

DEBT BURDEN AND INFRASTRUCTURAL DEVELOPMENT IN NIGERIANS FOURTH REPUBLIC

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Abstract

This study examines the nexus between debt burden and insufficient infrastructural development in Nigeria. Every development oriented government in the world takes loan to finance its policies and projects. However, for individuals, corporate organizations and even countries, debt management can be a difficult task. Nigeria, though naturally rich, is classified as one of the Heavily Indebted Poor Countries (HIPC). The paper reveals that the emerging situations in Nigeria today are over indebtedness, misplacement of priority, unnecessary and imprudent loan that have increased the debt burdens of the country and in turn affects infrastructural development. The most alarming fact is that the rising debt burden and the cost of servicing public debt (especially external) has certainly constrained the ability of government to undertake more productive investment projects in infrastructure, education and public health. This is because debt burden has an adverse effect on the national income as well as the per capital income of the nation. On this basis, the paper among others, recommends that to avoid the crisis of economic development in general and infrastructural development in particular, public debt should be reduce to the barest minimum. Besides, government should be sincere and focus more on internally generated revenue to finance development projects until all the debts and its interests are finally settled. It observed that it is imperative for the government to cut down cost of government with the view to promptly redeeming loans repayment and its servicing. It also recommends that government should rely more on domestic debt in stimulating growth and infrastructural development in the country.

Keywords: Public Debt Burden, Domestic debt, External debt, Debt servicing and Infrastructural Development

Introduction

Nigeria, as a country, is naturally endowed with enormous resources capable of putting her at par with other developed nations. However, the country is still being categorized as a developing country for some clear reasons. It is lacking in infrastructures almost in every field, like rail and road, water supply, sewage, waste disposal, oil and gas. Infrastructure projects are usually mega-projects, which are normally owned and financed by federal, state and local government. Due to lack or mismanagement of resources, governments are unable to start infrastructure project on a faster pace to meet the demands. To address the paucity of infrastructures occasioned by lack of funds in the public sector, governments since 1970s have resulted to borrowing to develop their infrastructure.

The relationship between debt burden and infrastructural development in recent years become one of the most important topics in both academic and policy cycle. The role of debt burden and infrastructural development has received attention over the years. According to Calderon and Servén (2004) & Estache et al. (2005), from the policy point of view, the renewed concern with infrastructure can be traced to the world-wide developments that took place over the last two decades. Infrastructures contribute to raising the quality of life by creating amenities, providing consumption goods (transport, energy and communication services and contributing to macroeconomic stability. In the sub-Saharan region, Nigeria in particular, traffic congestion, power black outs in major cities, poor road networks, access to capital and market, inadequate telecommunication services, shortage of drinking, irrigation and industrial water, all

bear witness to the inadequate existing infrastructure facilities. Even schools are not equipped with basic infrastructure that enhances human capital development (Nedozi; Obasanmi&Ighata (2014). They observed that infrastructure is basic essential services that should be put in place to enable development to occur.

Sustainable development of Nigeria can be facilitated and accelerated by the presence of infrastructure. If the facilities and services are not in place, development will be very difficult and in fact can be likened to a very scarce commodity that can only be secured at a very high price and cost. The provision and development of infrastructures has been subject of debate. This is because; infrastructural Development contributes to economic development by increasing the productivity and providing amenities which enhance the quality of life. It is against this background that the paper attempt to discuss the effects of debt burden on Nigeria's development. Specifically, it examines the effects of total domestic debt, total external debt and total interest rate on the economic development of Nigeria.

Problem Statment

The problem of debt burden has assumed a crisis proportion in Nigeria. What makes the debt crisis more critical is that Nigeria still has the unenviable distinction of being one of the most impoverished countries in the world. Therefore, the issue of debt has become a crucial one in Nigeria today, and cannot be glossed over. It is quite obvious that debt burden has generated a serious effect in Nigeria. The debt and its servicing are draining away resources which can be used to finance infrastructural projects. Few years after Nigeria got reprieve from its debt burden incurred over the years by successive governments, a fresh debt burden has started setting in with the renewed frivolous borrowings which there were obtained as dubious, shady and corrupt (Sulaiman, 2009). The danger in accumulating debt has been linked to financial difficulties currently being experienced by some states in the country with a warning that Nigeria might go down the same path if current policy of accumulating debts through borrowing is not reversed. Over the years, debt burden has been the bane of socio-economic and infrastructural development in Nigeria. Despite the huge revenue generated from the export of petroleum product the country has remained one of the most impoverished countries in the world with very poor infrastructure to drive its economy and about 60 per cent of its populace living on less than dollar a day (Ifeoma, 2009).

Conceptual and Theoretical Issues

Public Debt and Debt Burden

The term "debt" is derived from a Latin work "debere" which means to owe. Debt has been conceptualized as resources of money used in an organization which is not contributed by its owners and does not in any other way belong to the shareholders. Okoh (2005) noted that there are two types of debts: domestic debt and external debt. However, it must be noted that when government borrows, the debt is public debt. Public debts may be domestic (internal) or external (Ayanwu, 1999).

