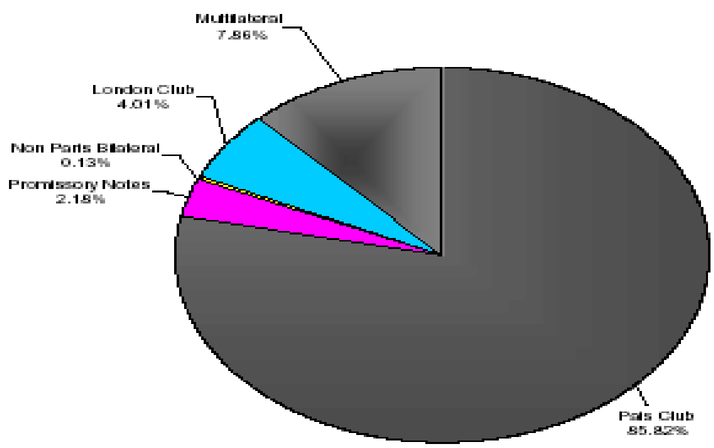
Year	Multilateral	Paris Club	London Club	Promissory Notes	Others	Total
1989	15,847.0	5,600.0	2,807.0	4,585.0	2,586.0	31,424.0
1990	17,172.1	5,939.8	3,845.1	4,550.0	1,675.0	33,179.0
1991	17,722.8	5,988.5	3,650.0	4,478.9	1,445.3	33,364.5
1992	16,433.9	2,120.0	4,518.0	3,246.0	1,226.2	27,544.1
1993	18,160.5	2,055.8	3,694.7	3,159.9	1,647.3	28,718.2
1994	18,334.3	2,057.8	44,404.3	3,148.0	1,311.2	29,428.9
1995	21,669.6	2,045.0	4,411.0	3,148.0	1,311.2	32,584.8
1996	19,091.0	2,043.0	4,665.0	2,140.0	121.0	28,060.0
1997	18,980.4	2,043.0	4,237.0	1,612.5	79.2	27,087.8
1998	20,829.9	2,043.0	4,237.0	1,597.8	65.8	28,773.5
1999	20,534.3	2,043.2	3,933.3	1,486.8	69.3	28,066.9

2000	21,180.0	2,043.2	3,460.0	1,446.7	143.8	28,273.7
2001	22,092.9	2,043.2	2,797.9	1,291.8	121.2	28,347.0
2002	25,380.8	1,441.8	2,959.9	1,153.2	55.6	30,992.0
2003	27,469.9	1,441.8	3,042.1	911.4	51.6	32,916.8
2004	30,847.8	1,441.8	2,824.3	783.2	47.5	35,944.7
2005	15,412.4	1441.8	2,512.2	649.8	460.0	20,476.2

Source: 1) Central Bank of Nigeria
2) Debt Management Office, the Presidency, Abuja
3) Federal Office of Statistics (FOS)

External Debt Outstanding by Creditor Category

As At December 31, 2004



What is the Paris Club?

The Paris Club is an informal group of official money lenders formed in 1956 with its Secretariat in Paris. It was created to find coordinated and lasting solutions to the payment difficulties experienced by countries that owed its member countries. It is a voluntary gathering of creditor countries willing to treat in a coordinated way, the debt due to them by developing countries.

What is the Source of Nigeria's Paris Club Debts?

These are loans insured through Export Credit Agencies of creditor governments or their appropriate institutions, extended to the Federal Government of Nigeria s(FGN), the States and other public entities and which are covered by the guarantee of the Federal Government of Nigeria. The Paris Club debts also include commercial credits or trade arrears incurred by private entities which have been verified by the Federal Government of Nigeria. The drastic reduction in foreign exchange earnings in the 1980s made it extremely difficult for Nigeria to meet its external payment obligations, resulting in massive build up of arrears. The foreign creditors reacted by suspending new lines of credit, thus compounding the economic problems facing the country. Nigeria then decided to approach the Paris Club for an agreement on paying at a later date.

How Many Previous Agreements has Nigeria Reached with the Paris Club and why did these Arrangements not Resolve the Debt Problems?

Nigeria has rescheduled its debts on four different occasions: 1986, 1989, 1991 and 2000.The intended effects of rescheduling include extending the period of repayment, and improving the means with which payments are made. In effect it means postponing the evil day. However, despite these

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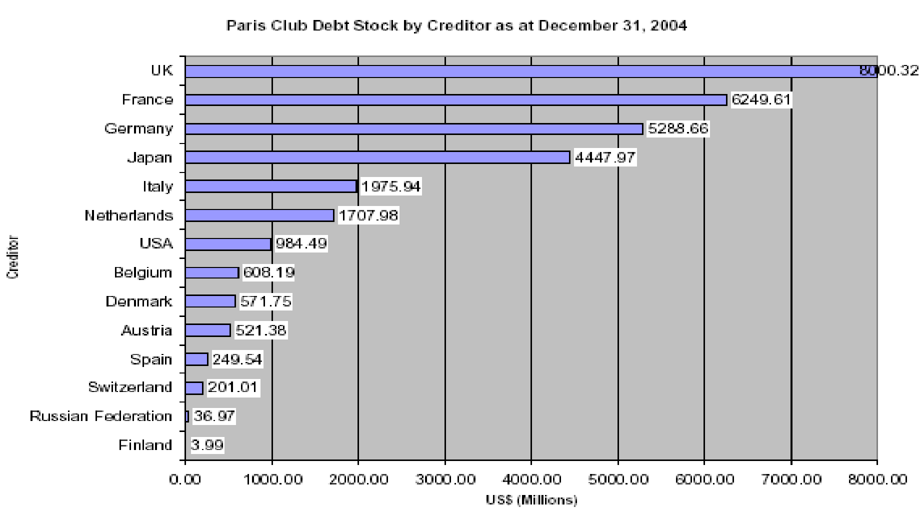


uling agreements, Nigeria's Paris Club debt still continued to increase because of the country's inability to fully pay what was due each year.

Which countries are Paris Club members and how much does Nigeria owe each of them?

Source: World Bank Report 2004.

Nigeria's debt outstanding to each of the Paris Club creditor countries as at December 31, 2004 is displayed in the picture below. Nigeria owes the highest amounts to the United Kingdom, France, Germany and Japan.

But Nigeria needs the consent of even the smallest creditors like Spain and Finland to be able to secure debt relief

Nigeria's Quest for Debt Relief

Is Nigeria's Debt Burden so Heavy that Debt Relief Should be Given a High Priority?

Nigeria's debt to GDP is about 58%, almost double the recommended level of 30%. Debt to total government revenue amounts to 412%, and debt/export ratio stands at 152%.In the crudest of explanations, this means that the country would have to give up more than half of its gross output i.e. everything we produce, without making allowance for the cost of producing them, every year in order to pay off its debt.It also means that governments annual gross revenue would have to increase by four times to afford timely offsetting of the nations indebtedness to the outside world. The Nigerian worker would have to export the equivalent of one and half times his current annual levels in order to liquidate the external charge on his foreign exchange revenues.

What did the Government do to prioritize the Quest for Debt Relief?

Owing to Nigeria's huge debt burden, resources which could have been used to tackle poverty and support economic growth are diverted to servicing external debts. This drain on resources also constituted a major threat to the consolidation of the country's nascent democracy. Accordingly, the quest for debt relief was declared a priority of the Olusegun Obasanjo administration upon his assumption of office in May 1999. To achieve this objective, a Debt Management Office (DMO) was established in October 2000 as the sole agency responsible for the management of the country's debt. Guided by its vision "to build a world-class DMO capable of making Nigeria's debt sustainable by 2006", and a mission "to transform Nigeria's debt portfolio into an asset for growth and development", the DMO audited the country's loan portfolio, updated, reconciled and computerised the debt data base to produce consistent, credible and reliable debt figures.

With the concerted efforts of President Obasanjo, the Ministry of Finance, National Assembly, DMO, the Economic Management Team, NGOs and other stakeholders, the credible implementation of the country's National Economic Empowerment and Development Strategy (NEEDS), as well as the securing of an IDA only status for Nigeria, (a factor very supportive for debt relief), thus making Nigeria eligible to borrow on very soft and favourable terms, the creditors and multilateral financial institutions began to positively consider Nigeria for debt relief.

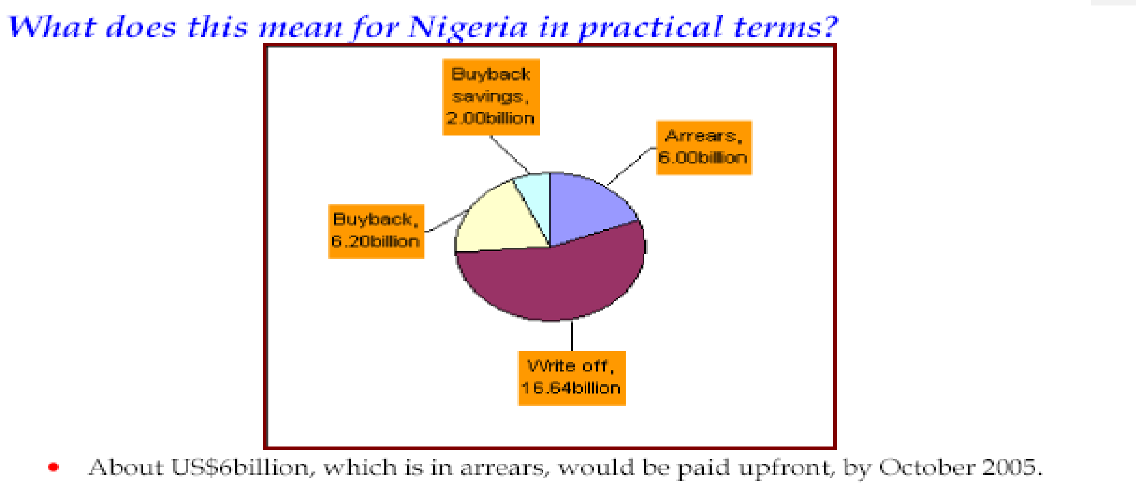
How did the International Community Respond to the Government's Quest for Debt Relief?

President Obasanjo's debt diplomacy finally paid off. In 2005 the campaign for debt relief reached a climax when Great Britain, acting as chair of the G8 (the eight most developed countries of the world), brought to the fore Third World, and particularly, African debt issues. The G-8 communiqué, in recognition of the progress made by Nigeria in the implementation of economic and governance reforms, agreed to support a sustainable debt treatment for the country within the framework of the Paris Club. At their meeting on Wednesday June 29, the Paris Club creditors announced the decision in principle, to grant a debt relief package amounting to about US$18 billion out of the US$30.84 billion outstanding as at December 31, 2004.

How Will Nigeria's Debt Relief Offer by the Paris Club Work?

The offer consists of three parts:Nigeria is required to settle arrears owed to the Paris Club. Arrears are amounts of principal, interest and late interest that have fallen due, but have not been paid. It is a standard requirement of the Paris Club for a debtor to clear its arrears prior to commencement of any debt relief negotiation. It should be noted that Nigeria's case is exceptional in the sense that the debt relief offer was made even before the settlement of the arrears.Once the arrears have been paid, there would be a reduction of the debt stock in favour of Nigeria on Naples Terms. This simply means that they will write off up to 67% of the total debt stock. The name “Naples Terms” comes from the first time it was used in Naples, Italy in 1994.

What remains of Nigeria’ debt stock after the cancellation on Naples Terms will then qualify for a “buy back” at an appropriate discount rate. This means Nigeria will pay less than the face value to liquidate the debt, thus making substantial ‘buy back savings.’In total Nigeria is expected to achieve



about 60% cancellation of its Paris Club total debt stock based on December 2004 figures.

Nigeria’s total indebtedness to the Paris Club amounting to US$30.84 billion will be reduced to US$24.84 billion.This outstanding US$24.84 billion will be eligible for relief treatment under the Naples Terms which allows a write off of up to US$16.64 billion.The balance of about US$8.2 billion after this cancellation will qualify for a buyback at a market-related discount, expected to save Nigeria a further US$2.0 billion, leaving a balance of about US$6.2 billion.Nigeria will pay this US$6.2 billion in order to completely exit its Paris Club debt. In total therefore it is expected that the amount of debt cancellation Nigeria will get from this treatment will be about US$18 billion.

Any Policy Requirements?

Usually, to reach a deal with the Paris Club, a country is required to have a formal agreement with the IMF. Nigeria does not have an IMF program, but has signed up to a new framework with he IMF known as a Policy Support Instrument (PSI).This is essentially an arrangement for IMF officials to endorse NEEDS, Nigeria's home-grown locally driven economic reform programme. The IMF already endorses NEEDS on a quarterly basis. The PSI only formalizes this endorsement arrangement. Therefore no new policy requirement other than NEEDS is to be made of Nigeria. This unique arrangement benefits Nigeria more than any known previous Paris Club relief deal.

What Is The Timeframe of the Deal?

Arrears are expected to be paid by October 2005, after the signing of the PSI. Nigeria will have another meeting with the Paris Club to conclude details of the agreement. Between October 2005 and March 2006, the debt write off will occur, and the buy back processed, thereby ensuring that Nigeria no longer owes the Paris Club any money.

Will Nigeria be Debt Free after the Relief?

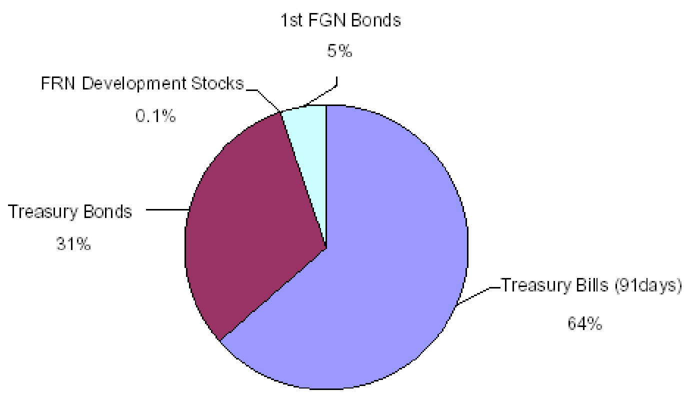
No. Nigeria still has external debt outstanding of about US$5 billion owed to Multilateral Financial Institutions, Promissory Notes Holders, London Club Creditors and Non-Paris Club Bilateral Creditors. Over the years, Nigeria has continued to meet its obligations to these group of creditors as at when due. However, Nigeria's external debt will now become sustainable. In other words, Nigeria will be able to maintain a level of external indebtedness, benefit from investing the borrowed funds, and service the debts without adversely affecting the nation's growth and development.

As illustrated in the graphs above and below respectively, dramatic improvements in the debt ratios are expected to occur after debt relief. A high ratio is indicative of a high burden of debt and vice versa: Debt as a percentage of Gross Domestic Product (Debt/GDP) is expected to fall from pre-relief level of 52% to about 7%. Debt as a percentage of Government revenue (Debt/REV) will also fall from 412% to just 58%, and debt as a percentage of export (Debt/Exp) will fall from 152% to a mere 21.5%.Actual commitment of resources in terms of debt service as a percentage of Government revenue (Act DS/REV), and export will also fall: Nigeria will need only about 1% of its GDP, less than 3% of government revenue, and just about 3% of its export earnings to service external debt.

Will there still be Need for Debt Management after Debt Relief?

Yes. In addition to the need for new external loans which will need to be professionally and prudently managed, it is pertinent to note that Nigeria has a huge securitized domestic debt portfolio, amounting to about N1. 36 trillion as at end of December 2004.The composition of Nigeria's domestic debt shows an unhealthy dominance by short term instruments, with the banking sector as the major holders of government securities.

Nigeria's Bond/government securities.



Source: Debt Management Office Report 2004.

The DMO has since 2003 embarked on the restructuring of the securitized debt portfolio with the objective of lengthening the maturity of the instruments and deepening the government bond market.In 2003, the First FGN Bond (ranging from 3 to 10 year tenors) was floated after 17 years of its absence from the market. Six-month and 1- year Treasury Bills are now issued regularly to replace 91-day Treasury Bills.A regular monthly issuance of 2 to 3year FGN Bond commenced in July 2005.There is also the local contractors debt estimated at over N650 billion which is being verified in order to initiate appropriate solutions.

What Are The Benefits of the Debt Relief?

 Current debt relief will reduce Nigeria's external debt stock and debt service obligations, thus lifting the heavy debt burden off the economy. FRN Development Stocks 0.1% 1st FGN Bonds. The debt write-off of about US$18 billion, when eventually actualised, would constitute a direct saving on debt service payments. Nigeria has in the last five years been spending an average of US$ 1billion out of about US$2.1 billion falling due annually in Paris Club debt service. This huge amount would immediately be made available to fund critical priority sectors such as health, basic education, water, power, road networks and other infrastructure to stimulate the economy. The saving from debt relief is imperative for the implementation of NEEDS, and the attainment of the Millennium Development Goals (MDGs).By making resources available for critical infrastructural needs, the relief will encourage private-sector-driven job creation to boost economy-wide employment.

The exceptional circumstance of the debt relief de-classifies Nigeria as a "bad and doubtful debt" country. It is therefore a testimonial to an improving socio-political and investment environment, which will increase foreign direct investment (FDI) to expand the industrial base and create wealth.Export Credit Guarantee Agencies will be confident to restore insurance cover for exports of goods and services, as well as investment capital to the Nigerian private sector. This will improve the competitiveness of private enterprises.

How will the Government Deliver the Benefits to the People?

One of the issues that instigates negative reactions to debt relief is the fear that the government may not deliver on promises to channel savings to the target sectors for the realization of dividends. References are made of illegal capital flight by past political leaderships and the mismanagement of previous oil revenue windfalls. Without prejudice to the basic foundations that inform this opinion – the long years of mismanagement of both borrowed and domestic sourced funds by past governments, which had created pessimism among citizens - one can not ignore the present administration's commitment to probity and accountability in public finances.

In the past two years, the Federal Government has made impressive progress in improving public expenditure management. As part of the economic reform program and plans to increase government's transparency and accountability in the use of public resources, a number of measures have already been put in place including a Due Process mechanism for transparent and consultative budget process, the SERVICOM Charter, which outlines performance matrices for ministries and government services and improved *Access to Information* by the publication of Federal allocations to all tiers of government.

The Fiscal Responsibility Bill is already with the National Assembly and a big push is being made to enact this and other related legislation. An Economic Reform and Governance Project has been agreed with the World Bank, through which the government is investing US$56m over five years in reforms to the federal government's budget, financial management and procurement policies and processes. These reforms demonstrate the government's commitment to reform, responsibility and ultimately poverty reduction.

Prior to securing the Paris Club commitment for debt relief, the government had established a framework for a Virtual Poverty Fund, now formally called the Oversight for Poverty Expenditure on NEEDS (OPEN), for tracking debt service savings as well as instituting a programme of substantial reforms of budget systems at the federal and state levels. The fund is a mechanism for enhanced funding, tracking and monitoring of budget lines in key sectors aimed at meeting the MDGs and reducing poverty. OPEN will potentially monitor the use to which the savings on debt servicing following debt relief will be put, as well as any future increase in Development Assistance from the rich nations into Nigeria.

What Measures Will Be Put in Place to Prevent a Repeat of Past Mistakes?

The Fiscal Responsibility Bill has been designed to lock in the gains of the economic reform and prevent a relapse to the past. The Law will commit all tiers of government to a set of rules for efficient economic management in terms of standardized planning, as well as control and monitoring of public borrowing and expenditure.Efforts are on to enhance and strengthen existing guidelines on public borrowing in line with relevant provisions of the DMO Act.The government has set up a Virtual Poverty Fund, which is a framework for monitoring and tracking expenditure related to meeting the Millennium Development Goals (MDGs) as provided in the budget: poverty alleviation, health, education and infrastructure development. This monitoring will involve representatives from the civil society, the media and the organized private sector.

What are the Choices and Consequences before Us?

The first option is to repudiate: Nigeria refuses to pay any more debt service to its creditors. This very simple option was tried in the 1980s and 1990s with grave consequences. It will work if and only if Nigeria were an island, producing all that it requires, by its own indigenous technology, and needs nothing whatsoever from the international community.The second option is to reject the Paris Club offer, continue with traditional rescheduling, postpone the evil day, pay only about a third of accrued debt service, and leave the rest to accumulate, recapitalize and further increase the nation's debt stock. The consequences here are easily predictable – heavier debt burden on the economy, and no chance at all of attaining the MDGs.

The third option is to accept the debt relief offer, enjoy about US$18 billion debt cancellation, pay off about US$12 billion, and free the economy from the chains of debt burden.

~~2.2~~2.4 Structure of Nigeria External Debt

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In international economics relations, external debt is the term that describes the financial obligation that ties ones party (debtor country) to another (lender country). It usually refers to incurred debt that is payable in currencies other than that of the debtor country. In principle, external debt includes short-term debts, such as trade debts which mature between one and two years or whose payment would be settled within a fiscal year in which the transaction is conducted. External debt may be incurred through a number of transactions such as trade, contract or finance, supplies credit, private investment and public borrowing. Source of loan that make up external debt include banks, international financial market (euro money and capital markets) international organization e.g. IMF and the World Bank international loans and multilateral private loans.

Foreign loans are organized international credit negotiated between two countries, on terms acceptable to them in today's world, the lender countries are usually the advanced industrialized countries of Europe, Asia (Japan) and North America while the borrowing countries are the poor under developed countries of the thirds word in Africa, Asia and Latin America, From the stand point of the latter, foreign loans are ostensibly for development purposes or to facilitate industrial progress ,or for improving the quality and quantity of food production. The ultimate objective is to increase the standard of living of the generality of the people. (Nwoke, 1990)

The origin of Nigeria's external debts dates back to 1958 when a sum of US $28 million was contracted for railway construction. Between 1958 and 1977, the level of foreign debt was minimal, as debt contracted during the period were the confessionals debts from bilateral and multilateral sources with longer repayment periods and lower interest rates constituting about 78.5 percent of the total debt stock. From 1978, following the collapse of oil prices, which exerted considerable pressure on government finances, it became necessary to borrow for balance of payments support and project financing. This led to the promulgation of Decree No 30 of 1978 limiting the external loans the federal Government could raise to 5 Billion Naira. The first major borrowing of US$ 1 billion referred to as jumbo loan was contracted from the international capital market (ICM) in 1978 increasing the total debt to US $2.2billion Thereafter, the spate of borrowing increased with the entry of state governments into external loan contractual obligations. While the share of loans from bilateral and multilateral sources decline substantially borrowing from private sources also increased considerably. Thus by 1982, the total external debt stock was US $ 13.1 billion.

Nigeria's inability to settle her import bills resulted in the accumulation of trade areas amounting to US 9.8 billion, between 1983 and 1988. The insured and uninsured components were US $2.4 and US$ 7.4 billion respectively. A reconciliation exercise which took place between 1983 and 1988 with London and Paris club reduced amount to US $ 3.8 billion with an accrued interest of US $ 1.0 billion bringing the total to US $ 4.8 in 1998. The external debts rose further to US $ 33.1 billion in 1990 but declare to US $ 27.5 billion in 1991 and increased steadily to US $32.6 billion at end of Dec. 1995.6 The total debt outstanding at the end of 1999 was US $ 28.0 billion with Paris club constituting the highest source with a share of 73.2 percent in 1999 prior to the canvass made for debt cancellation Contrary to the illusory-image of an "oil-rich" country, Nigeria is a heartily indebted poor country. Its total external debt stock, as at December 2000, is estimated by the Nigerian government at about $ 28.3 Billion it includes arrears amounting to $ 14.7 Billion and late interest of over $ 5.Billion. A significant proportion of this debt (75%) is owed to official creditors. A breakdown of the debt by category of creditors and structure is provided in Table 3 and 4.

The bulk of Nigeria's debt was incurred at non confessional terms during the late 1970s and early 1980s, during a period of significantly low interest rate regime when the London inter Bank offered Rate (LIBOR) hovered between 3 and 4%.The debt grew rapidly through the eighties due to accumulation of debt service arrears and escalation of market interest rate. LIBOR peaked at 13% in mid 1989. As a result, the pre-1984 debt of most developing countries, Nigeria inclusive quadrupled by 1990. The collapse in oil price compounded by poor economic policies, bad management and in favorable loan terms, made it externally difficult to service the mounting external debt obligation, particularly those due to the Paris club. Hence despite the rescheduling in 1986, 1989 and 1991 arrears continue to amount, which further worsened the debt problem. Some progress was made however in restricting the commercial debts, and Nigeria has continued to service that category of debt as at when due.

The trend of the external debts highlights the fact that much of the country's external debt is owed to fifteen creditor countries belonging to the Paris club, as a percentage of the total external debt, Nigeria's indebtedness to this group rose almost consistently from about 30%in 1983 to about 80% in 2001. This huge external debt constitutes a major impediment to the revitalization of its shattered economy as well as the alleviation of debilitating poverty. In terms of traditional debt indicators, as shown in the annex, the debt profile started deteriorating during the second half of the eighties, and the reached precautions level in the mid – 1990s, before recording a slight improvement.

As at December 2000, Nigeria's debt stock amounted to about 75 percent of GDP and about 180 percent of export earning. Debt service due in 2000 was about US$3.0 billion or 14.5 percent export earnings. In 1999, for example spending on health represented and about 0.2% of GDP and 0.7 percent of GNP compared with 3.4 percent (US$1.5billion) annual budget spent on debt servicing during the same period. In 2000, US$1.9 Billion was used for debt servicing translating to about 4 times Federal Government budgetary allocation to education and about 12 times the allocation to health while in 2001 debt service payment was US$2.13 billion which amounted to 6 times of the Federal Government's budgetary allocation to education and 17 times allocation to health for that year.

2.4 Analysis of the Nigerian External Debt Policies and performance.

The Pre -SAP period 1962 – 1985.

The national economic development planning started with expenditure of £678.8. Fifty percent of which emanated from foreign sources either in form of foreign private investment or direct foreign assistance to Government. The basic objectives of planning in Nigeria is not merely to accelerate the rate of economic growth and the rate at which the standard of living of the population can be raised, it is also to give an increasing measure of control over its future. Nigeria has four different development plans before 1985. These are:

I. The first National Development Programme 1962 – 1968

II. The second National Development Programme 1970 – 1974
III. The third National Development programme 1975 – 1980
IV. The fourth National Development programme 1980 – 1985

The performance of the Nigeria economy during the First Two decades after independence was generally impressive than in the Pre – independence period in spite of the atmosphere of tumultuous political resurgence. The average GDP growth rate was 5.1 percent during First National Development Plan, 8.2 percent under the Second and 5.0 percent under the Third. In the same vein the growth rate of capital formation (investment ration) rose from an average of 14.1 percent under the first plan to 26.7 percent in the third plan . Yesufu (1996) judged the actual performances of the economy, the period between 1981 – 1985 (The fourth National Development Plan) proved to be relatively the most dismal in the economic history of the country, at last since Planning as a strategy of growth and development was introduced in 1945. The growth rate of GDP per annum was only 1.5 percent (compared to 5.3 percent, 13.2 percent and 4.6 percent under First Three National Development Plan). This is the situation when calculated in US Dollars terms. The devaluation of Naira increased imbalance in the external trade and the external reserves stagnated and declined. While money income was falling, the cost of living was escalating destroying the welfare of the citizen. Over N80m was spent on food importation alone between 1981 and 1984 in spite of the much celebrated Green Revolution Programme. Agricultural however came to dominance vis – a – vis mining as a contributor to GDP.

The primary per capital consumption that was expected to rise from N 27.5 in 1980 ,and maintained a steady growth rate of 6% per annum shoot up to N 257.8 in 1983. This made Savings and investment difficult. High level of inflation made a mess of cost projection and financial projections were too optimistic and simplistic and therefore the revenue targets were easily frustrated by external shocks in the word oil market. By the end of 1984, the Nation was indebted to the tune of N21, 384, 5 million in external debt alone.

~~2.4.2~~2.6.2 Structural Adjustment Program (SAP) Period 1986 – 1991

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The Nigeria SAP was designed to fit the standard IMF – World Bank structural adjustment packages and meant to effectively alter and restructure the consumption and productive the patterns of the Nigerian economy, as well, to dominate price distortions and heavy dependence on the exports of crude oil and imports of consumer and producer good. The program was proposed as an economy package designed to rapidly and effectively transform the national economy over a period of less than two years (Yesufu, 1996).According to Adeyemi (1996), the philosophy of SAP was predicated on demand management as a measure of curtailing external imbalance with a restrictive monetary policy. The ultimate objective was to achieve non – inflationary growth and to stimulate domestic production of tradable goods. In addition, SAP was to achieve a sustainable external debt service profile and hence , domestic savings and investment and the inflow of external resources.

The economic performance under the structural adjustment programme appears to have performed better in terms of sectoral and over all GDP growth rates. This is attributable to positive development in the agriculture, oil and financial sectors. The programme also corrected the over – valuation of the Naira which was a major cause of cheap import, enhanced the Government revenue which consequently reduced the need to borrow. However, the external debt burden increased from US$ 19.5 billion in 1985 to US$ 34.4 billion in 1991 as a result of new borrowings, increased in foreign interest rate, Capitalization of unpaid interest charges as well as the appreciation of exchange rates of various European and Japanese Currencies against US dollar. The debt service ratio which stood at an animal average of 16.3% between 1982–1985 increased to 26.7 percent between 1986 – 1994 creating a great strain on the foreign exchange earnings and reflecting the failure of the debt rescheduling programmes mapped out by the London and Paris Club Creditors (Adeyemi 1993). The pains of SAP however, include endemic inflation, foreign exchange shortage, sharp increases in unemployment, deterioration in health and educational standard, low capacity utilization and ever – rising fiscal deficits (Anyawu et al 1997). There was no efficiency in resources mobilization as savings refused to translate into investment (Adeyemi 1996).

2.4.3 Post SAP Period: 1997- 1998

The external sector came under severe pressure in 1995 with the balance of payments recording further deficits. On the external scare, the balance of payment deteriorated further than 1994 as well as the current of account's deficit. The letter was a result of relatively higher import level coupled with sharp increases in net out payment of services and income which were huge enough to offset the improvement in export earnings. There was also further accumulation of debt service arrears, as the nation did not meets the obligations as they fell due. Both the autonomous and parallel market exchange rates closed significantly averaging N82.3: US$ 1 and N83.7: US$1 respectively. In 1997 there was downward pegging of allocation for debt serving since other options are being explored to solve the debt problem. This was to allow more foreign exchange to be made available for domestic used. It was generally agreed that the Government should as a matter of policy not take any external loan except such are given on concessionary grounds and these should be used only for export – increasing or import – decreasing activities that can pay their ways back.

2.4.4 Democratic Period (1999 – 2006).

Nigeria External debt stock in 1999 remained at about the same level as it was in 1988–US$ 28.77 billion. In spite of the lifting of the embargo on foreign loans, no new loans were contracted. However, some categories of debt were not serviced, particularly those owed to the Paris Club Creditor Country as well as arrears on post cut off date debt. In spite of the resources constraints, the sum of US$1.5 billion was set apart to service external debt in year 2000 while arrangement continues on debt reduction negotiation with creditors. The Government resumed concessionary borrowing multilateral and bilateral sources especially from the word Bank. Borrowed funds were strictly to be used for projects with satisfactory social and infrastructural projects and export–increase / import–decreasing features for economic projects Obadan (2000). The debt overhang of US$ 31.0 billion in 2004 constituted a deterrent to private investment and generally to growth and development. The government in its budget proposed to service her external debt in a satisfactory manner without compromising the requirements for domestic growth. This is because a group of creditors whose debt must be serviced as at when due, otherwise the serious consequences may result to the country.

Also in the plight of sourcing for substantial debt cancellation, it will help improve the image of the country with its creditors. There is the strong need for Nigeria to seek substantial relief from the heavy debt burden through initiatives that have features of debt reduction. A serious implementation of the NEEDS reform programme may be helpful in this regard (Obadan 2004).

2.5 Nigeria External Debt Creditors

Nigeria has contacted a number of debt obligations from eternal source. This could be grouped into two main categories .1. Official Debt: This consists of Paris club debt, multilateral debts and bilateral debts;2. Private Debts: This is made up of uninsured short-term trade areas contracted through the medium of bills for collection, open account, etc. commercial bank debts acquire through loans/letters of credit. Credits are n this case referred to London club debts. Much of the Country's external debt is owed to fifteen creditor countries belonging to the Paris club. Paris club debt is government-to-government credits or market –based term loans, which are guaranteed by various Export Credit Agencies of the creditors Countries. The Paris club is a cartel of creditors' countries that provide an information forum where Countries experiencing difficulties in paying their official debt meet with creditors to reschedule the debts. It is an informal group with no permanent members, which works under principle of consensus. Paris club members Countries to which Nigeria is indebted are: Australia, U.S.A, Spain, Israel, France, Switzerland, Germany, Demark, Italy, the Netherlands, Japan, the U.K, Belgium, Russia and Finland. The total amount owed to members of the club as at Dec 31 2004 amounted to US35.9 Billion.

The second category is the multilateral debts. These are projects loans owed to multilateral financial initiatives (e.g. the World Bank Group, the Africa 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 by Nigeria as at December 2004 was US $ 2.8 Billion.

The third category of debts is bilateral debt otherwise called Non – Paris club bilateral debt. These are debt owed to Countries which are not members of the Paris club but whose debts are not insured by the Export Credit agencies. The amount owed to this category by Nigeria as at December 2004 was US0.05 Billion Debt service payment in 2001 and 2002 to their were US33.81 and 34.9 Million.

The fourth categories of debts are the commercial debts. They are further divided into two groups.:i. **London club:** This is a group of commercial banks that join together to negotiate the restricting of their claims against debtor countries. London club debts are arrears of commercial bank term loans. They also include some arrears of letter of credit, bills for collection, open account, dividends, and airline remittances. The total amount owed by Nigeria as at December 2004 was US1.4 Billion,and ii. **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 with which to make the remittances. This is why the promissory notes are now regarded as Federal Government of Nigeria's debt. The arrears were finally covered with Promissory Notes in January 1988, the stock amount to US 4.8 Billion to be authorized quarterly ending on January 5, 2010. The outstanding balance of PN as at December 31, 2004 was US 0.8 Billion. Annual debt service on Promissory Notes by Nigeria government was about US$ 200 Million as at December 2004.As at December 31, 2004, total external debt stock stood at US35 Billion. The Federal Government of Nigeria owed about US21.08 Billion or 76.14% while the 36 States owed about US 7.265 Billion or 23.86%.

External Debt Management Strategies.

In the 1980, the management of the external debt became major responsibility of the central Bank of Nigeria (CBN). This necessitated the establishment (setting up) of a Department in collaboration with Federal Ministry of Finance to the management of external debt. Although, the debt management strategies and measures varied from time to time since the early 1980s when the external debt became pronounced. The following measures were used by the Government as guidelines to external borrowing:

I. Economic sector should have positive Internal Rate of Return (IRR) as high as the cost of borrowing i.e. interest.

II. External loans for private and public sectors projects with the shortest rate of return should be sourced from the international capital market while loans for social services or infrastructure could be sourced from confessionals financial institutions.

III. State Government, Parastatals, Private sectors borrowing receive adequate approval from the Federal Government so as to ensure that the borrowing conforms to the national objectives.

IV. Projects to be financed with external loan should be supported with feasibility studies which include loan acquisition, deployment and retirement schedule.

V. State Governments and other agencies with borrowed funds should service their debts through the foreign exchange market and duly inform the Federal Ministry of Finance for record purposes. Any default will attract deduction (in Nigeria equivalents) at source before the release of statutory allocations.

VI. Private sector, industries that are export – oriented are expected to service their debt from their export earnings while others should utilize the Foreign Exchange Market facilities for debt servicing.

The government over the years adopted the under listed strategies and measures to deal with the debt problem. They include: Embargo on new Loans and Directives to State Government to restrict external borrowing to the barest minimum. The embargo was to check the escalation of total debt stock and minimize additional debt burden. However, these have not been particularly effective as indiscriminate quest for external loans have not been adopted. Although rescheduling has conferred short term relief or debt service obligations, the debt over-hang has however hardly be abated as the debt stock has continued to increase significantly; Limit on debt service payments: This requires setting aside portion of export earnings to allow for internal development, and Debt Restructuring: This involve the reduction in the burden of an existing debt through refinancing, rescheduling bring back, issuance of collateralized bonds and the provision of new money. The Federal Government in year 2001 established a semi – autonomous debt management office under the Presidency. The creation of DMO (Debt Management Office) consolidated the debt management functions in a single agency, ensuring proper coordinations of the Country's debt recording and management activities, including debt service forecast, debt service repayments, and advising on debt negotiation as well as new borrowings.

Nigeria External Debt Servicing

The major challenge faced by the debt management office is ensuring that a reasonable level of resources are earmarked for debt servicing to avoid the risk of default and to maintain conducive relations for debt relief negotiations with the creditors. Also, the DMO faces the challenge of ensuring that budget resources are release in time to effect debt service payment since much of Nigerian's debt stock build – up was accounted for by the capitalization of interest arrears and penalties for default. Debt service payments to the World Bank are due every 15 days while ADB (African Development Bank) service payments occur frequently. The debts are not subject to debt relief or rescheduling and in case of default, they carry stiff consequences with sanctions coming 30 days after due date. The implications for default include:

I. Prohibition of borrower/guarantor from signing new loan or guarantee agreement with the background.

II. Suspension of disbursement in respect of all Bank group loans granted to the borrower/guarantor and lastly.

III. Suspension of the granting of any new loans by the Bank group to the borrower/guarantor.

The impositions of the above sanctions adversely affect the credit – worthiness of a Country as well as access to further foreign credits or loans. It is therefore to be avoided by all means.