Public debts according to Ogwuma (1996) arise from loans and credit procured by the residents of a country from the rest of the world that is meant for bridging the gap between saving and investment. He stipulated that when these resources are productively deployed and utilized, they do not constitute any drain on the future resources. He further argued that, to ensure sustainability of debt management strategies, which entail carefully planned schedules of external debt acquisition, deployment and retirement. While, domestic debts are instrument issued by the federal government, State and local government. Out of these treasury bills and development

stocks are marketable and negotiable, while treasury bills; ways and means advances are not marketable but held solely by the central bank of Nigeria (Adofu et al, 2010). The central bank of Nigeria (CBN) as banker and financial adviser to the federal government is charged with the responsibility for managing the domestic public debt. Alison (2003) reveals three principal reasons often advanced for government domestic debt. The first is for budget deficit financing, second, is for implementing monetary policy and the third is to develop instrument so as to deepen the financial market. Whatever the purpose, the government should find a way of managing the domestic debt so that the level of debt is not counterproductive. External loan or debt on the other hand is an economic assistance received from external bodies mostly, the World Bank, International Monetary Fund (IMF), Paris Club and Euro Dollar Market etc. It is a form of economic tool used by many countries especially the developing countries to grow and develop their economics. External debt is defined as that portion of a country's debt that was borrowed from foreign lenders including commercial banks, governments of other countries or international financial institutions (Arnone, Bandeira&Presbitero, 2005; Ajayi& Khan, 2000). These loans together with interest are usually paid in the currency in which the loan was made. In order to earn the needed currency, the borrowing country may sell and export goods to the lender's country (Obadan, 2004). External debt is one of capable of increasing peoples' standard of living and promotes sustainable economic development. It is an important resource needed to support sustainable economic growth (Audu, 2004).

Debt burden therefore is a situation whereby a country is heavily indebted and is unable to pay the principal of its debt. It is also a situation where a country uses a high proportion of its foreign exchange earnings to service debt and still scouts for more loans to enable it meet urgent and pressing domestic obligations (Mimiko, 1997). In the view of Adebayo (1999), debt burden is a condition whereby a country has accumulated so much debt that it can no longer sustain the management of the debt, resulting in severe distortions and contradictions in the domestic political economy.

Infrastructural Development

Infrastructural can be defined as the fundamental facilities and systems serving a country, city, or area, including the services and facilities necessary for its economy to function (Sullivan & Steven, 2003). It typically characterizes technical structures such as roads, bridges, tunnels, water supply, sewers, electrical grids and telecommunications, among other and can be defined as "the physical components of interrelated systems providing commodities and services essential to enable, sustain, or enhance societal living conditions." Infrastructure is an umbrella term for many activities usually referred to as "social overhead capital" by development economists. Infrastructure can be classified as either "hard" or "soft". "Hard" infrastructure refers to the large physical networks necessary for the functioning of a modern industrial nation, whereas "soft" infrastructure refers to all the institutions which are required to maintain the economic, health, and cultural care system, the system of government, and law enforcement, it is important to note that infrastructure can be broadly classified in two: physical (roads, electricity, telecommunication, etc) and social (education, health, recreation, housing etc.). In some clime, physical infrastructure is often referred to as economic infrastructure. Thus, the role of infrastructure in economic development will be discoursed along this line.

Theoretical Foundation

This study, however, adopts dependency theory to explain the nature of the relationship between the countries of the world and the factors that have facilitated

dependency of one group of countries on the other. Countries of the world have been sharply divided along economic prosperity. Countries that are economically buoyant and politically stable are termed Developed Countries and, on the other hand, countries that are economically backward are tagged Developing Countries or commonly referred to as “Third World Countries”. The dependency theory seeks to establish the factors that have propelled or contributed to the development of the underdeveloped countries. This theory is predicated on the assumption that resources flow from a “periphery” of poor and underdeveloped states to a “core” of wealthy states enriches the latter at the expense of the former. It is a central standpoint of dependency theory that poor states are impoverished and rich ones enriched by the way poor states are integrated into the “world system” (Todaro, 2003; Amin, 1976).

Dependency theory states that the poverty of the countries in the periphery is not because they are not integrated or fully integrated into the world system as is often argued by free market economists, but because of how they are integrated into the system. There are two schools of thought with different standpoints on the issues. One of these is the bourgeois scholars and the second one is radical scholars of the neo-Marxian political economy. To the bourgeois scholars, the underdevelopment and the consequent dependence of most of Third World countries is as a result of their internal contradictions. To them, this problem can be explained by their lack of close integration, diffusion of capital, technology and institutions, bad leadership, corruption, mismanagement, etc. (Momoh&Hundeyin, 1999). The standpoint views the under-development and dependency of the poor nations as internally inflicted rather than externally inspired. To this school of thought, a way out of the problem is for developing nations to seek foreign assistance such as aid, loan, investment, etc, and allow unhindered operations of the Multinational Corporations (MNGs). It is argued that development can come through the MNGs mechanism for transferring technology, capital and skills in management, design and marketing (Thomas, 1976; Ajayi, 2000). Although, the argument of bourgeois scholars on the causes of underdevelopment and dependency of the developing nations and the possible ways out appear to be strong as a result of the poor socio-political records of the Third World Countries. Nonetheless, their analyses are superficial and obscurantist in nature and meant to promote world capitalist interest.