A. Paris club: Failure of our debt service obligation will undermine Nigerian's effort to obtain substantive debt relief over the medium term coupled with the inability to benefit from normal credit facilities as Export credit agencies in Paris club creditor countries in default of debt service payment. Also business and government agencies from such debtor countries seeking to import goods and services are required to pay the full 100% upfront, even against deliveries that will take several months and at times years.

B. Bilateral: Defaulters in this category incur penalty charges in the form of late interest, which are usually about 1-3% above the normal interest charged.

C. London Club: The consequences of defaulting are stiff as the instruments carry legal obligations e.g. If par bonds on promissory notes payment is not received as at when due, creditors could acquire the assets of the Central Bank of Nigeria CBN and Nigerian National Petroleum Corporation NNPC anywhere in the world, as Nigeria has expressly waived her sovereign immunity under the terms of the agreement. In line with the desirable consequences of default in debt service payments the best arrangement must be put in place from time to time in response to changes in the economy and the polity. In order to facilitate the implementation of a new debt service arrangement, the DMO has agreement with the debtors on the nation's external debt stock and debt service obligation so that levels of government and their agencies that contracted the loans would know their respective stock of debt and the required amount for servicing.

2.6 Debt Rescheduling and Electronics voting system in Nigeria.

Debt Rescheduling involves the postponement, extension and re-orderings of the repayment of the existing debt. An agreement between creditors (government authorities and the commercial banks acting as a group) and the debtor to roll over payment due to the former from the later over a certain period and under new terms and conditions falls under either debt rescheduling or refinancing. This involves the provision of new money to replace maturing debt. The four elements of loan restructuring are:

I Rescheduling of the principal of a part all of an existing loan by postponing repayment i.e. rearranging maturities and grace periods involves the rescheduling of the interest payments.

Il Refinancing of an existing loan by raising fresh or complementary fund to meet existing obligation that is making provision for new credit's with proceeds to be used to repay outstanding loans; Ill Restoring of trade –related bank credit lines; and IV Persuading the financial community to restore inter-banks lines of credit to a certain minimum level.

Official debt restructuring under Paris club.

This involves the rescheduling of both official medium term and long term debt falling due in a given period including those in arrears. The rescheduling terms under Paris Club are generally non-concessionary. Moreover, Paris Club is extremely reluctant to reschedule payments on short term debt with an initial maturity of one year or less.In Nigeria efforts on debt rescheduling, the country held a first round of talks with the Paris club on rescheduling of her debt in October, 2000 while the second help in December 2000 resulted in an agreement to reschedule Nigeria's debt under Houston Terms. Rescheduling of Nigeria's Paris club debt totaling US$20.5 Billions in 2000 over an 18-20 year period. Credits are to be rescheduled over 20 years at concessional interest rates and enjoy 10 year's grace periods. Commercial credits are to be rescheduled over 18 years at market based interest rates, including a three year moratorium interest of about US $1.063 Billion which was capitalized. It was agreed that debt service payment in 2001 should be kept at $1 billion. Nigeria made bilateral negotiations with about fourteen creditor countries on the specific details of each agreement. Nigeria confirmed her stand with the Paris club in the Agreement minute in Dec. 2000 for a further negotiation after July 31, 2001

The agreement was however subject to a good track of record in implementing the IMF – supported stand; negation of as follow-up medium term programme supported by the IMF and lastly satisfactory implementation of the 2002. Paris club agreed minutes including timely debt servicing. With regard top commercial debts the Federal Government engaged the services of financial and legal advisers to explore the possibility of restructuring the country's commercial debts based on an assessment of current financial market situation. The advisers proposed the exchange or swap of Nigeria's Par bond and promissory notes with new Global Bonds.

However, in deference to advice from IMF on impact of commercial debt restricting on Nigeria negotiation with Paris club the launching of debt restructuring transaction was suspended by Nigeria. Recently, Nigeria resumed discussions with international Capital Market experts and wrote proposal towards restructuring her external debt to take advantage of unfolding market developments which appears favourable par bond by the states that hold the promissory notes owned by the Federal Government.

Consequences of Nigeria's Mounting External Debt

Nigeria's high debt burden has grave consequences for the economy and the welfare of the people. The servicing of the external debt has severely encroached on resources available for socio-economic development and poverty alteration. Although since 1986, Nigeria had taken a decision to limit debt service to no more than 30 percent of oil receipts; this has not brought much relief. Between 1985 and 2001, Nigeria spent 'over US$ 32 billion on servicing external debt. Prior to the recent rescheduling arrangement with the Paris club, creditors annual debt service payment due were in the range of US$ 3.0 billion to US$ 3.5 billion. Debt service due in year 2000 was over US$ 3.1 or (14.5 percent of export earning) excluding arrears of US$ 19.6 billion owed to members of Paris club. Actual servicing outlays in year 2000 was US$ 1.9 billion translating to about 4 times federal Government's budgeting to alleviate education and about 12 times the allocation to health. Yet these two sectors need substantial public expenditure to upgrade the level of facilities and services for any meaningful alleviation of poverty to take place. Also, the external debt overhang is adversely impacting on the Nigeria's economy in the inflow of foreign investments. Due to Nigeria's problem with servicing of her debts, Export credit Guarantee Agencies (ECGAS) Suspended insurance cover for exports for goods and services as well as investment capital to the Country.

Consequently, the much needed inflow of foreign resources for investment stimulation, growth and employment has been hampered. Without credit cover, Nigerian importers are required to provide 100% cash covers for all orders and this therefore place them to a competitive disadvantage compared to their counterpart else where. The situation exacerbates the pains of external burden as it blocks off the relief that would have been received through speedy economic recovery, growth and development. In addition, external debt burden has resulted in repudiation risk because we are unable to obtain new loans due to little confidence placed on our ability to repay. The prospects are therefore dim for immediate resumption of net resource transfer from international sources to Nigeria through traditional means. The IMF severe conditionality for Nigeria is a case point. A severe reduction in net capital inflows and the imposition of a net capital outflow over an extended period have consequences on the prospects of economic development in Nigeria. In the face of dwindling oil revenues due to oil glut and fast falling prices but rising imports, balance of payment difficulties are bound to arise. i.e. external liabilities will rapidly increase, therefore raising the real resource cost of the original loans while leading to future foreign exchange crisis.

Lastly, the cost of import substitution will rise. This is because this sector contributes heavily to external debt service and to profits and dividends outflows. For instance, as a result of the Nigerian government to service her debt before year 2000, there was severe austerity measures on Nigerians in an attempt to survive the external debt crisis.

The Probable Effect of Debt Cancellation on the Socio- Economy.

By eliminating 100 percent of its Paris Club debt, Nigeria's annual debt service due should fall from around $3 billion to under US$ 1 billion. The amount of annual debt service paid should fall from US$ 1.8 billion to 0.8 billion. This means that US$1 billion can be diverted to spending on poverty reduction and conducting a credible election by procuring all the necessary machines and electioneering apparatus that could help ensure credible election in Nigeria like is done in the developed countries.. Nigeria in addition will escape from the debt spiral caused by rising penalties and interest on its unpaid debts. The scale of annual savings for Nigeria is illustrated by their impact on its national expenditure on health and education. Of all the savings on debt service costs, Paris Club debt cancellation are diverted to health and this spending on health would doubled from US$ 6.59 per head to US$ 14 per head in year 2004 Nigeria receive annual aid flows of about US$ 2 per head from the western states but spend more on debt owed to Paris Club alone and almost seven times more than payment used for servicing of the whole of its external debt every year This means a negative flow of US$ 12 per head from the western states to Nigeria.

But with the Paris Club debt cancellation, the total net out flow could be halved to US$ 6 per head. The Paris Club deal with Nigeria would enhance its efforts in economic reforms. The government's National Economic Empowerment and Development Strategies (NEEDS) Programme which focused on alleviating poverty, creating of wealth, and employment generation would receive necessary financing. Complementary to the NEEDS programme is SEEDS i.e. State Economic Empowerment and Development Strategies which emphases the creation of an enabling environment for private sector development. Also, one of the efforts towards economic reformation is the establishment of anti-corruption strategies to help combat financing corruption. Other strategies may include legal and judicial reform, reform of the police service etc. Other probable effects of debt cancellation on the Socio- economy are:

I. create a new start for Nigeria to pursue its poverty reduction programmes.

II. To sustain the reforms that earned Nigeria the debt relief e.g. NEEDS etc.

III. Conducting of a credible election by procuring the necessary machines logistics needed.

2.6.1 Electronic Voting System in Nigeria.

It is befuddling to note that 2007 election was characterized by irregularities in spite the fact that we had enough money to stall malpractice at least to a reasonable extent. I mean the money saved from debt servicing caused by debt rescheduling. Nigerian's were optimistic before 2007 election. Reason being that electronic voting which is invoke in many countries will be used for the election. A paper was even presented by Okop Umonbong, at a seminar held in blackpool England in February,2006 assuring Nigerians an electronic voting system that would make our voting better. Nigerians are yet to be told why INEC reneged on that promise or was it a clear case of conspiracy? No doubt there are many challenges facing conducting election in Nigeria. With a projected population of about 120 million people, out of which, there are about 60 million registered and eligible voters spread across 120,000 polling centres.

Election supervision and manning of the centres require about 500,000 officials, a greater number of which are temporary or ad-hoc staff, recruited and trained, usually on the eve of the elections. The country has over 50 political parties, and the Commission is still receiving applications for registration of new ones, and an unprecedented number of candidates- more than 4000 vying for 1458 seats in the National and States' Houses of Assembly Elections alone. The sourcing and procuring of balloting instruments, recruitment and training of personnel, transportation and movement of men and thousands of tones of election materials across varied and often difficult terrains, and to all nooks and corners of Nigeria over a relatively short time, makes the exercise one of the most challenging electoral activities in the world.

The other tasks of organizing and managing other facets of the electoral process up to the election day – registration of political parties, delimitation of constituencies, registration of voters, conduct of the elections, collation of votes and declaration of results are no less daunting. While the above fall within the duties of the Commission, the tasks are usually made more arduous by the apprehension and pessimism within the polity on the expected outcome. The apprehension is borne out of our foreboding as a people , and especially considering our nations history of many failures at managing peaceful, acceptable and credible transition from civilian to civilian administration; late release of funds occasioned by annual budgeting procedures with antecedent delays in the procurement of materials; confusing and often times uncertain judicial pronouncements arising out of the interpretations of the legal framework which continue well into the period close to the elections. These conditions may not be peculiar, but they nevertheless, place the various experiments on balloting methods in the proper perspective.

The Electoral Systems

The Nigeria Electoral system is the single member constituency type with competitive multiparty and the first past the post winner system. The method of voting used in four out of five past elections, that is, in 1979,1983, 1999 and 2003 and even 2007 election in spite the debt relief was the Open Ballot System (OSBS) in which the prospective Voter goes through a process of accreditation, receives a ballot paper from the appropriate poll official and thereafter makes the confidential thumb impression in favour of the political party or candidate of choice in a secret voting compartment before dropping the ballot in the box positioned in the open, in the full glare of officials, security and party agents. The modified Open ballot system was adopted in the 1993 elections, in which voters filed behind the party symbol or photograph of the candidate of choice. Voters were physically counted at the close of polls and the results declared to officials, security and party agents. Although the method is simple and produced what many in Nigeria have often described as the fairest and most peaceful elections in the country, the election was unsuccessful.The most painful is that of 2007 election because government has no tangible reason to give due to the fact they could have used the money saved courtesy of debt relief to conduct electronic voting which would have saved us from the menace of the out come of 2007 election which appeared to be the worst election ever conducted in the history of Nigeria politics.

The most excruciating aspect is that prior to the election, INEC told us that they would do away with the traditional ballot paper and box for making a choice at an election. Nigerians were told that they would take advantage of Information and Communication Technology in the management of the election process. In particular, the Commission seeks to use a process called “Electronic Voting System”. The main components of the process include , the Electronic Voters Register- a database of eligible Voters complete with photographs, biometric data(fingerprint) and other bio-data such as age, sex, address, polling unit, registration area, etc; Voter Accreditation and Authentication prior to balloting . This will be based on the use of a secure Voter identification and the biometric information and photograph on the cards; the use of some form of Direct Recording Balloting Machines (Electronic Voting Machines) will completely eliminate the cost associated with the printing of several million ballot papers. The last, but most important component of the Electronic Voting System is the immediate collation and transmission of election results directly from each of the polling stations at the close of polls to designated collation centres nation wide.

It is the hope of the Electoral Commission in Nigeria that given the culture of election violence including ballot snatching, impersonation, ballot stuffing and vote rigging, the introduction of the Electronic Voting System will reduce to the barest minimum these unwholesome electoral malpractices. In particular the direct transmission of results will eliminate to a very great extent the opportunity for vote rigging which usually occur between the close of ballot and the collation of results. The Commission told Nigerians that they were not unmindful, of challenges the introduction of the new system will pose, but is nevertheless, ready to learn from the experience of other countries with similar challenges where the system has been tested and found to be acceptable like Brazil, India, Venezuela, etc. these were the assurance INEC gave Nigerians before 2007 elections. If the government were sincere they would have diverted the money saved from servicing debt to giving us credible election. INEC knows the dangers of conducting flawed elections yet they went ahead and provided the loopholes that made it easier for politicians to mock our democracy. They never gave us any cogent reason for that or was it deliberate so as to allow the dominant class to continue their kleptomaniac-governance and incessant plundering of our common treasury. Never the less lets outline the process, advantages and disadvantages of electronic voting.

Elections and Technology

The information technology revolution has affected election management in a number of ways. Electoral authorities use computer systems to make their internal management and communications more effective, to systematize voter registration records, and to communicate with voters, among other tasks. In recent years, computerized voting has also become prevalent, starting with the adoption of optical scan voting and counting systems in the 1980s and extending more recently to DRE voting systems. DRE systems require a voter to indicate a choice or choices using a computer interface (often either a push-button or a touch-sensitive screen); the voting computer records the votes and eventually calculates the totals. The use of DRE technology has expanded rapidly in the United States since the 2000 elections—from 12 percent in that election to 29 percent in 2004—often encouraged by the availability of federal funds.2 DRE technology is in wider use outside of the United States. India, the world's largest democracy with 660 million registered voters, moved to full DRE voting in its 2004

Several organizations have issued technical standards. See, for example, Report on the Compatibility of remote Voting and Electronic Voting with the Standards of the Council of Europe, adopted by the Venice Commission, 12-14 March 2004, and the extensive documentation of the U.S. National Institute of Standards and Technology . These efforts are valuable in the context of mature democracies, but they should not be seen as full answers to the often different questions and problems posed by elections in transitional democracies. NIST recommendations, for example, have been adjusted to meet the specific fiscal and management requirements of U.S. counties . While reasonable within its own terms of reference, these considerations are not useful guides to decision making in transitional environments.

Electronic voting system

In 2002, Brazil used roughly 400,000 touch-screen DRE machines for its first fully DRE general election.Venezuela, Ecuador, and other new, fragile, and transitional democracies have also used DRE systems. The use of DRE technology in these elections has fed a growing interest in DRE voting in a wide range of democracies, including new, fragile, and transitional ones. Nigeria's Independent National Electoral Commission announced its intention to use DRE voting in 2007 by including a provision in the Draft Electoral Bill. However, it was changed by the legislators, and the law now says, "The use of Electronic Voting machines for the time being is prohibited." Lebanon's draft electoral law calls for computerized vote counting (although not DRE voting). In the Palestinian Authority and in Iraq, electoral authorities have requested international advice and assistance in computerized and specifically DRE voting operations. DRE technologies in general raise a number of serious concerns among election professionals. The use of these technologies in new, fragile, and transitional democracies raises still more serious concerns. As pressure for DRE voting builds in these democracies, the international donor community will be forced to decide whether and how to support the deployment of these technologies.

Advantages of DRE Voting

Ease of counting

Mechanical voting systems, optical scan voting machines, and DRE systems have all been introduced in order to make vote counting and result tabulation faster and more accurate. This is a serious and important consideration, but it applies in only a small number of elections: namely, elections based on ordered preferences (such as alternative vote and single transferable vote) and elections involving a large number of races and/or referenda questions. Although any election can be conducted using hand counted paper ballots, these two categories of elections can require time-consuming, costly, and error-prone hand counts, making mechanical or computerized voting systems attractive.

However, few new, fragile, and transitional democracies use ordered preference voting or conduct a large number of races at a single time. Although there have been examples of such elections, such as Bosnia in 2000, these have all been successfully managed without using DRE systems.

Ease of voting

Voter confusion can lead to effective disenfranchisement, especially of vulnerable voters (such as illiterate or elderly voters). In Afghanistan's 2005 parliamentary elections, 5 percent of ballots were rejected as spoiled or blank. This is a high proportion in international practice and can be attributed both to Afghanistan's confusing system of representation and high illiteracy rates.6 DRE technology promises to reduce such figures by making spoiled ballots impossible and unintentionally blank ballots difficult. The Caltech and MIT Voting Technology Project has argued the technology can minimize "lost" votes in a variety of ways. DRE technologies also allow for more sophisticated voter interfaces, potentially resolving many voter access problems for those with disabilities or those using minority languages. Visual interfaces may also be useful for illiterate voters, but this presumption has not been rigorously tested in environments with little computer literacy.

However, in minimizing one potential for voter error, DRE systems may simply increase another. Voters unfamiliar with computers may not cast spoiled or blank ballots, but they may still cast ballots that do not accurately record their intended choice. MIT and Caltech note the possibility of such unintended consequences, reporting that in the United States "since 1988, three percent of voters using hand-counted paper and scanned paper ballots had no vote recorded for Senate or governor, but seven percent of voters using lever machines recorded no vote for Senate or governor." DRE voting systems have not been rigorously tested in the kinds of environments with low literacy rates and limited technical knowledge normally found in new, fragile, and transitional democracies. While the Election Commission of India claims that their DRE system is "User friendly – can be used even by illiterates," neither the electoral authorities in India nor Brazil have published studies of voter interaction with their DRE technology. Without such studies, both the utility of DRE voting and the correct approach to voter education are difficult to establish.

Fraud prevention

Electoral authorities have often claimed that DRE or other voting technologies can combat or even prevent fraud. In Brazil, a spokesman for the Superior Electoral Tribunal argued that Brazil's DRE systems are "100 percent fraud free" in contrast to earlier election procedures, which produced charges of uncounted ballots or tampered ballot boxes.The Election Commission of India has made similar arguments, asserting that DRE technology combats common Indian electoral fraud problems, such as capturing polling places or stealing ballot boxes. However, these election officials do not offer any compelling basis for their expansive claims, and there is no evidence that DRE machines make an appreciable difference in the incidence of electoral fraud. As happened in India prior to the use of DREs, polling places can still be "captured" (i.e., local heavies can monopolize voting booths, voting multiple times), as can DRE machines as they are transported to central tally locations.More importantly, as will be argued below, the use of DRE technology in fact creates dangerous new possibilities for fraud or allegations of fraud.

Cost reductions

It is often claimed that DRE technology reduces the cost of election administration. Such claims seem credible on their face, as we are accustomed to information technology measures increasing efficiency and thus reducing cost in a range of business and government activities. The cost arguments made for DRE technologies all rely on middle- or long-term projections, though, as the initial investment costs are recouped by lower ballot printing and transportation costs. Despite this, there are no longitudinal studies to confirm these projections. Repair and replacement of DRE equipment, warehousing of DRE equipment in secure and climate controlled facilities, salaries for skilled maintenance workers and trainers, and other continuing costs may well make DRE technologies less cost effective. If voter verified paper records are produced, as described below, the additional costs of paper, toner, printer maintenance, and transportation must also be factored in.

Status

Many experienced technical assistance providers fear that election technology, including DRE systems, are deployed more to assert a country's (or electoral authority's) modernity than in response to any specific need. According to elections expert Rafael López-Pintor, "It has become a status symbol for many organizations and countries. This may become more prevalent as the U.S. adoption of DRE technologies is highlighted by the media, and as important developing nations, such as Brazil and India, receive attention for their DRE technologies. (Though it is also possible that it could become less prevalent as stable democracies, such as the Republic of Ireland, consider and reject DRE technology.) in spite these myriads of advantages attached to DRE voting, it will be appropriate for this work to outline some of the disadvantages of DRE voting system. Though, it is no longer news that Nigeria 2007 election happened to be the worst in our national political history. Of course the adoption of DRE voting would have checkmated the unprecedented irregularities witness during 2007 general election. Never the less, just like human operations, below are the disadvantages of DRE voting, but it is not sufficient enough to undermine Its advantages. Most especially in this part of the world where democracy is mocked.

Disadvantages of DRE Voting

Damaged credibility of the electoral process

Any computer program can have an undetected, unintentional error (a "bug"). Any computer program can be changed by malicious programming ("hacked") in a way that is undetectable after the fact. This is true of all manufacturers and, in fact, of all computer software. Various measures can reduce a DRE system's vulnerability, including computer security, physical security, testing and analysis of systems and coding, and good election procedures. None of these steps, and no combination of these steps, can change the irreducible, immutable vulnerability of computer systems. For example, the computer security techniques used in India's DRE systems make it unlikely that they could be reprogrammed by a person with limited, casual access to them (such as a voter), though the machines used in the United States are vulnerable to such attacks. Even the Indian systems are vulnerable to programmers with more extensive access to the DRE machines, such as electoral officials. This vulnerability means that election results can be manipulated; it also creates the danger that legitimate election results will not be accepted, because allegations of manipulation cannot be refuted conclusively.

There are two recent examples of this threat to election credibility. In 2004, Venezuela held a presidential recall referendum. President Hugo Chávez won handily, with 58 percent of the vote. The elections were observed by former U.S. President Jimmy Carter and by the Organization of American States, and both reported that no fraud had been observed. However, because 90 percent of votes were cast on DRE machines, the opposition was not persuaded by the observation reports—and for good reason. The observers could not attest to the reliability of the DRE systems themselves. Unlike elections with paper ballots and hand counts, simply observing the process from beginning to end cannot ensure that no fraud has been perpetrated. While computer scientists critical of DRE voting examined voting statistics and found no patterns that would substantiate the specific allegations of fraud, this possibility cannot be ruled out.

In addition, in Ecuador in 2006, technical failures of voting machines in the Guayas province led to allegations of fraud and the temporary detention of a representative of the Brazilian technology provider. Allegations about DRE voting results can quickly corrode trust in election results because they cannot be proved or disproved. In Ohio, 64 percent of Democrats believe that the 2004 presidential vote count was not fair and accurate, as opposed to 30 percent who believe that it was. In new, fragile, and transitional democracies, such insidious doubt about an election result could well undermine the election and the credibility of any elected government. It may be possible to salvage the utility of DRE voting by using voter verified paper ballots (VVPB). DRE systems that produce VVPBs allow voters to confirm their choices on a permanent, hard-copy record. In order to be effective, VVPBs need to meet several criteria. First, they must not compromise the secrecy of the vote, so they should not be recorded in order on a paper tape. Second, the printouts must be legible, and procedures should encourage voters to confirm their contents. Third, in case of differences between paper ballots and digital records, the paper ballots must prevail. Fourth, procedures must be in place for extensive, correctly randomized hand-count audits after all elections.

However, VVPBs bring their own challenges. If VVPB procedures are put into place, the additional cost and complexity may well make DRE voting prohibitively expensive, especially for relatively simple elections. In addition, there must be clear procedures for using the VVPBs to determine or verify the election outcome. The DRE systems used in Venezuela in 2005 produced paper records, but because there were insufficiently rigorous audit procedures, the opposition did not accept the ad hoc audits conducted after the election—and academics at Harvard and MIT confirmed the opposition's claims about the unreliability of the audit process.

2. Operational and logistical constraints of transitional environments

In addition the major disadvantage of DRE voting—that it can undermine the electoral process—several less dramatic dangers must also be considered. These all relate to the practicality of DRE voting in difficult environments. Training of election officials and voters, secure storage and maintenance of the machines, power supplies, replacement machines and parts must all be considered when debating the use of DREs in new, fragile, and transitional democracies. In particular, poll worker training requires special attention, as few poll workers will be experienced computer technicians, able to correctly respond to computer errors (they may even be too unfamiliar with computers to describe the error to remote technical assistants). The use of VVPBs also complicates poll worker training because of the mechanical problems often associated with printers. Technical complications and spiraling costs have already created problems in the adoption of sophisticated electronic procedures in new, fragile, and transitional democracies. In East Timor, an electronically compiled voter registration was eventually discarded, despite its great cost. In Kosovo, a combined civil and voter registration experienced severe problems, although these were eventually corrected through a series of additional registration periods.

In Nigeria in 2007, an electronic voter registration raised serious concerns about its use in the April 2007 elections. In each of these cases, the problem has been a combination of insufficient technicians, computer illiteracy at the grass roots, insufficient training for those managing and utilizing the technology, and equipment ill suited to the physical rigors of the country. Voting technologies are inherently more difficult to deploy than registration technologies because of their larger scale. Many more machines, technicians, power sources, logistics bases, etc., are required to conduct an election than to register voters.

1. Public and political support

The most critical element of the successful adoption of any electoral reform is broad support from the public and from political actors. DRE voting technologies must be a reaction to a widely perceived need, and they must be accepted as reliable and transparent.

2. Appropriate technologies

DRE voting technology must be able to manage whatever range of elections and systems of representation are required; they must be robust to the physical environment in which they will operate, and they must be user-friendly to the intended voters. In addition, they must be rigorously tested and certified. This requirement is more difficult than it may appear. The laboratory that tested "most of the [U.S.'s] Challenging the Norms and Standards of Election Administration electronic voting systems" was barred from certifying voting equipment in the summer of 2006 because they failed to follow their own testing and documentation protocols, calling into question the reliability of the equipment they have already certified.

3. Operations and logistics

An electoral management body must have staff with sufficient computer skills to manage the DRE voting process at all levels, including technicians at the polling level and more senior technicians in managerial positions. Controlled storage and transportation must be available to maintain the machines in working condition and to deliver them to polling locations. Power supplies must be available and reliable, either at the polling location or to charge batteries.

4. Consideration of alternatives

The need to undertake special "integrity" measures in emerging democracies has long been understood by practitioners. Integrity measures include "voter security and ballot security," with the latter defined as "arranging the voting and counting in such a way that the voter lists, ballot papers, tallies, and other result records are tamper-proof (emphasis added). While "tamper-evident" may be a more accurate term, the concept is valid. DRE voting technologies that do not employ VVPB are not tamper evident and are therefore dangerous to credible elections. Such technologies used in new, fragile, or transitional democracies pose profound risks to the legitimacy and effectiveness of elected governments and to the gradual development of democracy. Before turning to the potential for international assistance, it is important to note the existence of a reliable alternative to DRE voting – paper ballots and hand counts. With correct procedures, paper ballots counted by hand at the polling station in the presence of observers and political party agents allow for an almost perfectly transparent electoral process. Although fraud is still possible, it can be detected and proved by adequate observation. The money Nigeria saved as a result of debt rescheduling if it were channeled to procuring of electoral machines would have gone a long way in solving our electoral problem which has being bedeviling the nation since independence.

CHAPTER THREE

UNEMPLOYMENT IN NIGERIA

3.1 How Many Nigerians Are Unemployed?

Figure 3.1 National unemployment rates(1985-2004)

Survey Period	Composite	Urban	Rural
December 1985	6.1	9.8	5.2
December 1986	5.3	9.1	4.6
December 1987	7.0	9.8	6.1
December 1988	5.1	7.8	4.8
December 1989	4.5	8.1	3.7
December 1990	3.5	5.9	3.0
December 1991	3.1	4.9	2.7
1992 (annualized)	3.5	4.8	3.0
1993	3.4	4.0	3.2
1994	3.2	4.0	2.8
1995	1.9	3.6	1.6
1996	2.8	4.4	2.4
1997	3.4	5.7	2.8
1998	3.5	4.5	3.1
1999	17.5	11.6	19.6
2000*	18.1	14.2	19.8
2001*	13.7	10.3	15.1
2002*	12.2	9.5	13.3
2003*	14.8	17.1	13.8
2004*	11.8	11.0	12.1
March 2005	11.9	10.1	12.6

Source: Federal Office of Statistics (FOS) and National Bureau of Statistics (NBS) (June 2005).
NB: * data obtained from the Statistical Fact Sheet of NBS.

Figure 3.2 Unemployment rates in Nigeria (2005)

States	%
Nigeria	11.9
Abuja	6.5
Akwa-Ibom	14.4
Anambra/Enugu	9.8/27.4
Bauchi	29.7
Edo/Delta State	9.9/4.5
Benue	18.6
Borno/Yobe	6.3/8.0
Cross River	11.1
Adamawa/Taraba	21.4/3.4
Imo/Abia	16.5/7.9
Kaduna	12.1
Kano/Jigawa	19.1/19.1
Katsina	23.8
Kwara/Kogi	2.9/8.7
Lagos	6.5
Niger	0.2
Ogun	2.5
Ondo	6.2
Oyo/Osun	5.3/1.9
Plateau	2.8
Rivers	7.0
Sokoto/Kebbi	4.1/19.9

Source: Federal Office of Statistics, 2005.

Figure 3.3 Registered unemployment declared in lower grade professional and Levels, and level of unemployment from (1970-2002)

Lower grade				Professional and Executive		
Year	Unemployed	Vacancies	Placement	Unemployed	Vacancies	Placement
1987	85158	13050	2378	6123	606	148
1988	145084	16502	4988	15100	444	175
1989	116162	14154	2506	16293	591	281
1990	96055	14052	3474	14281	3091	678
1991	89752	7637	1917	10182	3695	986
1992	110513	14529	2926	12624	3989	164
1993	75143	3864	985	22206	30188	10
1994	75387	3735	1251	108153	12605	79
1995	72277	3786	859	28123	3307	8
1996	81730	4182	1119	32942	3708	49
1997	85441	7873	2020	67252	250	91
1998	85832	7831	2134	66461	83	2
1999	84727	6895	1352	99376	38	15
2000	86102	7313	1611	63669	138	75
2001	85368	6583	923	104960	115	110

Source: CBN, 2002

Labour market development						
Year	Total Registered Unemployment	Total Vacancies declared	Vacancy Declared (junior cadre	Placement junior cadre	Vacancies Declared Executive cadre	Placement Executive cadre
1970	12250	1613	1,533	-	80	-
1971	12685	1583	1,520	-	63	-
1972	13573	1983	1,870	-	113	-
1973	15497	2921	2,829	-	92	-
1974	20918	4186	4,061	-	125	-
1975	23418	4161	3,989	-	172	-
1976	21026	6044	5,864	-	180	-
1977	14834	6685	6,373	-	312	-
1978	18796	5608	5,410	-	198	-
1979	-	-	-	-	-	-
1980	256623	-	34,947	-	-	-
1981	188438	-	58,204	-	-	145
1982	106496	-	47,557	19,943	-	-
1983	112588	-	18,310	7,394	-	-
1984	123459	15269	14,612	3,865	657	26
1985	100745	11904	11,156	2,139	748	145
1986	91281	13656	13,050	2,378	606	148
1987	160184	16946	16,502	4,988	444	175
1988	132455	14745	14,154	2,506	591	281
1989	110336	17143	14,052	3,474	3,091	678
1990	99934	11332	7,637	1,917	3,695	986
1991	123137	18518	14,529	2,924	3,989	164
1992	97349	6952	3,864	985	3,088	10
1993	183540	16340	3,735	1,251	12,605	79
1994	100400	7093	3,786	859	3,307	8
1995	114672	7890	4,182	1,119	3,708	49
1996	152693	8123	7,873	2,020	250	91
1997	152293	7914	7,831	2,134	83	2
1998	184103	6933	6,895	1,352	38	15
1999	149693	7451	7,313	1,611	138	75
2000	190328	6698	6,583	923	115	110
2001	170287	7564	7,437	1,854	127	93
2002	180311	7131	7,010	1,389	121	102

Source: CBN Statistical Bulletin of various years.

Notwithstanding the above figures the truth is that even the institutions in Nigeria that have primary responsibility for the generation of national social statistics are not able to present a near-correct guess on the number of unemployed people there are in Nigeria.Presented statistics have always been shrouded in unreliability, incompleteness, un-timeliness and in several instances devoid of required data integrity. Is it possible to know how many Nigerians that are unemployed when we do not even know how many persons are foreigners and citizens? However, visual estimates can give us a fairly good idea of what the size of the unemployed are in Nigeria. If you have ever attended any of the written tests for job into any organization in the country, your estimate of the level of unemployment will be clearer and more reliable in the absence of any published data.

Literally thousands and thousands converge to compete for few available jobs which obviously were never going to be available to few. It is that bad. You can also look inwards and check the number of the unemployed persons surrounding you. In fact there are families in this country where virtually all the members are unemployed and are dependent on possible support from different charitable individuals. To deepen the analysis, you may also wish to consider the number of per annum for the working class. Thus, the annual take home pay is so miserly that it cannot even feed that person not to talk of clothing him or her or in an ambitious sense conveniently pay for the hospital bills in case of such occurrence. Such persons have worked for several years yet they cannot afford accommodations of their own. This set of people fall within the underemployed categories. Although they are employed technically speaking because as it were, the average Nigerian person can and is expected to voluntarily chose to work where he or she wants and to earn what is agreed.

There is also an uncompetitive minimum package, which data reveals that 70% of Nigerians do not even earn. Although I am against any form of minimum or maximum wage earnings, my argument here is more in terms of the nature and form of employment of such people which make them more of glorified dependents. In this environment and in the absence of social welfare systems, dependency is an offshoot of unemployment. Therefore, although this category actually offer their labour, it is not valued enough to enable them provide themselves with the basics of feeding, clothing and housing. Because the society expects everybody to work, they actually go out to offer their services rather than sitting down at home and being counted among the outright unemployed. Ironically, the unemployment rate in Nigeria may not be as high as one would have expected given the official statistics. Officially this rate was put at 5.8% in 2006 (this was unbelievably estimated to be 2.9% in 2005) and therefore much better than all other African countries aside Namibia. It is also much better than some of the countries that Nigerians have been migrating to in droves including Canada, Italy, South Africa, china, Israel, France, Spain, Brazil, Egypt, Saudi Arabia etc.

This leads us to ask the question of why the flight from Nigeria when we generate more employment than those popularly foreign havens that Nigerians gladly flock to. Some may argue in terms of the average wage package which makes earnings much better in those countries relative to Nigeria's package. This leads to the conditional statement : If you find it. And most of the people who migrate do not find jobs with such pay. Because the higher unemployment rates reported shows that there are people already on ground to have them. The quality and veracity of the officially claimed relatively high levels of employment is also questionable when viewed side-by-side with the poverty statistics. 92.4% of Nigerians live on less than US$2.00 per day while 70.8% live on less than US$1.00 per day. Employment creates income which banishes poverty by creating wealth. Many years of high unemployment only strengthens the vicious cycle of poverty.

Thus if our own relatively high level of employment cannot banish poverty or considerably reduce it then something must be wrong. There is obviously a contradiction. It is either that our statistics is dead wrong or manipulated or our people work and earn nothing. It can as well be that they work and earn something which the tax character of the macroeconomic environment robs them of. One can understand that not every employment guarantees exit from poverty, and more so in our environment where there are many dependents, the average income per head will drop, yet if only about 6% of those who are supposed to be working are not and yet we have more than 70% of the country living much below even the government's so called minimum wage speaks volumes of the data we banter about. Commonsense should tell us that 94% employment in a country that equally exports oil should be able to minimize poverty considerably all other things being equal.

Let us examine this once again using another measure. The industrial capacity utilization index which serves as a proxy for the employment of invest able resources in real production shows clearly the level of unemployment or rather idle resources in our economy. In 2004 this index was 50%. But by 2006 it was about 30% and currently it is less than 35%. If more than 60% of our employable resources are idle from where comes the data showing that up to 94% of those who are of employable status and who are willing to work are employed. Employment is created by firms although government does generate employment too. But much more persons than the government can employ are engaged by different enterprises. Thus when a firm is doing well it engages more of its employable human and physical resources. But when up to 65% of a firm's employable resources are idle, it is doubtful how many additional persons it can engage unless those engaged are receiving abysmally poor wages.

3.2 Superstructures of Unemployment

There are many underlying reasons for the high unemployment conditions in Nigeria which comprise inappropriate inflation-inducing macroeconomic policies, absence of a strong system for private property rights protection, epileptic infrastructure and multiplicity of taxes both of which combine to complicate the burden borne by businesses in doing business in Nigeria as well as the structure of education provision. Whereas these are primary, the offshoots from them constituting the secondary sources include poor wages and abysmally poor real income, employment speculation as well as ignorance. War against entrepreneurship is waged through policies which enable inflationary conditions such as deficit budgeting, extra budgetary spending, excessive monetary creation of government, non-rule governed release of excess crude earnings, taxation (both statutory and legitimized no statutory), government provision of infrastructure and consequent attendant decay etc. These are conditions that are part and parcel of our environment. Now how can enterprises flourish here and consequently create any meaningful employment when these characteristics prevail within the environment?

First, among the array of primary causes of unemployment in Nigeria is the inflation-inducing policies which have severely affected the overall capacity of many firms to create jobs. Those policies equally rubbished the real worth of wages of employees and made it impossible for many not to adequately train their wards in schools. Inflation distorts relative prices and perspective planning of entrepreneurs which is fundamental for the prosperity of businesses. By increasing prices of factor inputs, it heightens the cost of production while at the same time reducing the real worth of income generated in the course of same production. The possible margins if any afterwards shrink.

Those who are very close to the source of the monetary inflation such as banks and politicians may benefit from such policies that orchestrate monetary inflation, but obviously those who are farther withdrawn from these sources such as artisans, farmers, micro and small scale enterprises and the ordinary Nigerians are generally penalized. Incidentally these latter groups which are more withdrawn from the sources of inflation generate the largest number of employments. One way in which the Nigerian government has promoted inflation-inducing policies is through its avowed addiction to the policy of deficit budgeting with its attendant modes of financing. What many years of fiscal deficit addiction did was to lay the inflationary platform upon which the heightened expectations of future inflation thrive and is expanded by further deficits. This is consequently aggravated by the corruption level which ensures that even the deficit amounts are never utilized productively.