Radical scholars of the neo-Marxian political economy world-view have dismissed the bourgeois or modernization theory panacea as simply Eurocentric, teleological and that it will only inextricably link the poor nations to the chain of capitalist exploitation of the metropolis (Momoh&Hundeyin 1999). It has also been argued that the incorporation of the developing countries within the process of world capitalist development is the cause of the development of underdevelopment. The general viewpoint of the Marxian political economy is that the world capitalist expansion is responsible for the development of the Western metropole. Research also shows that “an inquiry into the process of capital accumulation is the determinant nature and cause of the wealth and poverty of nations” (Andre, 1979)

Contrary to the claims of bourgeois scholars who strongly defended colonialism, that it was meant to bring civilization to the “Dark Continent”, neo-Marxists have argued that colonialism severally recapitalized the Third World and introduced all sorts of distortion and dislocation in its economic and social system. More important, “Third World Economies were disarticulated, and they were forced to specialize in the production of unprocessed raw materials for export to the metropolis in an international division of labour characterized by an unequal exchange” (Momoh &Hundeyin, 1999).

The State of Public Infrastructures in Nigeria

Infrastructure is the basic physical and organizational structures needed for the operation of a society like industries, buildings, roads, bridges, health services, governance and so on. It is the enterprise or the products, services and facilities necessary for an economy to function (Sullivan and Sheffrin, 2003). Infrastructure can be described generally as the set of interconnected structural elements that provide framework supporting an entire structure of development. It is the means of achieving an objective or set of objectives. It is an important term for judging a country, region or state's development (Oyedele, 2012).

It is obvious that one cannot expect rapid socio-economic development without adequate provision for infrastructural facilities. Omofonmwan (2004) had remarked that one of the critical factors that contributed to the high level of rural poverty is the inadequate infrastructural facilities. Also, Calderon (2009) and Egbetokun, (2009) observed that the provision of infrastructures are part of integrated strategy which combine the development of various spheres of life including agricultural, educational, health, nutrition electrification, water supply and cooperatives simultaneously. This serves as a holistic approach towards solving the regional problem to a large extent. Bamboye (2007) pointed out that individual are poor because they do not have access to infrastructural services for improving quality of life.

The state of infrastructure of any state is directly related with the quality of life. According to recent statistics, the quality of life for most people in Nigeria appears to have either not improved or only done so marginally. Nigeria infrastructure gap is very wide because of the irresponsibility of past and present leaders in the provision of infrastructures (Oyeweso, 2011). This situation arose from the misrule of early leaders most of whom spearheaded the struggle for independence (Eregha, 2007). The infrastructure in Nigerian has been found to be in a "sorry state of negligence and disrepair (Alabi, 2006).

Looking at the transport sector, one could observe that transportation activities are disaggregated into road, rail and pipelines, water, air and transport services subsectors in the National Accounts of Nigeria. The less than impressive performance of transportation sector during the period could largely be attributed to the poor state of transport infrastructure. The rail system had remained inactive for many years with obsolete tracks and equipment while water transportation has been undone by poor state of water routes. The growth of road transport activities have been largely constrained by the poor state of roads. Assessment of transport sector in many modes shows that, the country has fallen well behind international benchmarks. The condition of much of her infrastructure has suffered from many years of under-investment and lack of maintenance.

Another sector critical to the nation's economy is housing. One of the major problems bedeviling the housing sector is poor funding. Over time, housing experts, including property developers, estate surveyors and mortgage, as well as those in the public sector, such as the Federal Mortgage Bank Nigeria (FMBN) and the Federal Housing Authority (FHA), have come to identify this problem as the impediment to housing delivery in Nigeria. The few available houses are built with funds either privately sourced or those obtained from banks as loans.

Considering the power sector, it is instructive to note that power supply in Nigeria is an exclusive responsibility of the Federal government. After independence, the National Electric Power Authority (NEPA) managed the power sector for about 45 years and due to poor performance, the government decided to deregulate the sector and NEPA

was transformed into a company-Power Holding Company of Nigeria (PHCN) through the Electric Power Sector Act of 2005. At the moment, Nigeria faces a less energy crisis due to improving electricity generation from domestic power plants. Power outages are frequent and the power sector operates well below its estimated capacity. For example, at the end of 2016 the demand for electricity in Nigeria was estimated to be 12,800MW. The gap between the demand for power in Nigeria and electricity available from the grid has led poor power supply.

A survey carried out by the World Bank (2002), discovered that the Nigeria's infrastructure in terms of quality and quantity, is grossly inadequate to that existing in other parts of the world. This has been found to exert a negative effect on cost of doing business in the country. Out of 138th countries assessed in the global competitiveness report in 2016, the Nigerian's quality of infrastructure was ranked 127; this is consistent with the World Bank survey results where manufacturing firms listed infrastructure as their most severe business constraint (World Bank, 2002).

Many years of under-investment and poor maintenance have left Nigeria with a significant infrastructure deficit which is holding back the country's developing and economic growth. Nigeria needs to make massive investments beyond the means available to government in order to close its yawning infrastructure gap. The Federal Government believes that the private sector can play an important role in providing some of this new investment through Public Private Partnerships (Federal Republic of Nigeria, 2013).

Historical Overview of Nigerian Public Debt

The phenomenon of public debt in Nigeria dates back to the colonial period precisely in 1958 when the sum of US\$28 million was contracted for railway construction. Between 1958 and 1977, debts contracted were the concessional debts from bilateral and multilateral sources with longer repayment periods and lower interest rates constituting about 78.5 percent of the total debt stock (Adepoju, et al, 2007). According to Dijkstra et al. (2011), the fall in oil prices in the late 1970s had a devastating effect on Nigerian government expenses. It therefore became necessary for government to borrow promulgated Decree No 30 of 1978 which limited the external loans of the Federal Government to raise to 5 billion Naira.

Nigeria's external indebtedness dates back to pre-independence period. However, the quantum of the debt was small until 1978. The debts incurred before 1978 were mainly long-term loans from multilateral and the World Bank and the country's major trading partners. The debts were not much of a burden on the economy because the loans were obtained on soft terms. Moreover, the country had abundant revenue receipts from and hence oil, especially during the oil boom of 1973-1976. However, the fall in oil prices and hence oil receipts in 1977/78 forced the country to raise the first jumbo loan of more than \$1.0 billion from the international capital market. The loan, which had a grace period of three years, was used to finance various medium and long-term infrastructure projects, which did not directly yield returns for its amortization. Many of the projects included in the fourth National Development Plan (1981-1985) had high import content.

Nigerian debt started to increase significantly from the early 1980s, under the presidency of Shehu Shagari. Many projects included in the Fourth National Development Plan (1981-85) had high import content. The plan was based on a foreign exchange inflow of US\$ 30 Billion per annum. The production and consumption patterns that emerged during the oil boom could not be maintained against the background of declining foreign exchange earnings. Instead of addressing this

imbalance by changing the production and consumption patterns started during the oil boom, the federal and state government embarked upon massive external borrowing from the international capital market (Dijkstra et al, 2011). Even before the fall of export income, Nigeria, by 1983, had started facing payment difficulties on short term trade credits and consequently trade arrears accumulated. This led to the refinancing agreement of 1983 for Letters of credit amounting to US\$ 2.1 billion. Outstanding trade debts contracted through open accounts and import bills for collection as at December 31 (1983) were refinanced through issuance of promissory notes. Payment difficulties increased as the oil price continued to fall and the interest rate had increased in the early 1980s. Many new debts were contracted in order to pay the old claims. Oil revenues continued to fall from a high of US\$ 25 billion in 1980 to US\$ 6 billion in 1986. In that year, creditors refused to open new credit lines for imports to Nigeria. From then on, arrears began to accumulate.

Matters of Nigerian debt burden came to a head in 2003 when one of Nigeria's creditors, the Paris Club, demanded \$3 billion annually for debt services payment. Okonjo-Iweala in Ezenwa (2012) considered the payment economically unsustainable (Semenitarri, 2005). She therefore negotiated with the club. The \$18 billion debt cancellation for Nigeria in 2005 by the Paris Club and subsequent settlement of some outstanding debts reduced the total external debt of the country substantially.

Nigeria's inability to settle her import bills resulted in the accumulation of trade arrears amounting to US\$9.8 billion between 1983 and 1988. The insured components were US\$2.4 billion while the uninsured were US\$7.4 billion (Adepoju et al, 2007). The insured component was rescheduled at the Paris Club, while the uninsured was reconciled with the London Club. This reconciliation which took place between 1984 and 1988 reduced the amount of US\$3.8 billion (Adepoju et al, 2007). The accrued interest of US\$1.0 billion was recapitalized. This brought the amount to US\$4.8 billion in 1988 and the debt was eventually refinanced. In 1990, Nigeria's external debt rose again to US\$33.1 billion (CBN, 2003). After a brief decline to US\$27.5 billion in 1991, it rose steadily to US\$32.6 billion at the end of 1995. As at 1999, Nigeria's external debt stock was US\$28.0 billion. 73.2 per cent of this was owed to the Paris Club while the rest was owed to the London Club, the multilateral creditors, promissory note holders and others (CBN, 2003).