The cumulative effect is that resource allocation is distorted leading to the collapse of firms and national productivity levels. The firms that did not die in the process lose significant part of its real income; ditto for individuals who receive wages. What happens is that for the individuals, they become financially feeble and cannot save well enough to encourage further investments and for the firms, they cannot invest as optimally as they would want to. Without savings and investment where will the employment come from? Some will argue that foreign investment inflows will fill this gap. But what is the size of foreign investments and into what sectors are they flowing. The macroeconomic conditions our country have not encouraged enduring inflow of FDI into sectors that do not fall within telecommunications, oil and gas, and mining. Rarely are they seen in other sectors not to talk of the small and medium enterprises where the bulk of employment is generated.

In addition to the policy orientation mentioned above, another serious destroyer of enterprise in Nigeria is tax. With the multiplicity of taxes in Nigeria, businesses on the fringe die very easily. Existing ones that lack significant capacity to withstand shocks equally die or get pushed near the fringe where the possibility of eventual death becomes inevitable.There are several types of taxes in this country. Aside the conventional corporate income tax, there are myriads of legitimized-but-non-statutory taxes and levies imposed by varieties of governments on businesses across the country. The local governments have a list of their own levies and rates and so does the state government. There are so many other issues closely associated with our environment that bear tax characteristics. These tax classifications are observable even by those who cannot analyze the tax characteristics of various policies of governments. For instance the various deliberate inflation-inducing policies of government is some kind of tax because it debases the real worth of the income available to firms and wage earners. These policy orientations are pursued consciously by politicians and those who control state machinery because it benefits them more by creating incentives for spending even when un-needed because of the sure possibility of making money for themselves in the process.

Little consideration is given to the fact that it puts many of the Nigerian people out of employment. The efforts at private provision of facilities like electricity and or roads which in this country are in extremely deplorable conditions are forms of infrastructure compensating tax. This is because the collectively owned resources of the country have been supposedly invested in the provision of these infrastructures but unfortunately these financial resources were consciously and corruptly 'invested' into the pockets of government officials and politicians. So any spending on privately owned electricity generator is a kind of tax. The same goes for such spending on water pumps etc. Even the very 'common' act of providing opportunities where the resources of the country are carted away or devoured by calories within and around government impose significant burdens which have the character of taxes. The length and breadth of it therefore is that tax and other characteristics of our government which also bear the features similar to tax payments can substantially deplete the fortunes of business, and frustrate employment generation.

Let us be frank to ourselves. How many foreign investors will willingly invest in Nigeria after reading of the daily hostage taking events in the Niger Delta areas, religious riots in some parts of the country, oil pipeline vandalizations, police detention of suspects for years and decades without trial, 419 and official fraud meted out on innocent business men and governments, a weak, corrupt and impotent judicial system etc. Very few indeed. These characteristics are indicative of the state of the rule of law in the country and invariably by how much peoples property (inclusive of lives and investment) is protected in the country. The absence of any appreciable system of private property rights protection which is correctly embedded in the rule of law is one of key determinant of the possible level of foreign investment inflows into that country and to some extent the flight of capital from the country. Over the years, the absence of this system of private property rights protection has discouraged foreign direct investment inflow which in turn minimized the level of possible investment that can ordinarily be created through that channel.

Even domestically, economic agents choose not to invest but would rather have their funds invested off shore. Although much has been achieved in encouraging foreign investment inflows, there are doubts whether in the absence of a working rule of law it is sustainable. That is why the slogan of the current regime focusing on the rule of law becomes timely. But much needs to be done now as much has been lost in failing to attract and retain enduring investments that would have produced more employment in the country. Infrastructure unavailability is another factor that has continued to pipe up the costs of doing business in Nigeria. Banks attribute their high interest charges largely to high operational costs due mainly to very bad state of infrastructure in Nigeria. Manufacturing sector entrepreneurs have also alluded to it as their major undoing in Nigeria. This applies to myriads of small entrepreneurs scattered across the country. Businesses provide their own electricity, roads, water etc. Yet they are required to pay a multiplicity of taxes. How on earth are they expected to do very well, make profits and hire more hands for expansion? Nigerian entrepreneurs are obviously one of the best crops globally. Their resilience is unparalled. The cause of the problem is not far-fetched. Discouragement of full private provision of public infrastructure has given incentives to government officials to perpetuate the deplorable state of Nigerian infrastructures.

Evidence abound in the stories surrounding the mega naira billions which were supposedly thrown on Nigerian roads during the 1999-2003 era which only yielded worse roads; same goes for US$16 billon thrown on power generation which only aggravated the thickness of the darkness that submerged the country. Government is not and should not act like an investor. Efficient and sustainable infrastructure provision must be predicated on market ideologies for it to yield maximum lasting results and benefits. The incentives that come with and sustain market dynamics only exist within the private sector and not in government. Government and those who help to operate the statecraft are guided by different motivations from that which governs the entrepreneur. As already mentioned, inflation-inducing policies of our governments which has prevailed for over 34 years since 1965 are business destroyers.

For instance, one of the problems which inflation will cause is to lead to increases in the school fees of pupils on one hand and on the other hand debase the value of the wage incomes that would have been used to make the school fees payment. Because of hardship and consequent inability to pay school fees many people drop out of school and go into early struggle for survival. The evidence of this ugly trend abound everywhere around us. Street trading and hawking by kids are good examples. This means that in a sense, the idea of trying to keep some of these kids off the street amounts to some level of injustice. Some of these kids will have nothing to eat or live on if they do not hawk. Some of these kids will never be able to go to school or provide resources probably to enable one or more members of the family to go to school unless they hawk.

Our policies have put them under that condition. Without the means of going to school, they will never go to school to acquire the skills and competences that they can offer at a higher level labour market irrespective of how naturally intelligent some of them may be endowed. Street hawking for instance, is fought by the people in government because that is one of the manifestations of that struggles against policy and corruption-induced poverty that are easily observable by foreigners who come into Nigeria. But inside the rural villages and communities withdrawn from the daily eyes of those in power are young people who ordinarily should be in school but their parents cannot afford the fees. Rather than hawk in the streets and behold the glamour of the rich and struggling, these ones are abandoned in the farms and forests to either cultivate, hunt etc to survive.

Over the years, due to government's policies which are inflation inducing, the real wages of most Nigerians have fallen so much that only a small fraction can actually afford good education which is necessary for securing good employment. Change these policies, liberalize education and more can afford school fees so as to acquire skills required by those who demand for labour. Everybody needs not go to higher school to be gainfully employed. Many artisans are employed without advancing their educational attainment beyond primary or secondary school levels. However, even with education, enterprise ceases to create employment when it is failing or perpetually impoverished.

Some people claim that the discovery of oil caused a shift from agriculture to other sectors. People who argue this way has not told us that the shift was to the oil sector, because it is evident that real albeit few indigenous participation in that sector has been a recent one which still places within the ranks of fringe players. These people argue that oil boom caused a shift from agriculture which hitherto provided employment to teeming Nigerians to white collar jobs. This argument is seriously flawed by the fact that the migration was not because oil was discovered and then a preference was made for oil or white collar jobs in rejection of farming/agriculture. What happened was that the attendant policy-induced inflation which penalizes the people that are much farther from its monetary sources while benefiting people closer caused a shift closer or towards the sources of monetary inflation in order to minimize the attendant hurt.

The reality is that our macro-economic policies which are inflation inducing in nature misallocates resources as well as penalizes with penury and financial emasculation those who are farther withdrawn from the sources of money. In recent times for instance why would somebody go to farm while he has the opportunity of going to the capital market to invest the same money he would have for instance used to buy seedlings and reap 100 folds from the inflationary bubbles of the capital market?

Same logic applies to those who have the capacity to farm at commercial scale. The incentives to make investments into this sector are not there because the returns is appallingly drained by inflation relative to very high returns obtainable in sectors closer to the sources of monetary inflation such as the financial services sector. About 45% of Nigerians are further withdrawn from the sources of inflation in the system.

With every inflationary policy, those who benefit most are those closer to the source of money supply such as politicians, financial institutions etc., while those who are further withdrawn from this source constituting mainly of farmers, artisans etc. pay the agonizing price. This is because inflation does not occur in one instance but rather in step wise fashion. With increasing poverty, the capacity to farm and grow crops is drastically reduced over time and people tend to migrate to areas closer to these sources. A secondary cause of unemployment is the real wages of employees. Put the minimum wage of N5,000 in perspective and imagine the trauma and difficulties that go with struggling to manage that sum for a month. But that is what the government pays as a minimum wage. Either way, whether it is up or down, government's fixed wages hinder the functioning of the market for labour. In the short-run it appears good, but over time, it destroys the markets capacity to optimally allocate labour resources. One can see that very clearly within the ministries and parastatals.

For example, in recent times, government has not been able to attract and retain the very best of manpower because of the fixed wages which incidentally are not competitive. The more competitive sectors which are largely private bid away most of the very best manpower. Since government is a substantial if not the single largest employer of labour in the formal sector, majority of the labourers therefore are emasculated financially to afford proper education for their children. The issue of employability of Nigerian students has been a source of major concern to the country as a whole. Employers of labour over time discover that the products of our school system cannot meet the quality and standards which they require for their productive activities:

> A recent instance was the case of a graduate of Enugu State University of Science and Technology whose posting was rejected by the National Youth Service Corp (NYSC) because of her inability to speak English language. The lady in question had undergone three weeks orientation programme without being discovered until she was posted to Government Girls' Secondary School Doma Gombe for her primary assignment as classroom teacher. She was reportedly screened by the school principal who found out that she could only speak her native language, Igbo. She applied to the NYSC state secretariat before any complaints from the school principal that she could not go on with her primary assignment on health grounds. While making the complaints, she was asked to lodge a formal complaint in writing by the state coordinator. After some difficulty in communication with her, the state coordinator said she could not write the letter, adding that the state secretariat later got the rejection letter from the secondary school, complaining of her inability to speak English. She claimed to have attended and passed primary and secondary schools before enrolling into ESUT. (The Guardian, 9 May 2006:24)

The un-employability of students derive essentially from the decay in the educational sector arising from resistance of government to the liberalization of the sector and consequent poor funding of the sector in spite of that stand. Liberalization will trigger necessary competition among the providers of education. This competition will stand or hold on the ability of each provider to meet the labour requirements (quality, skills, and competences) of the employers. Those providers whose output of students are not employable over time, will be penalized by declines in patronage by students who will like to be trained enough to employable standards.

There are other reasons perhaps why people may not be employable in Nigeria. One of them include the absence of the knowledge required to take advantage of market imperfection. Students ought to have at the back of their mind that they are primarily studying to acquire knowledge which they will eventually deploy to earn a living. There may be other secondary reasons which may not be explained in terms of economics. Given that background, it is therefore imperative for the student to make some forecast of the labour market condition at the possible time of graduation. This means that the potential student should be able to guess which disciplines or courses may be in greater demand upon graduation and seek admission to study that. Whereas every knowledge is good, any knowledge may not be a particularly efficient option if it does not help the student to secure employment upon graduation.

For example, studying hand weaving in order to practice in an environment where weaving is highly automated may be a less efficient option particularly if the person graduates and finds out that he or she cannot effectively compete or simply do business in that environment. If one has enrolled to earn a diploma in the use of manual typewriter, the employability status of that person upon graduation can be predicted. This therefore brings about the issue of employment counseling market. We have many human resource firms whose only concerns appear to be in matching existing competences with the demands of employers. Perhaps these firms may look at the option of providing some employment counseling to potential students for a fee. But in general, a liberalized educational system should be able to handle this problem if they are given the freedom to develop their own curriculum in line with what the market wants.

Our current educational system grossly lacks this flexibility and therefore cannot swiftly adapt its educational programs to meet the quality expectations of those who will admit their wards at higher levels of education or employ them. The level of awareness which is wrongly branded as culture can constitute an impediment to going to school which may in turn hinder the prospects for employment. In some areas where there have been successful farmers of such produce as rice and yams or successful cattle farmers, there are usually a disincentive to going to school. Pockets of examples abound in the Abakaliki areas of Ebonyi state as well as the predominantly cattle rearing states of northern Nigeria. Over time many of these people became wealthy farmers of rice and cattle without themselves attaining any formal education. Younger ones on the other hand saw no incentives in pursuing formal education when they can equally become economically prosperous without formal educational training. But this resistance to education bothers on some level of limited knowledge of the tremendous income earning opportunities that come with good education. Does the government equally need to be held responsible in this respect? I do not think so. But these people can still be prosperous farmers and cattle rearers based on experience gathered over time though the process may be strenuous and tedious.

Some types of unemployment are considered either structural or frictional but it actually is not. People who are out of work because of either developments in science or technology or some kind of innovations in an environment where there are other types of job save that those jobs are considered not befitting are rather speculating. They are speculating because they are waiting for better jobs. In Nigeria, there are lots of work to do but the problem remains that some unemployed people feel that it is either not well-paying enough or does not conform to their educational status and for that reason, they chose to remain unemployed. That decision in a strict sense is speculative because the person is waiting for the opportunity that suits him or her to cash in on and get employed in a better job. But even if the candidates chose not to speculate in this sense and pick up the less paying jobs, the real worth of the remuneration would have been sucked out by inflation.

Perhaps, no solution exists as various governments have always acted as if they are genuinely tackling the issues of perennial unemployment in Nigeria. Some of the steps they have taken in the recent past include (but not all), the establishment of the National Directorate of Employment, the establishment of the Bank of Industry, the Small and Medium Enterprises Development Agency of Nigeria, direct interventions particularly in the area of agriculture by either giving credits through the Nigerian Agricultural Credit and Cooperative Development Bank, fertilizer subsidization to encourage farming etc. Why with all these array of institutions and initiatives are we still complaining of unemployment? These are on its surface seemingly beautiful initiatives for The agriculture banks for instance neither rescued the agricultural sector nor has the fertilizer subsidies worked any perceptible magic of making the sector attractive to our teeming unemployed.

On the contrary, the fertilizer subsidies provided a corruption minefield from which ravenous government officials fed fat. Many well celebrated discoveries revealed in many occasions that the farmers for whom these fertilizers were meant for never even had access to them. The banks on the other hand have suffered and are still suffering from the typical bug of public sector institutions. At the risk of citing cases one of the major un-doings of these systems have been the granting of loans to selves or its staff through proxies by the government officials who in turn invest or launder the monies meant for agricultural or cooperative development activities at the capital market or in speculative trading. This has been most successful because the rates charged are below the market rates which automatically yields returns to the corrupt officials to the detriment of employment creation. These characteristics of government institutions trying to play like private firms will never work and neither will the resulting outcomes approximate that of the private firms.

Thus this has consequently led to government's continued building of castles in the air trying to use the institutions of government to substantially reduce the levels of unemployment. The National Directorate of Employment has existed for upwards of two decades and a half without anything to show for it. NDE has the responsibility of designing and implementing programmes that will assist in reducing unemployment; articulating policies aimed at developing programmes that could widen the employment potential of the nation and obtaining and maintaining data bank that would assist government create the much needed bridge between seekers of jobs and providers of jobs. What we have got so far are the claims of mighty feats which the agency has supposedly wrought in its papers for which very few admit of their impact. The same is applicable to the list of most of the agencies of government. Government institutions do not create jobs in any significantly impact sense.

Only a very negligible proportion of the supposedly created employment, remain in employment few months after the severance with the agency. Firms create jobs. It is the natural obligation of firms to deploy factors of production in creating value. This process of value creation as a natural principle demands for more employment of both human and other resources in so far as the value creating process is not jeopardized. The motivation of profit makes the process enduring. That is why socialism crumbled. In our own case, corruption has not allowed it to stand. The better the value-creating process of firms, the more the value in the form of revenue which the government appropriates in the form of taxes, particularly if the tax is minimal and non-enterprise destroying. In turn government benefits in the process and have strengthened capacity to employ too. The pundits in government also follow the typical makeshift textbook solution popularized by Lord Keynes on creating more inflation as a source of employment generation. The idea is basically the expansion of the quantity of money in circulation through various means which ultimately leads to the expansion of available credit.

The proponent's of this idea equally know the implications of this solution, but it helps to meet the political expediencies of those in power to the utter neglect of sustainable development. In order words, it is like saying, do it now and let us suffer the consequences tomorrow. But since they probably will not be there but rather their children, it does not matter. The thinking usually is "when those who will bear the brunt is faced with the problem, they ought to know what to do". There is always the hope that tomorrow will be better. When we indulge in persistent deficit budgeting for decades in the name of stimulating the economy which supposedly should create employment, we probably may be exuding in very short-term economic euphoria and destroying the longterm benefits of sustainable employment creation. If inflation and credit expansion are not stopped in time, they result in a more and more accelerated drop in the value of monetary units.

Here Lies Nigeria's Power to Create Employment What emerges from the analysis above is that the Nigerian government perpetuates unemployment by its own self and turns around to deploy ad hoc and short-term measures to fight the chain reaction that it initiated in the first place. A mindset of short – term solutions to employment creation can only succeed in worsening the unemployment conditions in the country. An economy's prosperity creates employment. But the sustainability of that prosperity depends on the level of employment which generates value and income for everybody. Now if our oil prosperity has enabled us to create employment at the beginning but we in turn through our policies are castrating our capacity to generate more and more employment, we are just heading for perdition. Unemployment today is not just only the outcome of bad policies or other factors presented above, but are a trigger for future penury through the vicious cycle that emanates from it. When people are not employed, wage income will be lacking in order to promote health and quality education, the mortality rate drops and so on. These consequences only exacerbate the already bad macroeconomic conditions. In the face of this potential trap, the question is: what should we do?

One seemingly equating measure that can be used in place of inflationary stimulation in the short-medium term is to significantly drop the tax rates both for individuals and companies. The tax base can expand but overall should be very minimal. I recommend that all taxes in this country should be halved or even made about 35% of what it currently is. It will also improve the financial performance of enterprises and enable the creation of additional value which underscores more employment. Although majority of Nigerians do not pay taxes, yet those who agree to pay faithfully are over-taxed. Tax reduction may have a seemingly insignificant impact since many enterprises evade it. Nevertheless, the impact of its reduction on the firms that pay particularly banks, quoted companies, regulated businesses etc. is enough to expand the value creating base of the economy and consequently generate more employment. The Rule of law is most essential in attracting foreign investments as well as restricting the flight of domestic capital. In addition to the benefits and advantages of a huge Nigerian market and more than global average returns on investments, the rule of law is the single most efficacious factor that will ensure that those who want to invest not for speculative but rather on a long-term basis really do so.