At the end of 2004, most debt sustainability ratios were at a sustainable level, to a large extent due to a rising oil price from 2002 onward. The only ratio that was marginally unsustainable was the relation between NPV debts to GDP, which was just above 40 per cent. The debt sustainability analysis carried out by the IMF early 2005 concluded that the external debt was sustainable, but made the comment that it could become unsustainable under a scenario in which the oil price would fall by more than one standard deviation. However, in Nigeria it was broadly felt that these debts should not be paid or not paid in full. The reasons include that the country had already paid back the original loan amounts, and that most of the debt consisted of arrears built up under dictators. Therefore, although on the basis of most debt sustainability ratios the debt could be judged economically sustainable in 2005, the debt could be considered politically unsustainable.

Yar'dua's and Jonathan's administration embarked on a new external borrowing extravaganza, which seems to be a determined effort to take our external debt to its previous heights. Among the series of recent external debts are; twenty-three billion dollar (\$23b) sourced from Chinese banks to build three refineries and a petrol

chemical complex, \$2.2b loan from African Development Bank in 2009 to execute 46 projects and \$915 m credit from the World Bank was just (Ogidan, 2010).

The Nature and Causes of Debt Burden in the fourth Republic

Nigeria, during the earlier years of its existence as an independent nation, was not classified as a debtor nation. Nigeria, in comparative terms, was rich. She had no reason to go a-borrowing. Indeed, she later successfully prosecuted her 30-month civil war from 1967 to January 1970 without taking a foreign loan. General Yakubu Gowon (1966-1975), Nigerian's military head of state, at the time, once said during the early 70s that Nigeria didn't have cash problems. Her problem rather was how to use the money in her vault. However, surprisingly, the nation's vault soon began to dry up. She then discovered that to keep afloat she had to take foreign loans. Its entry into league of debtors started in 1981, in spite of the paradox of being an oil-exporting country (Adejuwon, James & Soneye, 2010).

From a position in which Nigeria was 'under-borrowed' in the last 1970s, Nigeria became one of the heavily indebted countries in sub-Saharan Africa. Accompanying the escalating external debt has been a crushing debt service burden. Since the 1980s, Nigeria has been involved in numerous debt rescheduling exercises in order to make the debt service burden bearable and avoid default. In 1993, Nigeria's per capita external debt amounted to \$300, which roughly equal to its income per capita (AFRODAD, 2005:6). Nigeria's external debt as at 1999 stands over \$30.0 billion. As of August 31, 2001, Nigeria's debt stock, excluding penalty interests, amounted to \$28.42 billion. This was made up of obligation to Paris club bilateral creditors as \$11.6 billion, multilateral creditors at \$2.89 billion, and commercial creditors at \$3.37 billion (Okonjo-Iweala et al, 2003:7).

The debt crisis in Nigeria's fourth republic was central by New Age Editorial (November, 3 2004) thus;

... a country that borrowed \$11 billion and has so far paid back \$32 billion is still owing \$34 billion? That means every dollar borrowed has been repaid almost three times over, yet about three times the initial amount borrowed is still being owed, creditors are having their cake and eating it in a vicious arrangement designed by IMF and its allies, the effect of which stifles growth and development in developing countries.

Nigeria's domestic debt has equally been rising, fuelled primarily by escalating fiscal deficits. At the end of 2002, the total federal government domestic debt outstanding amounted to N1, 166.0 billion. This compares with a total domestic debt N404.1 billion in 1998 (AFRODAD, 2005:9). By the end of 2004, Nigeria's total external debt stock stood as \$35.94 billion, roughly half of gross domestic product and a significant drain on public resources (Alsop & Rogger, 2008:7). Despite the effort of Olusegun Obasanjo's administration to put the nation on a sustainable debt security by winning debt relief in 2005, the country's debt profile is on the increase again. As at the end of June 2015, the statistics obtained from the Debt Management Office (DMO) revealed that Nigeria's total debt stock now stands at N12.12tn (\$63.81bn) consisting of N2.03tn (10.32bn) external debt; N8.39bn and N1.69tn or \$10.86bn domestic debt for federal and state governments respectively (Amaefule, 2015).