The rule of law is a strong economic incentive which bothers on the obedience of all to the law. It enhances the protection of private property through an efficient system of justice administration. It is heartening that the current administration makes it one if its cardinal ethos. However, at the risk of comparing it with the previous administration, it is equally important to note that the past government made the anti-corruption crusade its main objective yet many probes today seem to reveal that its leaders were largely the vanguards of corruption. The immediate large scale reforms of the police and the court system in addition to effective constitutional reviews will undeniably restore massive confidence of the investor. With the rule of law effectively in place, which not only ensures the protection of investments but the lives and property of people generally, investment of firms through foreign inflows and domestic retentions will increase.

Another quick impact strategy will be for Nigeria to adopt a policy of balanced budgets forthwith. Those who are inclined to inflationary approach to creating employment which is only a temporary relief to those closer to sources of monetary inflation and penalization for those further withdrawn from it should realize that the financing of deficits have been behind all our woes of macroeconomic instability which made us prone to oil price shocks as well as expanded incentives for corruption. Balanced budgeting instills the discipline required to curb inflation and its long term enterprise damaging consequences while at the same time minimizing the attractions for public sector corruption. Balanced budgeting enables rigorous planning because items that will be accommodated within the budget must be those ones that the revenue of the country can take care off. Items and programmes of less priority may be delayed to the subsequent year. It also enables effective budget monitoring because expenditure proposals would have been made on the basis of revenue availability in the first instance. Nigeria has enough money to conveniently accommodate most of the priority programmes within the ambits of available resources.

Ultimately, balanced budgeting creates the necessary macroeconomic stability (all things being equal) which is the desideratum for high powered entrepreneurial performance. Public infrastructure provision by the private sector holds the key to sustainable and dependable infrastructure in Nigeria. As already mentioned, leaving infrastructure in the hands of government only provides incentives for corrupt government officials to feed fat on commonly owned resources. The motivations of politicians and that of the private entrepreneur are different and as a result, the outcomes from their activities equally differ. Experience has it that our tragic infrastructure state is attributable to the many years in which government has been providing our infrastructure. Even with the supposed good faith of a government which may want to altruistically provide good infrastructures of altruism may be lacking in subsequent governments who will succeed it particularly with respect to the maintenance of such facilities. This is true as we can see with the maintenance of already developed infrastructure. While some administrations strived and put in place good infrastructure on ground, other administrations merely allowed it to rot without maintenance.

Many government officials would rather prefer to embezzle the money meant for its maintenance, do some insignificant work, call the press to advertise the meaningless of work done and announce to the rest of Nigerians that money has finished. Same is not applicable when the provision and management of infrastructure is left in the hands of the private people who are driven by profit motives and auto-regulated or moderated by the mechanisms of the market. Until we get our infrastructure state working through this process, we shall continue to experience new deaths and less than optimal performance of firms which also implies continued threat to the prospects of employment generation. With respect to the employability of our students, the answer lies on giving the employers of labour the opportunity to determine what skills and competencies they want in a candidate.

When schools produce what they want and it does not conform to the quality and standards as well as the skill set required by those who employ, there will obviously be highly unemployed number of people with a reasonable sub-set being unemployable. To achieve the idea of getting the employers of labour determine the quality, standard and skill set required by the candidates for employment, the market has to be the underlying determinant mechanism. It is the market that guides the supplier-entreprenuer to produce what the buyer is likely to demand. It cannot be optimally arrived at by some consensus or by the wisdom of some wise men in government. Introducing the market in education means extensive liberalization of our educational system. This will include the freedom of schools to determine what to teach and the kind of curriculum they want to run in so far as the curriculum does not support criminality and condemnable immorality. Of course school entrepreneurs who are able to produce more of what employers of labour want, will continue to be patronized by more students.

People want to read and be employed. Many Nigerian banks and oil companies are all over Europe shopping for Nigerian graduates for employment because they cannot trust the quality of education offered in Nigerian schools. If education is liberalized those who produce what the employers of labour want will be patronized the more and those who over time do not meet the expectations of employers but have more of their tudents unemployed will steadily lose patronage unless they change. A school that produces graduates who cannot speak English language but are turned down by the NYSC will obviously be penalized by employers. No doubt Competition that goes with liberalization and the accompanying flexibility enables the society to throw up the best for the employers of labour. One of the problems that had bedeviled the educational system and made them not responsive to the demands of the industry or employers of labour is the size of our universities. We are addicted to humongous centers of learning. A university that claims to be a university of agriculture wants to have a faculty of social sciences or business.

Universities of science and technology are more fascinated with promoting languages and literary arts. What a tragedy. The niche, the competence that should characteristize the centers of learning are lost. But if our universities are small and focused given the everyday story of under-funding, perhaps they will do better and be able to meet the demands of industry. I do not know why we can not for instance have a university of medical sciences or a university of economics. With that level of defined narrowness, competencies can be deepened and more appropriately developed. Funds will be much more available to meet the specific needs of the university as some of the equipments and facilities in other institutions can be brought together. Private provision can achieve this in a rather wonderful way and manner where collaboration can lead to better quality of output. For instance in the case of university of medical sciences, different individuals, companies or firms can differently own and run departments and faculties that make up the university depending on their financial capabilities.

Thus facilities can be shared and appropriate transfer charges taken care of among them. With this kind of arrangement, even the employers of labour will know where to go and source for candidates. They would have ab initio based on experience and curriculum of each institution determined the schools with the kind of skills and competencies that they are looking for. Now all the above mentioned can be jumpstarted immediately with respect to reducing the size of unemployment on a sustainable basis. To have an immediate impact, I have suggested in one of my write ups that the excess external reserves beyond what is adequate can be deployed as credit to a private investment vehicle created for the purpose of investment in our key priority areas. The vehicle has to be setup through a board which shall automatically cease to exist after its creation and which shall be drawn up in the ratio of 70:30 (reputable private sector entrepreneurs: reputable ministry of finance and CBN officials).

The created investment vehicle should be owned by Nigerians and foreigners alike with no single person at the onset owning more than 5% of the equities of the company. It shall be incorporated and licensed to operate narrowly on areas of developmental priorities of the economy. It shall be quoted on the stock exchange to ensure maximum transparency in its operations. This vehicle shall now borrow the excess reserves from government or any other money that government wants to throw about or away at internationally competitive rates with a restrictive mandate set at the point of set-up and incorporation to invest on defined areas of developmental priorities. These defined areas can be changed from time to time depending on the new ownership of the business and the initial terms of incorporation. What this vehicle will do for us is that it will create series of large-scale profit-driven activities that will eventually create employment in the short-term depending on project take-off as well as help resolve such problems as infrastructure provision without necessarily putting it in government's hands.

A Word Is Enough for the Wise I think I have written enough. But the important thing here is that rather than point fingers at sources that are not responsible for the huge size of our unemployed we should recognize not only the true culprits here but take decisive steps to change the situation. The earlier we recognize that firms are the major creators of employment both at the micro-enterprise levels as well as at the levels of mega-sized enterprises and that we need to ensure that our firms are alive and doing well, the better for us. Abstaining from those policy programmes which endanger the lives of firms by government's policy craftsmen is key. Equally recognizing the market mechanism as of utmost importance Reversing Nigeria's Massive Unemployment Conditions in value-creating resource allocation is important. Government is known not to be able to do that well. Outcomes from its activities have always been less than optimal. Yet the more the government wants to see itself in the mould of entrepreneurs, the worse we are all in for it. The reason being that the state erroneously thinks that it can do as much well as the entrepreneurs can do. But it is not true because always, the motivations are different.

3.4 Relationship Between Unemployment and Debt Relief In Nigeria

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

Nigeria and other countries of Africa have been facing this situation since the early eighties when as a result of the faster growth of debt service over external reserve, the country's debt burden bunched and made repayment a difficult proposition. This is a sharp departure from the preceding years when Nigeria was widely classified as under borrowed. However, since the resort to the International Capital Market for the two "jumbo" loans of 1977 and 1978 with their characteristic short and medium term maturity periods and high interest rates, Nigeria's ability to repay its debt became ensnared and culminated in the accumulation of arrears to capital, interest and penalties that formed the outrageous $35 billion external debt profile of the country before 26 April, 2006. This was in spite of the about $3 billion or 30% of its total revenues that was expended annually on servicing the external debt that was initially $17 billion at the outset (Okonjo-Iweala et al, 2003:12). Yet from then to 2004 for which record is available, Nigeria had diverted a whooping sum of $37 billion to unproductive debt servicing at the expense of self-liquidating projects that would have not only boosted the nation's economy but also ensured that it did not fall into debt crisis in the first instance. The county has not only paid, more than it owned the creditors but also became an economic slave in service of the debt and interests that kept accumulating.

There were huge level of capital flight from Nigeria that deepened its underdevelopment and aggravated her rate of unemployment. What else would have been expected of scarce resources or 30% of the country's total revenue that would have gone towards provisions of social services, rebuilding of its decayed infrastructure and creating of job opportunities but was annually diverted to debt service/ nothing else because according to the Canadian Prime Minister: Too many resources are soaked up to pay for yesterday's debtors when they should be invested in social and economic initiatives today that can lead to a better quality of life. (See The Guardian, 8 May 2005:24).

Above all, debt service also resulted in a vicious circle of budget deficit that threw the whole economy into disarray. Consequently: There is no commensurate rise in aggregate output which could have led to an increase in the nation's revenues, and which could have grown the nation out of its debt even assuming no decline in spending (See BULLION, 2003:1).

Another direct consequence of this economic hemorrhage is increasing domestic debt being roll over and interest rate risks, which had been a source of uncertainty in the minds of the investors. The economies of debtor countries will all things being equal grow either in the short or long run and this, as we had observed earlier will put the creditors market in jeopardy. So with a depleted resources and resultant inability to service debt, accumulation of arrears and penalties reduced and in some cases totally eroded the debtor countries credit worthiness. Consequently, both lenders and investors were forced to stay clear of the economy. For instance, when in 1980 Nigeria was forced to limit its debt service provision in annual budgets because of the continued crowding out of spending on infrastructure and social services meant to fight poverty, the ensuring debt overhang forced the Export Credit

Guarantee Agencies (ECGAS) to suspend insurance cover for exports, not only of goods and services but also of investment capital to the country. The result was obvious because the much-needed inflow of foreign resources in the stimulation of investment, growth and employment was hampered. Debt servicing was partly the problem while government's mismanagement was largely the problems which results in heavy debt servicing obligation that makes debtor countries to run faster and faster just to stay in the same place. This is more so when one's creditors are also The import of this is that heavy debt burden weakens an economy and ensures that such an economy becomes distorted and dependent. This is premised on the simple fact that "nations like individuals cannot spend more than they earn without falling into debt" (Payer, 1974:214) one's customers, supplies and employers besides, debt as we have noted earlier is a powerful instrument employed by the creditors to keep the potential rebellious borrower in line. Thus debt servicing is similar to peonage or debt slavery system in which:

> The worker is unable to use his nominal freedom to leave the service of his employer because the latter supplies him with credit (for over priced goods in the company store) necessary to supplement his meager wages. The aim of the employer/creditor/merchant is neither to collect the debt once and for all nor to starve the employee to death, but rather to keep the labourer permanently indentured through his debt to the employer. The worker can not run away, for other employers and the state recognize the legality of his debt; nor has he any hope of earning his freedom with his own wages, which do not keep pace with what he consumes let alone the true value of what he produces for his master (Payer, 1974:49).

Abiola (1984) captures this further when he asserts "if you are in debt, you are a servant of your creditor forever. In other words, the distortion is a contraption for the creditors to keep the debtors in a comparative disadvantage in the world market because without distorting and disrupting servicing conditions.

Without export credit cover and other facilities Nigerian importers were required to provide 100% cash cover for all their creditors and were, therefore, placed at competitive disadvantage compared to their counterparts elsewhere who had access to Export Credit Guarantee Agencies covers and credit facilities. This kept the productive sector stunted and constrained profitability and tax revenue. Above all, the absence of export credit covers has certainly led to heightened demand pressure on the domestic financial market in general and bank lending in particular, providing conceivably, upward pressure on the cost of funds and contributing to the inflationary spiral. This situation, of course, exacerbated the pains of the external debt burden as it blocked off any relief that accompanies fiscal and monetary reforms such as the Central Bank of Nigeria's recent reform on bank recapitalization.

Nigeria in spite the debt relief, is yet to improve on its employment rate. Like I mentioned in the early stage of this chapter, that the accurate statistics of unemployed Nigerians are quite ambiguous, but one can always observe the rate from the level of poverty in the country and the manner millions of applicants respond to occasional few opportunity that seldom comes up. In other words, we are yet to witness improvement in the rate of unemployment in Nigeria.

CHAPTER FOUR

FOREIGN AID DEPENDENCE AND 2005 DEBT RESCHEDULING IN NIGERIA.

4.1 Meaning of External Aid

External aid or Foreign Aid also known as international aid, overseas aid, or especially in the United States is a voluntary transfer of resources from one country to another, given at least partly with the objective of benefiting the recipient country. It may have other functions as well: it may be given as a signal of diplomatic approval, or to strengthen a military ally, to reward a government for behaviour desired by the donor, to extend the donor's cultural influence, to provide infrastructure needed by the donor for resource extraction from the recipient country, or to gain other kinds of commercial access. Humanitarianism and altruism are, nevertheless, significant motivations for the giving of aid. Aid may be given by individuals, private organisations, or governments. Standards delimiting exactly the kinds of transfers that count as aid vary. For example, aid figures may or may not include transfers for military use: to cite one instance, the United States included military assistance in its aid figure until 1957 but no longer does. Another issue is whether to count remittances by expatriate workers to family members in their home countries as aid. This constitutes a large but difficult to measure international flow of funds. Depending on the definition, loans may or may not be counted as aid.

Even if the principles of a definition are set, it remains difficult to determine the effective flow of aid because aid is fungible: receiving aid may free up funds in the recipient country for use in non-aid projects that could not have been undertaken had the aid not been received. For example, receiving food aid may enable a government to divert funds from its own food-support budget to its military budget. In that case the net effect of the aid is military although the aid money might actually be spent on food. Official organizations and those scholars who are primarily concerned with government policy issues frequently include only government-sourced aid in their aid figures, omitting aid from private sources. The most widely used measure of aid, "Official Development Assistance" (ODA) is such a figure. It is compiled by the Development Assistance Committee of the Organisation for Economic Co-operation and Development. The United Nations, the World Bank, and many scholars use the DAC's ODA figure as their main aid figure because it is easily available and reasonably consistently calculated over time and between countries. The DAC consists of 22 of the wealthiest Western industrialised countries plus the E.U.; it is a forum in which they coordinate their aid policies.

Aid existed in ancient times. More recently, in the nineteenth century, some private aid flowed from the Western countries to the rest of the world; missionary schools are an example. In the nineteenth and early twentieth centuries, aid from governments was tiny compared to present levels, consisting mostly of occasional humanitarian crisis relief. Some transfers that would now be counted as aid, however, came under the purview of colonial office budgets. It was at the end of World War Two, in the contexts of European reconstruction, decolonisation, and cold war rivalry for influence in the third world, that aid became the major activity that it is today.

4.2 Types of Aids and Terminology

Aid may be "given" in the form of financial grants or loans, or in the form of materials, labor, or expertise. Aid is often *pledged* at one point in time, but *disbursements* (financial transfers) might not arrive until later.*:* Humanitarian aid or *emergency aid* is rapid assistance given to people in immediate distress by individuals, organisations, or governments to relieve suffering, during and after man-made emergencies (like wars) and natural disasters. The term often carries an international connotation, but this is not always the case. It is often distinguished from development aid by being focused on relieving suffering caused by natural disaster or conflict, rather than removing the root causes of poverty or vulnerability.The provision of humanitarian aid or humanitarian response consists of the provision of vital services (such as food aid to prevent starvation) by aid agencies, and the provision of funding or in-kind services (like logistics or transport), usually through aid agencies or the government of the affected country. Humanitarian aid is distinguished from humanitarian intervention, which involves armed forces protecting civilians from violent oppression or genocide by state-supported actors.

The Geneva Conventions give a mandate to the International Committee of the Red Cross and other impartial humanitarian organizations to provide assistance and protection of civilians during times of war. The ICRC, has been given a special role by the Geneva Conventions with respect to the visiting and monitoring of prisoners of war. The United Nations Office for the Coordination of Humanitarian Affairs (OCHA) is mandated to coordinate the international humanitarian response to a natural disaster or complex emergency acting on the basis of the United Nations General Assembly Resolution 46/182.

Development aid is aid given by developed countries to support development in general which can be economic development or social development in developing countries. It is distinguished from humanitarian aid as being aimed at alleviating poverty in the long term, rather than alleviating suffering in the short term. Official (ODA), mentioned above, is a commonly used measure of developmental aid. Development aid is given by governments through individual countries' international aid agencies and through multilateral institutions such as the World Bank, and by individuals through development charities such as ActionAid, Caritas, Care International or Oxfam. The offer to give development aid has to be understood in the context of the Cold War. The speech in which Harry Truman announced the foundation of NATO is also a fundamental document of development policy.

In addition, we will provide military advice and equipment to free nations which will cooperate with us in the maintenance of peace and security. Fourth, we must embark on a bold new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas. More than half the people of the world are living in conditions approaching misery. Their food is inadequate. They are victims of disease. Their economic life is primitive and stagnant. Their poverty is a handicap and a threat both to them and to more prosperous areas. For the first time in history, humanity possesses the knowledge and skill to relieve the suffering of these people.

Specific types Project aid: Aid is given for a specific purpose e.g. building materials for a new school. Programme aid: Aid is given for a specific sector e.g. funding of the education sector of a country. Budget support: A form of Programme Aid that is directly channelled into the financial system of the recipient country.

Sector-wide Approaches (SWAPs): A combination of Project aid and Programme aid/Budget Support e.g. support for the education sector in a country will include both funding of education projects (like school buildings) and provide funds to maintain them (like school books).

Food aid: Food is given to countries in urgent need of food supplies, especially if they have just experienced a natural disaster. Food aid can be provided by importing food from the donor, buying food locally, or providing cash.

Untied Aid: The country receiving the aid, can spend the money as they choose.

Tied aid: The aid must be used to purchase products from the country that donated it or a specified group of countries.

Technical assistance: Educated personnel, such as doctors are moved into developing countries to assist with a program of development. Can be both programme and project aid.

Bilateral vs. Multilateral: bilateral aid is given by one country directly to another; multilateral aid is given through the intermediacy of an international organization, such as the World Bank, which pools donations from several countries' governments and then distributes them to the recipients.

OECD Categories

The Organisation for Economic Co-operation and Development's Development Assistance Committee puts foreign aid into three categories: Official Development Assistance (ODA): Development aid provided to developing countries (on the "Part I" list) with the clear aim of economic development *Official Aid* (OD): Development aid provided to developed countries (on the "Part II" list) and international organizations .*Other Official Flows* (OFF): Aid which does not fall into the other two categories, either because it is not aimed at development, or it consists of more than 75% loan (rather than grant).