Table 1: States and Federal Government's External Debt stocks as a 30th June, 2014

| S/ N | States and FGN | Multilateral (\$) | Bilateral (AFD) (\$) | Bilateral (CHINA EXIM BANK), Commercial Eurobond (\$) | Total (\$) |
|---------|-------------------|-------------------------|-------------------------|---|-------------------------|
| 1. | Abia | 35,500,952.41 | - | - | 35,500,952.41 |
| 2. | Adamawa | 31,073,469.66 | 6,500,000.00 | - | 31,073,469.66 |
| 3. | Akwalbon | 59,850,370.59 | - | - | 59,850,370.59 |
| 4. | Anambra | 41,459,335.44 | - | - | 41,459,335.44 |
| 5. | Bauchi | 111,607,175.28 | - | - | 111,607,175.28 |
| 6. | Bayelsa | 33,484,253.42 | - | - | 33,484,253.42 |
| 7. | Benue | 28,791,949.55 | - | - | 28,791,949.55 |
| 8. | Borno | 16,070,015.32 | - | - | 16,070,015.32 |
| 9. | Cross River | 120,212,331.65 | - | - | 120,212,331.65 |
| 10. | Delta | 24,700,261.56 | - | - | 24,700,261.56 |
| 11. | Ebonyi | 43,332,703.18 | - | - | 43,332,703.18 |
| 12. | Edo | 48,399,513.67 | - | - | 48,399,513.67 |
| 13. | Ekiti | 48,075,639.85 | - | - | 48,075,639.85 |
| 14. | Enugu | 60,340,894.78 | 6,500,000.00 | - | 60,340,894.78 |
| 15. | Gombe | 32,747,378.62 | - | - | 32,747,378.62 |
| 16. | Imo | 51,267,026.15 | - | - | 51,267,026.15 |
| 17. | Jigawa | 36,325,475.41 | - | - | 36,325,475.41 |
| 18. | Kaduna | 245,510,669.07 | - | - | 245,510,669.07 |
| 19. | Kano | 64,318,822.90 | - | - | 64,318,822.90 |
| 20. | Katsina | 72,870,055.34 | - | - | 72,870,055.34 |
| 21. | Kebbi | 45,945,670.75 | - | - | 45,945,670.75 |
| 22. | Kogi | 33,372,633.17 | - | - | 33,372,633.17 |
| 23. | Kwara | 45,687,046.33 | - | - | 45,687,046.33 |
| 24. | Lagos | 937,907,074.11 | 82,503,600.00 | - | 937,907,074.11 |
| 25. | Nassarawa | 47,526,268.88 | - | - | 47,526,268.88 |
| 26. | Niger | 32,100,524.37 | 6,500,000.00 | - | 32,100,524.37 |
| 27. | Ogun | 116,689,249.43 | - | - | 116,689,249.43 |
| 28. | Ondo | 51,439,910.66 | - | - | 51,439,910.66 |
| 29. | Osun | 66,454,212.38 | 6,950,000.00 | - | 66,454,212.38 |
| 30. | Oyo | 80,112,084.14 | - | - | 80,112,084.14 |
| 31. | Plateau | 22,985,918.15 | - | - | 22,985,918.15 |
| 32. | Rivers | 45,847,509.46 | - | - | 45,847,509.46 |
| 33. | Sokoto | 45,166,786.78 | - | - | 45,166,786.78 |
| 34. | Taraba | 24,056,964.72 | - | - | 24,056,964.72 |
| 35. | Yobe | 32,802,152.75 | - | - | 32,802,152.75 |
| 36. | Zamfara | 31,251,921.60 | - | - | 31,251,921.60 |
| 37. | FCT | 38,979,156.07 | - | - | 38,979,156.07 |
| | Sub-total | 2,904,263,377.60 | 108,953,600.00 | - | 3,013,216,977.60 |
| 38. | FGN | 3,826,180,022.40 | - | 2,537,714,700.00 | 6,363,896,722.40 |

| | | | | |
|--------------|-------------------------|-----------------------|-------------------------|-------------------------|
| Total | 6,730,446,400.00 | 108,953,600.00 | 2,537,714,700.00 | 9,377,113,700.00 |
|--------------|-------------------------|-----------------------|-------------------------|-------------------------|

Capital Territory accounted for \$3,013,216,977.60 or 32 cent while the Federal Government share stood at \$6,363,896,722.40 or 68 per cent. Five states are on the top echelon of the debt list with over \$100 million. Lagos recorded the highest external debt of \$1,020,410,674.11, followed by Kaduna with #245,510,669.07, while Cross River, Ogun and Bauchi has \$120,212,331.65, \$116,689,249.43 and \$111,607,175.28 respectively. These were followed by Oyo, Osun and Katsina, which owed \$80,112,084.14, \$73,404,212.38 \$72,870,055.34, while Enugu, Kano and Ondo were next with \$66,840,894.78, \$64,318,822.90 and \$51,439,910.66 respectively. Three states with relatively low debts were Borno \$16,070,015.32; Plateau, \$22,985,918.15; and Taraba, \$24,056,964.72. The deplorable situation was amplified recently when seven states failed the domestic debt sustainable analysis carried out by the DMO and quiet a lot of them owe workers 3 to 8 months' salaries.

Table 2: Federal Domestic Debt Stock by Instruments as at March 31st, 2015

| Instruments | Amount (in naira) | Proportion (%) |
|-------------------------|-----------------------------|-----------------------|
| FGN Bonds | 5,370,801,221,000.00 | 63.13 |
| Nigerian Treasury Bills | 2,865,523,753,000.00 | 33.68 |
| Nigerian Treasury Bonds | 271,220,500,000.00 | 3.19 |
| TOTAL | 8,507,545,474,000.00 | 100.00 |

Sources: Debt Management Office (2015)

The table below shows current external debt profile of all the 36 states in Nigeria as released by the debt management office as at 30th June,, 2015.

Table 3: Nigeria's public debt stocks as at March 31, 2015 in Millions

| Debt Category | | Amount Outstanding in USD | Amount Outstanding in NGN |
|----------------------|------------------------------------|----------------------------------|----------------------------------|
| A. | External Debt Stock (FGN + States) | 9,464.11 1 | 864,429.67 |
| | Domestic Debt Stock (FGN Only) | 43,185.51 | 8.507,545.47 |
| | Sub-Total | 52,649.62 | 10,371,975.14 |
| B. | Domestic Debt of States* | 10,856.52 | 1,690,360.09 |
| C. | Grand-Total (A+B) | (A+B) 63,506.14 | 12,062,335.23 |

Source: Debt Management Office (2015)

**Actual Domestic Debt Stock for 35 States & the FCT and estimated Stock for Bayelsa State as at end-December, 2013. Compilation of 2014 Debt Stock for the States & the FCT is in progress.*

The last five year can best be described as 'consumption budgets', with new borrowing by the federal government exceeding the actual expenditure on critical infrastructure.

The grand case of the debt crisis is that, in most cases, the loan is not used for development purpose. The loan process is done in and shrouded with secrecy. The loan is albinio, obtained for the personal interest and parochial purposes. It is usually tied to party politics and elevation of primordial interest rather than the promotion of

national interest and overall socioeconomic development (Aluko&Arowolo, 2010). Also, the use of debt to finance largely recurrent expenditures rather than for infrastructural development, which has a higher multiplier effect on growth, poses major risks to economic growth. Inappropriate monetary policy also contributed to the problem of Nigerian external indebtedness.

Debt burden and Infrastructural Development in Nigeria

Government has the basic objective to provide basic infrastructure to its citizens across the nooks and crannies of the country. Generally, the existence of infrastructure facilitates socio-economic development. If these facilities and services are not in place, development will be very difficult and in fact can be likened to a very scarce commodity that can only be secured at a very high price and cost. Adequate access to social welfare services, such as medical services, education, potable water supply, roads, electricity, employment opportunities etc, are strong indices development (Adeyemo, 1989).

Borrowing is seen as an important resources needed to support sustainable economic development in most developing countries. But a huge external debt without servicing, as it was the case of Nigeria before the beginning of Fourth Republic, constituted a major impediment to the revitalization of her shattered socio-economic infrastructures as well as the alleviation of debilitating poverty.

Public borrowing is a form of economic tool used by many countries to grow and develop their economics. Unfortunately, many tales of woes has followed Loan. The reason is that, when loan is received, it becomes debt and when debts are not serviced; it accumulates and becomes “burden”. Consequently, such debt constraint and burdens the economy in general and infrastructural development in particular by promoting poverty, unemployment, inflation, bad road, epileptic power supply, lack of potable water and associated health related disease (Osundina, 2014).

About 20 per cent of the domestic debt belonged to states, while 80 per cent belonged to the Federal Government (Tribune Editorial, 2015:19). At this juncture, it is imperative to say that borrowing to find recurrent expenditure is a serious cause for cause and a reason for our debt management to be revisited. Conventionally, the practice is that countries borrow to stop temporary budget deficits, or to invest in infrastructural projects designed to increase the productivity capacity of their economies. The implication of all these figures is that the debt servicing on them in turn seriously affect the provision of socio-economic infrastructures in the country.

Table 2: Total Debt Service on External Debt, (TDS, Current US\$) 1970-2013

| S/N | Year | Value (\$) |
|-----|------|---------------|
| 1. | 1970 | 95,556,000 |
| 2. | 1971 | 94,469,000 |
| 3. | 1972 | 95,261,000 |
| 4. | 1973 | 228,669,000 |
| 5. | 1974 | 192,011,000 |
| 6. | 1975 | 269,835,000 |
| 7. | 1976 | 400,272,000 |
| 8. | 1977 | 138,130,000 |
| 9. | 1978 | 148,871,000 |
| 10. | 1979 | 391,800,000 |
| 11. | 1980 | 1,150,772,000 |
| 12. | 1981 | 1,790,651,000 |