4.3 Criticism of Aid

Aid is seldom given from motives of pure altruism; for instance it is often given as a means of supporting an ally in international politics. It may also be given with the intention of influencing the political process in the receiving nation. Whether one considers such aid helpful may depend on whether one agrees with the agenda being pursued by the donor nation in a particular case. During the conflict between communism and capitalism in the twentieth century, the champions of those ideologies, the Soviet Union and the United States, each used aid to influence the internal politics of other nations, and to support their weaker allies. Perhaps the most notable example was the Marshall Plan by which the United States, largely successfully, sought to pull European nations toward capitalism and away from communism. Aid to underdeveloped countries has sometimes been criticized as being more in the interest of the donor than the recipient, or even a form of neocolonialism.

According to Asante (1985) some specific motives for which a donor may giving aid are : defense support, market expansion, foreign investment, missionary enterprise, cultural extension. In recent decades, aid by organizations such as the International Monetary Fund and the World Bank has been criticized as being primarily a tool used to open new areas up to global capitalists, and being only secondarily, if at all, concerned with the wellbeing of the people in the recipient countries.Besides criticism of motive, aid may be criticized simply on the grounds that it is not effective: i.e., it did not do what it was intended to do or help the people it was intended to help. This is essentially an *economic* criticism of aid. The two types of criticism are not entirely separate: critics of the ideology behind a piece of aid are likely to see it as ineffective; and indeed, ineffectiveness must imply some flaws in the ideology. Statistical studies have produced widely differing assessments of the correlation between aid and economic growth, and no firm consensus has emerged to suggest that foreign aid generally does boost growth. Some studies find a positive correlation, but others find either no correlation or a negative correlation. In the case of Africa, Asante (1985) gives the following assessment:

> Summing up the experience of African countries both at the national and at the regional levels it is no exaggeration to suggest that, on balance, foreign assistance, especially foreign capitalism, has been somewhat deleterious to African development. It must be admitted, however, that the pattern of development is complex and the effect upon it of foreign assistance is still not clearly determined. But the limited evidence available suggests that the forms in which foreign resources have been extended to Africa over the past twenty-five years, insofar as they are concerned with economic development, are, to a great extent, counterproductive.

The economist William Easterly and others have argued that aid can often distort incentives in poor countries in various harmful ways. Aid can also involve inflows of money to poor countries that have some similarities to inflows of money from natural resources that provoke the resource curse. Many criticize U.S. Aid in particular for the policy conditionalities that often accompany it. Emergency funds from the International Monetary Fund (IMF) and World Bank, for instance, are linked to a wide range of free-market policy prescriptions that some argue interfere in a country's sovereignty. Policy prescriptions from outsiders can do more harm as they might not fit the local environment. The IMF can be good at helping countries over a short problematic financial period, but for poor countries with long lasting issues it can cause harm[1] .

In Parker Foster book *The White Man's Burden*, Easterly argued that if the IMF only gave adjustment loans to countries that can repay it, instead of forgiving debts or lending repetitively even if conditions are not met, it would maintain its credibility.In addition to the above criticisms, the logistics in which aid delivery occurs can be problematic. An earthquake in 2003 in Bam, Iran left tens of thousands of people in need of disaster zone aid. Although aid was flown in rapidly, regional belief systems, cultural backgrounds and even language seemed to have been omitted as a source of concern. Items such as religiously prohibited pork, and non-generic forms of medicine that lacked multilingual instructions came flooding in as relief. An implementation of aid can easily be problematic, causing more problems than it solves.

James Shikwati, a Kenyan economist, has argued that foreign aid causes harm to the recipient nations, specifically because aid is distributed by local politicians, finances the creation of corrupt government such as that led by Dr Fredrick Chiluba in Zambia bureaucracies, and hollows out the local economy. In an interview in Germany's Der Spiegel magazine, Shikwati uses the example of food aid delivered to Kenya in the form of a shipment of corn from America. Portions of the corn may be diverted by corrupt politicians to their own tribes, or sold on the black market at prices that undercut local food producers. Similarly, Kenyan recipients of donated Western clothing will not buy clothing from local tailors, putting the tailors out of business. In an episode of 20/20, John Stossel demonstrated the existence of secret government bank accounts which concealed foreign aid money destined for private purposes.

Some believe that aid is offset by other economic programs such as agricultural subsidies. Mark Malloch Brown, former head of the United Nations Development Program, estimated that farm subsidies cost poor countries about USD$50 billion a year in lost agricultural exports:

> "It is the extraordinary distortion of global trade, where the West spends $ 360 billion a year on protecting its agriculture with a network of subsidies and tariffs that costs developing countries about US$ 50 billion in potential lost agricultural exports. Fifty billion dollars is the equivalent of today's level of development assistance." some have argued that the major international aid organizations have formed an aid cartel. In response to aid critics, a movement to reform U.S. foreign aid has started to gain momentum. In the United States, leaders of this movement include the Center for Global Development, Oxfam America, the Brookings Institution, InterAction, and Bread for the World. The various organizations have united to call for a new Foreign Assistance Act, a national development strategy, and a new cabinet-level department for development.
> Beyond Aid

As a result of these numerous criticisms, other proposals for supporting developing economies and poverty stricken societies. Some analysts, such as those at the Overseas Development Institute, argue that current support for the developing world suffers from a **policy incoherence** and that while some policies are designed to support the third world, other domestic policies undermine its impact, examples include:

encouraging developing economies to develop their agriculture with a focus on exports is not effective on a global market where key players, such as the US and EU, heavily subsidise their products providing aid to developing economies' health sectors and the training of personnel is undermined by migration policies in developed countries that encourage the migration of skilled health professionals.

Thus, some states are beginning to go *Beyond Aid* and instead seek to ensure there is a policy coherence. This approach might see the nature of aid change from loans, debt cancellation, budget support etc., to supporting developing countries. This requires a strong political will, however, the results could potentially make aid far more effective and efficient The Development Assistance Committee of the Organisation for Economic Cooperation and Development defines its aid measure, Official Development Assistance (ODA), as follows: "ODA consists of flows to developing countries and multilateral institutions provided by official agencies, including state and local governments, or by their executive agencies, each transaction of which meets the following test: a) it is administered with the promotion of the economic development and welfare of developing countries as its main objective, and b) it is concessional in character and contains a grant element of at least 25% (calculated at a rate of discount of 10%)." (OECD, *The DAC in Dates*, 2006. Section, "1972".)

Former USAID official Carol Lancaster, in her book *Foreign Aid* (2007:9) defines foreign aid as: "a voluntary transfer of public resources, from a government to another independent government, to an NGO, or to an international organization (such as the World Bank or the UN Development Program) with at least a 25 percent grant element, one goal of which is to better the human condition in the country receiving the aid."Both definitions employ the concept that benefit to the people of the receiving country must be one but not necessarily the only objective.

Foreign aid or (development assistance) is often regarded as being too much, or wasted on corrupt recipient governments for instance about $20-trillion had been stolen from Nigeria's coffers by leaders who had access to the nation's money between 1960 and 2005. This was disclosed by Dapo Olorunyomi, chief of staff to the chairman of the Economic and Financial Crimes Commission (EFCC) at a function in Lagos. Olorunyomi, who was speaking at the yearly Dinner/Re-union of the Lagos State chapter of the University of

Ilorin Alumni Association, said the figure was sourced from the records of the United Nations Development Programme (UNDP). Olorunyomi said the amount was six times the amount needed to rebuild Europe after world war two. Despite any good intentions from donor countries, in reality, both the quantity and quality of aid have been poor and donor nations have not been held to account.

4.4 Foreign Aid and Debt Rescheduling

In 1970, the world's rich countries agreed to give 0.7% of their gross national income as official international development aid, annually. Since that time, despite billions given each year, rich nations have rarely met their actual promised targets. For example, the US is often the largest donor in dollar terms, but ranks amongst the lowest in terms of meeting the stated 0.7% target.

Furthermore, aid has often come with a price of its own for the developing nations:

> Aid is often wasted on conditions that the recipient must use overpriced goods and services from donor countries Most aid does not actually go to the poorest who would need it the most Aid amounts are dwarfed by rich country protectionism that denies market access for poor country products, while rich nations use aid as a lever to open poor country markets to their products Large projects or massive grand strategies often fail to help the vulnerable; money can often be embezzled away.

"Trade, not aid" is regarded as an important part of development promoted by some nations. But in the context of international obligations, it is also criticized by many as an excuse for rich countries to cut back aid that has been agreed and promised at the United Nations. Recently, there was an EU pledge to spend 0.56% of GNI on poverty reduction by 2010 and 0.7% by 2015. however the donor governments promised to spend 0.7% of GNP on ODA (Official Development Assistance) at UN General Assembly in 1970-some 40 years ago the dead line for meeting that target was the mid -1970s. By 2015 (the year by when the Millennium Development Goals are hoped to be achieved) the target will be 45 years old. This target was codified in a United Nations General Assembly Resolution, and a key paragraph says:In recognition of the special importance of the role which can be fulfilled only by official development assistance, a major part of financial resource transfers to the developing countries should be provided in the form of official development assistance. Each economically advanced country will progressively increase its official development assistance to the developing countries and will exert its best efforts to reach a minimum amount of 0.7 per cent of its gross national product at market prices by the middle of the decade.International Development Strategy for the second United Nations Development Decade,UN General Assembly Resolution 2626(XXV),October 24, 1970, para 43.Developed countries will provide, to the greatest extent possible, an increased flow of aid on a long-term and continuing basis.The aid is to come from the roughly 22 members of the OECD, known as the Development Assistance Committee (DAC). [Note that terminology is changing. GNP, which the OECD used up to 2000 is now replaced with the similar GNI, Gross National Income which includes a terms of trade adjustment. Some quoted articles and older parts of this site may still use GNP or GDP.]

ODA is basically aid from the governments of the wealthy nations, but doesn't include private contributions or private capital flows and investments. The main objective of ODA is to promote development. It is therefore a kind of measure on the priorities that governments themselves put on such matters. (Whether that necessarily reflects their citizen's wishes and priorities is a different matter!)Even though these targets and agendas have been set, year after year almost all rich nations have constantly failed to reach their agreed obligations of the 0.7% target**.** Instead of 0.7%, the amount of aid has been around 0.2 to 0.4%, some $100 billion short. Furthermore, the quality of the aid has been poor. Recent increases in foreign aid do not tell the whole truth about rich countries. Generosity, or lack of it. Measured as a proportion of gross national income(GNI), aid lags far behind the 0.7 percent target the United Nations set 35 years ago. Moreover, development assistance is often of dubious quality in many cases. Aids is primarily designed to serve the strategic and economic interest of the donor countries. Or is primarily designed to benefit powerful domestic interest group. Aid system based on the interest of donors instead of the needs of recipients make development assistance inefficient. Too little aid reaches countries that need and all too often , aid is wasted on overpriced goods and services from donor countries. Some interesting observations can be made about the amount of aid. For example:

> USA's aid, in terms of percentage of their GNP has almost always been lower than any other industrialized nation in the world, though paradoxically since 2000, their dollar amount has been the highest. Between 1992 and 2000, Japan had been the largest donor of aid, in terms of raw dollars. From 2001 the United States claimed that position, a year that also saw Japan's amount of aid drop by nearly 4 billion dollars.Throughout the 1990s, ODA declined from a "high" of 0.33% of total DAC aid in 1990 to a low of 0.22% in 1997. 2001 onwards has seen a trend of increased aid.Between 2001 and 2004, there was a continual increase in aid, but much of it due to geo-strategic concerns of the donor, such as fighting terrorism. Increases in 2005 were largely due to enormous debt relief for Iraq, Nigeria, plus some other one-off large items.

Aid has typically followed donor's interests, not necessarily the recipients, and as such the poorest have not always been the focus for such aid. Furthermore, the numbers, as low as they are, are actually more flattering to donor nations than they should be: the original definition of aid was never supposed to include debt relief or humanitarian emergency assistance, but instead was meant for development purposes. Rescheduling involves changing the maturity structure, interest spread and repayment period of a loan. The objective is to postpone payment of matured debt in order to correct the underlying economic fundamentals in order to expand the country's productive and export capacity. In 1986, commercial banks debt amounting to $1.6 billion, due to the London Club was rescheduled to extend to 1996 with a four years grace period. Nigeria succeeded in November 1987 to reschedule arrears of commercial banks. debts due to the London Club. The amount totaling US$5.8 billion outstanding by end of 1987 was rescheduled. The amount was consolidated and rescheduled over a twenty years period including a three years grace period.

Due to non-performance on the rescheduled debt, again in March 1989, Nigeria rescheduled its debt with the London Club. The annual debt service obligation to the London Club was reduced from US$1.345 billion to US$711 million. The high debt service obligation made it impossible for the country to meet its commitment and hence, it defaulted. Consequently, Nigeria approached the Club again for restructuring of the entire debt, the deal was closed on January 1992, in which the country bought back 62 per cent of the debt and issued collaterised par bonds for the remaining 38 per cent. So far the London Club debt has been reduced from $5.8 billion to $2.1 billion after the restructuring exercise. Of the $2.1 billion debt left, the sum of $2.05 billion was fully collateralised. Nigeria has also rescheduled or restructured debts due to the Paris Club and multilateral creditors.

Debt rescheduling has also been the principal tool for the alleviation of the official debt, especially the Paris Club debt. Table 4.1 shows that Nigeria had its first rescheduling agreement with the Paris Club in December 1986. Since then there has been two other similar agreements in 1989 and 1991. The first rescheduling witnessed debt worth over $6.2 billion rescheduled/refinanced by the Club. The second agreement in 1989 saw debts worth over $5.2 billion rescheduled/refinanced. In 1991, Nigeria succeeded in rescheduling the repayment of debt stock.

Table 4.1: Rescheduling of Official Bilateral Debt (Paris Club), Nigeria Reschedulings [Numbers]	Date of Agreement	Amount Consolidated [USDMn]	Consolidation Period [In Months]	Terms- Grace [Years]	Maturity [Years]
I	12/16/86	6251	15	4.9	9.4
II	03/02/89	5600	16	4.8	9.3
III	1/18/91	3300	15	7.9	14.3
Total			15151		

Source: IMF, Official Financing for Developing Countries (1995) totalling US$3.3 billion over periods of 8 to 15 years, with a moratorium varying from 4 to 10 years. It was a non-concessional rescheduling. As at 1998, Nigeria has signed a total of 14 bilateral agreements under the Paris Club Agreed Minutes. It is viewed that even though the Paris Club rescheduling has provided some temporary cash-flow relief, it has not reduced the debt stock. .This is because the package was always structured to apply to current maturities falling due within a consolidation period of about 15 months and not the entire debt stock, and the capitalisation of the interest thereon. Thus, instead of reducing the debt stock has tended to increase it without the country contracting new loans. (Usman, 1995). As at December, 1995, the arrears on Paris Club debt amounted to $10.29 million, it moved up to $11.12 million in 1996. As at September, 2000, US$19.0 billion was in arrears to the Paris Club of creditors.

On December 13, 2000, in Paris, the Nigerian government signed another rescheduling/refinancing agreement with the Paris Club, with respect to debts owed to it. A summary of the agreement show that after paying off $820 million between December 29, 2000 and March 31, 2001 and after taking cognisance of the $2.76 billion to be paid over the period between March 31, 2001 and September 30, 2009, the remaining debt not repaid would be rescheduled over a 20-21 year period with grace periods ranging between 3 and 10 years, depending on the category of debt. In 2001, the Federal Government established a Debt Management Office for the purpose of managing and advising on the governments overall debt obligations.

Nigeria and the Paris Club of creditors in Nov. 2005, signed another agreement to formalize the US$18 billion debt relief granted the country on June 29, 2005. The agreement is to be implemented in two phases. The first requires Nigeria to pay all her debt arrears, which amount to US$6.36 billion, after which 33 percent of the debt will be cancelled. In the second phase which will be implemented from March, 2006, Nigeria is expected to pay a second tranche of US$6.1 billion. The Paris Club will then grant it a relief of another 34 per cent of the sum of US$30 billion it owes. That will bring Nigeria.s debt relief to US$18 billion or 67 per cent of the debt sum. According to the agreement, Nigeria obtained a debt cancellation estimated at US$18 billion . including moratorium interest, which represents an overall cancellation of about 60 per cent of its US$30 billion debt to the Paris Club. At the end of the implementation Nigeria would have paid out about US$12.4 billion.

In conclusion, some of the initiatives discussed above have resulted in small reduction of the debt stock of Nigeria, particularly private debt mainly through debt equity swap. The past military regimes accumulated the debt and has not been successful with the management of the official debt, notably the Paris Club debt, except under Babangida.s regimes restructuring agreements (1986, 1989, 1991) were signed. Even then as earlier noted, the restructuring agreements did not lead to significant reduction in debt stock as the debt problem continued.

4.5 Debt Relief and Nigeria Dependency on the West

After the 2005 debt rescheduling it was expected that Nigeria dependence on the west should reduced but that has not being the case as Nigeria and many other African countries are still clamoring for assistance from the west. As of August 2007, World Bank assistance to Nigeria involved 23 active projects with a total commitment value of about US$2.67 billion. Since Nigeria joined the World Bank in 1961, the World Bank has assisted it on 123 projects. In October 2005, the International Monetary Fund (IMF) approved a two-year “policy support instrument” designed to promote the growth of the non-oil sector and to reduce poverty. In a review of the program in March 2008, the IMF noted progress in Nigeria’s macroeconomic performance, average non-oil sector growth of 8.5 percent, and a reduction in inflation to about 6 percent. However, despite an improvement in the economic situation of the majority of households, poverty remained high since our dependence on these agencies has never worked. Debt relief that would have caution the effect of dependence appear to be like the westphalia treaty that resulted to nothing..

U.S. Assistance to Nigeria. USAID is the largest bilateral donor in Nigeria, and the Bush Administration has requested over $533 million in assistance to the country for FY2008. Democratic governance, agriculture and economic reform, improved education and health services, professionalization and reform of the security services, and HIV/AIDS provide the main focus for U.S. assistance programs in Nigeria (see **Table 1** for more on U.S. assistance to Nigeria). U.S. initiatives to promote good governance seek to strengthen civil society, make government institutions more accountable, improve the capacity and transparency of the judiciary, and prevent and manage conflict, and ensure transparent elections. The

United States has provided $1 million to train over 8,000 anti-corruption prosecutors. Working with local partners, USAID is supporting early warning networks to prevent conflict in the Niger Delta. U.S. economic and agriculture assistance supports programs that will increase productivity. Nigeria is one of 15 focus countries under the President's Emergency Plan for AIDS Relief (PEPFAR), and received approximately $163.6 million in FY2006 to support HIV/AIDS programs. U.S. assistance aims to halve Nigeria's tuberculosis incidence in the next decade.

US Congressional Interest POST 2005 DEBT RELIEF

The 110th Congress. On April 6, 2007, Representative Tom Lantos, Chairman of the House Foreign Affairs Committee issued a press release with three committee members expressing "serious concern about the prospects for free, fair, and peaceful conduct of the upcoming elections in Nigeria."59 House Africa Subcommittee Chairman Donald Payne is leading a congressional delegation to observe the elections. No Nigeria-specific legislation has been introduced in the 110th Congress. In January 2007, the Senate Energy and Natural Resources Committee held a hearing on the Geopolitics of Oil and its Implications for U.S. Economic and International. Security. The potential disruption of Nigeria's oil supply due to instability in the Niger Delta was among the topics covered in the hearing.

The 109th Congress. Several Nigeria-related bills were passed in the 109th Congress. In November 2006, the Senate passed S.Res. 611, introduced by Senator Russ Feingold, to support the efforts of the Independent National Electoral Commission of the Government of Nigeria, political parties, civil society, religious organizations, and the people of Nigeria to facilitate the first democratic transition of Nigeria from one civilian government to another in the 2007 general elections. In May, 2005, Congress passed H.Con.Res. 127, introduced by Representative Ed Royce. This legislation called on the government of Nigeria to transfer former Liberian president Charles Taylor to the Special Court for Sierra Leone. The Africa Subcommittee of the House Foreign Affairs Committee held a hearing in May 2006 on Nigeria's Struggle with Corruption. Nigeria's oil resources were discussed in a hearing by the Subcommittee on Energy and Mineral Resources of the House Resources Committee on U.S. Energy and Mineral Needs, Security, ands Policy, in March 2005. In 1999 the Clinton Administration established the U.S.-Nigeria Joint Economic Partnership Commission as an effort to build more substantive engagement with the country. One well-known Africa analyst has recommended that Congress establish a new U.S.-Nigeria bilateral commission to facilitate regular high level communication between senior officials.

U.S Assistance to Nigeria ($ Million, fiscal years)

Program	2002 Actual	2003 Actual	2004 Actual	2005 Actual	2006 Actual	2008 Request
DA	15.8	23.3	13.6	14.8	12.5	31.4
CSH	36.6	47.9	42.5	28.2	21.5	31.3
ESF	8.5	3.8	4.9	4.9	4.9	
FMF Grants					.99	1.35
GHAI				85.9	138.6	467.5
INCLE				2.2	.99	1.2
IMET					.792	.8
Total	66.5	75.1	61.1	136.2	180.354	533.55

Source: U.S. Department of State.

Table Abbreviations:
DA – Development Assistance
CSH – Child Survival and Health Programs Fund
ESF – Economic Support Fund
FMF – Foreign Military Financing
IMET – International Military Education and Training (Notification required)
INCLE – International Narcotics Control & Law Enforcement
GHAI – Global HIV/AIDS Initiative

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Conclusion

The major aim of this work was to examine external debt and contradictions of development in African while using Nigerian experience between 1999-2007 as case study. The work has five chapters, it started with chapter one which is the general introduction. Therein, also we stated the general aim of the study to be evaluation of the impact of debt crisis on Nigerian's socio-economic life. The specific objectives is to examine if Nigeria's external debt servicing is implicated in the shortage of the funds for the implementation of the electronic voting system in Nigeria. To find out the effect of debt relief on the level of unemployment in Nigeria. To interrogate if debt rescheduling has resolved Nigeria's external dependence on the west. The questions adduced to give focus to this work were attempted using the following hypothesis: That there is no relationship between debt servicing and shortage of electronic voting machines in Nigeria. Debt relief tends to have no effect on the rate of unemployment in Nigeria. Debt rescheduling tend to deepen external dependence of a country. Attempt was also made in this study to discover the origin of Nigeria's debt crisis, its causes and consequences and the concerted efforts made by successive leaderships of the country to manage or solve the debt issue. It was discovered that most of the Third World nay Nigerian's debt crisis and underdevelopment is a product of both external and internal forces, which play complimentary role in perpetuating the crisis since the era of colonial imperialism. Currently, however, this process is being sustained by the unfair trade and payment terms imposed by the world trade organization (W.T.O) and the international financial institutions (I.F.Is.) with the powerful collaboration of the local forces which are the basis of this recommendation according to Jubileee coalitions is that Nigeria is a very poor country that needs a substantial and meaningful debt cancellation to strengthen its nascent democracy, adding that poverty is a significant root cause of the ethnic and religious conflicts in Nigeria. Thus if the debt is cancelled then it would make fund available for investment and the education of the Nigerian children. It is perhaps based on this argument that the former US President, Clinton had to remark that:

> I dot not think we can in good conscience say we support the idea that they (developing countries mired in debt) should choose between making interest payments on their debt and investing in their children's education and future (Clinton, 2005:12).

Accordingly, many analysis suggest the replication of the Marshall plan treatment in the form of grant-in-aid and other facilities devoid of interest to rebuild the Nigerian economy (Ogbenovo, 2005:2). The US President, George Bush Jnr. At Genoa Summit of G.8 re-echoed this in 2001 when he called the World Bank to convert part of its lending to outright grants. (The Guardian, 2001:39). However, Mbeki would prefer investment to grant-in-aid through the removal of tariffs and subsidies to agriculture and primary products in the West.

In other words, efforts should be directed towards helping Africa to become competitive on trade rather than throwing money to the continent. Instructively, even the IMF Management Director, Rodrigo de ratio reinforced this viewpoint by nothing that :"if trade rules are made fair, developing countries can trade their way out of poverty and be in a position to settle their debt" (See African Economy, 2005:14). In his opinion therefore, the way out of Africa's debt crisis is that "the developed countries must improve access to their markets for developing countries' exports and dismantle trade-distorting subsidies (African Economy; 2005:14). Any step bereft of reordering the unequal terms of trade will revert to the status quo ante.

It is the light of this that a radical measure otherwise called repudiation is prescribed. Leading proponents of this prescription include Fidel Castro, Late Julius Nyerere and many non-governmental and Economic justice (ANEEJ), which apparently consumed by righteous indignation and frustration passed the resolution for Nigeria's repudiation of all its external debt in the interest of its citizens. The House rationalized its position on the ground that:

> Nigeria owed $19 billion in 1985. By 2004, it had paid #37 billion to creditors, yet its debt stock still stands at $35 billion, made up of penalties, accumulation of interests all compounded and capitalized in a vicious circle. (African Economy, 2005:14)

To be sure, this confrontational posture otherwise described as debtors' revolt against the harshness of the IMF- sponsored reform package is borne out of the peoples' anger with the perceived interest of the Bretton Wood institutions to maintain the status quo between the rich creditors and the depressed debtor countries as the aftermath of the traditional debt management mechanisms reveals. That explains why when some couple of years ago Argentina threw a bold challenge against this ineffective traditional. Methods of tackling the world's worsening debt problem by demanding a substantial debt write off even as it threatened to stop payments altogether, it excited many stared calling for debt NGOs and other debtor nations. Hence they started calling for debt cancellation as a justified response to the various flawed policy advice to debtor countries.

> Another related reason for this radical prescription in Nigeria's case was that in spite of the country's religious implementation of all the IMF imposed old market theory of economic reform programmes and the establishment of institutions aimed at instilling accountability and transparency such as the independent corrupt practices and Other Related Offences Commission (I.C.P.C.), Economic and financial crimes Commission (E.F.C.C), Due process Mechanisms et cetra the country's creditors refused to cancel Nigeria's debt or even grant it a debt relief.

But a more radical political justification for repudiation was initiated by President Fedel Castro of Cuba and popularized by late President Juluis Nyerere of Tanzania and other pan Afrianists such as Ali Mazrui, Chinua Achebe, J. K. Onoh and many others. The plank upon which they canvass this recommendation is that they see the debt issue as a powerful weapon employed by the international creditors, especially, the Paris Club to propagate imperialism and neo-colonialism. Therefore, repudiation is imperative because the creditors had exploited the resources of the continent for decades during the era of colonialism without compensation (Onoh, 1989:178). In other words, repudiation should be adopted as reparation for the colonial despoliation and exploitation of Africa's human and materials resources. According to its proponent since it was the members of the Pairs Club that precipitated the debt crisis, they should be made to bear the brunt of its consequences through repudiation or write off of the debt because "poverty anywhere is a threat to prosperity everywhere" (Ali-Balogun, 1989:131).

Another political angel to repudiation is informed by the discriminatory manner by which relief is given to select countries not because of improved economic performance or payment records but based on sheer political considerations. For instance, it is widely believed that:

> Pakistan and Egypt were favoured because of their strategic importance to the West's regional agenda. Pakistan's cooperation with the US in the routing of A1 Qaeda and the Tailiban regime from Agbanistan is seen as a major factor in its favour in spite of its very poor human rights records and its totalitarian regime. Egypt's leaning towards moderation in the middle east is also said to have endeared it to the G7 leaders. As for Israel, socio-cultural links to US and Europe place it at an advantage. In Irag's case the US appreciate the need to crate an enabling environment for the resuscitation of its economy to give its new pro-West leaders the right climate for reconstruction which is guarding of her oil sector which is very crucial to the steady growth of the economies of Western countries (African Economy, 2005:12).

Similar preferential debt forgiveness was granted to eighteen low-income debtor countries out of which, fourteen are African countries under the Highly indebted poor countries (HIPC) initiative even when it is obvious that these countries are richer than other countries with GDPs several times higher. Higher. Nigeria joined this club of beneficiaries in April 2006. But the fact that several other African countries have not benefited from similar gesture of generosity in spite of their relevance and status in the comity of nations beats every critical mind's imagination. It is therefore, this seeming preferential treatment that has expectedly ignited strident criticism of double standard and calls for across-the-board cancellations or collective repudiation of all sovereign debt since western donor and creditor countries have demonstrated that they can resolve the debt crisis of the developing world without imposing stringent and hurtful conditionality on them.

Compelling though as this line of thinking may be, the moral angel to repudiation remains the most appealing. Hence Non-governmental organizations and many other debtor countries have empathized with this recommendation. These moralists are questioning the justice ability of Africa's external debts that were largely contracted under questionable circumstances. According to them, African debt is illegitimate, odious and therefore, unpayable because most of the loans went into projects that were destructive of the people and the environment. Some even went into propping up military dictators and officials packaged others with the acquiescence of the lenders. Therefore:

> Why should the poor masses be made to suffer for loans taken by totalitarian regimes whose credibility and sincerity could not be vouched for? Why should the impoverished citizens of Africa be punished over a situation that was clearly beyond their control? (African economy, 2005:14).

The answer could be found in professor Harold James' work "*end of globalization*" where he notes that creditors need to be made to pay the penalty of their foolish romance with donor governments, in this case a repudiation by borrowers' successors (African Economy 2005:14). This moral case informed the conclusion of the Nigerian House of Representatives that :

> Most of these loans were taken by military regimes that had no legitimacy; .. it is immoral and unjustifiable to ask the Nigerian people to pay for decisions that were not taken either by their representatives or by people who derive their legitimacy from them (The Guardian 2005: 14-16).

It is in the same vein that African Action and jubilee South argued that since countries of the South are in fact creditors of an historical, social and ecological debt, which Northern countries refuse to recognize, the debt should be repudiated (Jubilee Plus, 2001). But there are dissenting voices from within the debtor countries against repudiation. This results partly from fear of sanctions but mainly from the uncoordinated and divided approach of the debtor countries towards the management of their external debt. Most debtor countries are not in a hurry to forget the brutal consequence meted to debtor countries of old that often chose debt repudiation as a way out of a payments bind. The traditional response to repudiation during the ancient time was invasion by the creditor. For instance, the default of Egypt in 1970 provided impetus for the invasion and consequent control of that country's domestic finance by Britain and France. Similar fate was extended to Tunisia, Morocco Bulgaria, Greece, China and Turkey in the 19^{th} century when they actually defaulted or threatened to default on their foreign debt.

In the contemporary world, however, military invasion option has been replaced with blockade or what Muhtar (2005:14) described as "automatic loss of access to international capital markets". To be the severity of this kind of sanctions has remained the major dissuading factor to unilateral repudiation which "almost certainly include the breaking of trade links upon which the nation normally relies, the denial of credits which are the lifeblood of trade and in extreme cases (China after 1949, Cuba after 1960) a deliberate government enforce trade boycott" (payer 1974, 15). Despite these sanctions several countries have on several occasions flirted with the idea of unilateral repudiations as a panacea to debt crisis, and a few have attempted quite successful as the case of Argentina abundantly illustrates. It is in fact the success of Argentina's repudiation coupled with the current trend of globalization that have excited non-governmental organizations and many debtor countries to renew the call for unilateral repudiation of foreign debts. After all, military option or economic blockade is no longer fashionable in this new world order of mutual responsibility. Therefore, braking of trade links or impounding or seizure of debtor country's assets may be counter-productive as there are also creditors' assets in the domain of the debtor countries.

The major obstacle to unilateral repudiation, however, is the non-cartelization of the debtor countries similar to that of the creditors. The implication is that repudiation cannot be workably applied without teaming up with other debtor countries. As far back as 1956, the international creditors recognized the power of cartelization and leagued themselves into what is known today as the Paris and London clubs of lenders. Since their formation the Clubs of lenders have been extracting pound of flesh from their debtors with aggressive intensity by imposing terms favourable to the maintenance of their financial hegemony. Beyond that, thee cartels of lenders use their clubs to resist "Case-by case" negotiation with their respective debtors. The poor supplicant debtor must first meet the whole gang as a group where they take joint position binding on all bilateral relations. Hence a debt owed to a member can only be served or repaid based on the terms set by the clubs. For instance, if one of France's debtors refuses to pay all the other pairs club members automatically shut such a repudiator off, denying it access to fund and trade. And since eh members control most of world finance and trade, they jointly incapacitate the debtor. So by always acting in concert, the creditors make the unilateral repudiation of any single debtor's obligation impossible as the cases of Ghana in 1971 and that of Brazil in 1987 demonstrate.

The option available is to unilaterally repudiate the debt under the aegis of a debtors' club. It is only when and if such a cartel comes into force that the debtors could wield debt power from areas ranging from limiting debt remittances to export carryings up to the ultimate ideal that of debt repudiation (Ali-Balogun, 1989:126). In other words, the debtors should establish debtors club to act as a countervailing force to the exploitative tendencies of the creditors.

Another likely obstacle to repudiation is the syndrome of prisoner's dilemma among the debtor countries, which robs of united action in the management, and resolution of their debt crisis. While some are eager to adopt repudiation many out of fear or sheer sabotage prefer to negotiate with the clubs of lenders so as to curry and retain their favour. This is why the likes of former President Obasanjo had vehemently posited that even though they would be happy to have the weight of Africa's debt burden thrown off their shoulder it would certainly not be by unilateral repudiation but by bilateral negotiations and the sincere appreciation by the creditor nations of the gravity of the crisis (African Economy,2005:14). But this is a cowardly way of explaining that distressed nations lacks influence to exact on the Paris Club which would probably employ a tactical "divide-and-rule approach to break the ranks of the debtors. The reality however is that it is only when the debtor countries form a cartel of their own as a countervailing force against the influence of the creditors' cartel that they could achieve their quest for balance of trade and or debt cancellation.

So contrary to the skepticism over the kind of influence an association of distressed nations could wield, the banding together of the debtor countries would be a threat to the domineering interest of the creditors and it is only when their interest are seen to be seriously threatened that pleading exhortations for debt relief or new world economic order can really elicit any constructive attention by them. After all the external debt overhang is not the exclusive burden of the developing world given the fact that the global financial system is so integrated that any problems that weighs down one section automatically jeopardizes the system. In effect, debt cancellation under a balanced international financial system will be a benefit to the whole world since:

> Keeping the developing world indebted for the purpose of political subjugation is counter productive. More will be gained if the wet could ally weaker developing countries and render genuine and sincere assistance to them. Such a scenario would crate a win-win situation for everyone (Muthar, 2005:12).

This implies that with Africa's natural resource-rich countries freed from the burden of debt servicing, the world's fast globalizing markets would become bigger thereby boosting capacity all round and benefiting the developing world as much as the developed nations who need bigger markets for their excess products.

It is in the light of this that this study concludes that none of the none of the above recommendations is capable of resolving the debt crisis either singularly or collectively without first restructuring the very system that crate and is sustaining the crisis. T he final word, therefore, is t there should be a restructuring of the international economic system that is largely responsible for the debt crisis in African before there could be genuine structural reforms in the debtor countries because the two are mutually sustaining. In addition, the issue of unequal term of trade should be decisively tackled to avert a revert to status quo ante and this could only be realized through "a strong international support, a realistic economic programming and a more efficient management of scarce resources" (Onoh, 1989:174).

Finally, this study supports the recommendation of Revenue mobilization allocation and fiscal commission (RMAFC) that a twenty-year-old embargo should be placed on fresh external loans. But this would be meaningless if successive governments in Nigeria fail to immediately embrace correct and beneficial fiscal and monetary policy measures in order to reverse the decades-long economic failure and underdevelopment.

5.2 Suggestion and Recommendation

The Enhanced H.I.P.C. Initiative would have provided potential escape route for Nigeria interwoven trap of debt and poverty but jubilee Debt Campaign argued that it was grossly inadequate and therefore incapable of dealing with the debt problem especially with regard to the destructive and unjust conditions imposed by it. Debt relief under Napes Terms or Houston could have also provided a reprieve but their tendency toward a deferral of payment did not provide any debt reduction. As such they were not only insufficient to address Nigeria's debt crisis but also led to endless cycle of restructuring. This elicited virulent criticism from NGOs the world over who canvassed for outright and unconditional debt cancellation or forgiveness. For instance, while blaming the Fund for not being receptive enough to the Drop the Debt campaign, Jubilee 2000 coalition pointed out that:

> Solutions to tackle the debt crisis must move beyond debt relief and conditionality to consider debt within the wider context of equitable and sustainable development.. if global effort to reduce poverty as stipulated in the millennium development Goals (MDGs) are to succeed third world's Nigerian's problem is not its huge debt but the gargantuan greed of a tiny few of its citizens who are stupendously wealthy with huge sums in foreign banks (see the guardian, 2005:24).

Added to the strategy to achieve debt relief, was the relentless globetrotting of president Obasanjo to solicit for the cancellation of Nigeria and other countries of Africa's debt. Part of his case was that diverting billions of dollars to debt servicing was not only an inhibition to economic progress and revival but also a source of political instability and tension. Hence, he led other African leaders to the Clubs of creditors to articulate the piteous state of poverty, disease, hunger, and starvation and war that ravage most of their poor but heavily indebted countries of Africa.

From 2000 to April 2006, this dogged effort of president Obasanjo coupled with his good track record of implementing the Bretton Wood institution's approved structural reform package amidst difficult socio-political circumstances, seemed to have been exercised in futility. For not only did the debt crisis take a worst dimension, but the creditors also were reluctant to grant compassionate debt relief to Nigeria and most of her counterparts in Africa. This was believed in some quarters to have stemmed from the fact that:

> The policy measure of restructuring has always been based on the existing system of capital accumulation in spite of the contradictions inherent in the capitalist system of accumulation (Olukoshi, 1989:136).

It was therefore, a pleasant surprise to the government and people of Nigeria when sixty percent of the debt owed to the Paris Club was cancelled on 21 April 2006 signifying that the reform process has received a clean bill of health. Being encouraged by the Paris Club gesture, Nigeria on 2 March 2007 paid almost all of its debt to the London clubs of creditors retraining a total sum of $2.6 billion as its external debt to both the multilateral agencies and the London Club (Usman, 2007:1-2).

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