| | | |
|-----|------|---------------|
| 13. | 1982 | 2,090,346,000 |
| 14. | 1983 | 2,565,377,000 |
| 15. | 1984 | 4,067,500,000 |
| 16. | 1985 | 4,428,669,000 |
| 17. | 1986 | 2,050,757,000 |
| 18. | 1987 | 1,106,408,000 |
| 19. | 1987 | 2,210,434,000 |
| 20. | 1989 | 2,117,490,00 |
| 21. | 1990 | 3,335,543,000 |
| 22. | 1991 | 2,944,753,000 |
| 23. | 1992 | 2,414,572,000 |
| 24. | 1993 | 1,490,998,000 |
| 25. | 1994 | 1,871,671,000 |
| 26. | 1995 | 1,832,904,000 |
| 27. | 1996 | 2,228,630,000 |
| 28. | 1997 | 1,415,896,000 |
| 29. | 1998 | 1,331,989,000 |
| 30. | 1999 | 1,072,055,000 |
| 31. | 2000 | 1,854,816,000 |
| 32. | 2001 | 2,524,307,000 |
| 33. | 2002 | 1,476,880,000 |
| 34. | 2003 | 1,631,344,000 |
| 35. | 2004 | 1,710,307,000 |
| 36. | 2005 | 8,807,116,000 |
| 37. | 2006 | 6,710,138,000 |
| 38. | 2007 | 1,010,498,000 |
| 39. | 2008 | 412,879,000 |
| 40. | 2009 | 408,162,000 |
| 41. | 2010 | 292,018,000 |
| 42. | 2011 | 351,185,000 |
| 43. | 2012 | 302,664,000 |
| 44. | 2013 | 484,424,000 |

Source: World Bank & International Debt Statistics (2015)

Given the borrowing pattern by the government in recent years, as well as the anticipated increase in the nation's debt due to current realities, the paper evaluate the economic implications of the country's rising debt profile vis-à-vis the quality of depending and the corresponding impact on growth outlook for Nigeria. This work opines the use of debt to finance largely recurrent expenditures rather than for infrastructural development cannot bring about sustainable development.

Ogeiemudia and Ajao (2012) carried out a study on the effect of foreign debt management on sustainable development with specific emphasis on Nigeria over the period 1979-2009. Their finding showed that there is a negative significant relationship between external debt and economic development in Nigeria. Debt servicing according to their research also has negative but insignificant effect on Nigerian infrastructural development.

Concluding Remarks

Nigeria's ever increasing debt profile is by itself worrisome. It slows the prospects of the country's economic recovery and worsens the level of infrastructural development in general and increases the level of poverty among the citizens in particular. The debt

burden does not arise just because a nation owes money. It arises when a debtor country cannot meet her debt servicing problems. Debt servicing presents crisis when growth and development are arrested, there is poor balance of payments, and an imbalance in external payments. Nigeria's public debt is high.

The implications of the debt burden for the nation therefore, cannot be over-emphasized. These include the increasing debt problem, credit facilities gradually dry up as the full ramifications of the debt burden become clearer, absence of medium to long-term financing especially to some states who are indebted (e.g Osun) have stalled the completion of a number of infrastructural projects, while absence of short-term cover further drains the foreign exchange reserves by denying the country of the traditional mode of importing financing.

The other common effects of the debt burden are unemployment, hunger, disease, retrenchments, financial collapse, political instability, social and political unrest, increasing crime and prostitution. These become detrimental to the country's international image and thus, scare away domestic and foreign investors, whose activities would have brought about economic and infrastructural development in the country. The need for Nigeria to pursue accelerated growth in order to reduce its debt problem and more importantly, break out of its vicious cycle of poverty makes it imperative to investigate how far external indebtedness affects future growth.

Though, it has been long recognized that borrowing is a catalyst for development. External loan has the effect of transferring real resources to the developing countries and thereby, helping to bridge a number of gap such as savings, foreign exchange and technology, that constrains development in Nigeria. Not only that, it is obvious from the forgoing that external debt had an adverse effect on the national income and per capital income (PCI) and infrastructural development. Not only that, high level of external debt has led to devaluation of the nation's currency, increasing in retrenchment of workers, continues industrial strikes also, poor educational system and infrastructural decay in different states across the nation.

Considering the debt burden and huge infrastructural deficit facing Nigeria, and the challenges being faced by the Federal Government of Nigeria due to a decline in oil revenue amongst other related issues, it has become imperative to make the following recommendations:

Effective debt management is essential for infrastructural development. Where infrastructure is lacking or is inadequate, the structural challenges bedeviling the Nigerian economy may not be overcome and achieving sustainable growth and development in order to provide for future Nigerians may remain a marriage. The government should enhance the competition between and the efficiency in infrastructural industries, (especially electricity) and with it, the government can make an indirect contribution to development.

In addition, it is imperative for government at both states and federal levels to cut down cost of government with the intention of re-scheduling loans repayment and its servicing. Also, the Nigerian government should rely more on internally generated revenue in financing infrastructural projects until all debt are paid off.

There is urgent need for the government to diversify the economy. The present situation where the economy is largely mono-cultural or monolithic should be discouraged, as there are many sectors of the economy that need to be developed so as to generate enough revenue to sustain the economy instead of relying on external and

domestic loans in financing infrastructural projects, a development which has increased the Nigeria's debt burden. All these steps are necessary to avoid the crisis of development in the country.

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