Debt and Development in Africa: Examples From Nigeria

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Abstract
Dubbed as the 'sick child of the world', the African continent presents a peculiar picture in world political cum economic discourse. From manifest development deficit to dearth of leadership needed to chart needed development course, the continent appears disadvantaged in several respects. Among other things, development continues to elude the continent amidst huge debt profile that continues to defy attempts made at achieving commensurate development outcomes. The seeming failure of the continent to achieve development in the face of enormous resources that can be translated to positive development outcomes in the face of mounting debt profile leaves much to be desired. This has thus provoked popular discourse of how the continent can achieve development in the face of huge debt profiles. There is thus need for a careful examination of the nexus between debt and development in Africa. This paper titled 'Debt and development in Africa: examples from Nigeria', focuses on Nigeria in the analysis of the intricate nexus between debt profile and development in Africa. Role of elites and the ruling class in shaping continental developmental pace in the face of rising debt profile would come under focus with Nigeria as a case study.
Keywords: Debt, Development, Elite Class; Rentierism, Debt buy-back, Paris Club, Delink, paradigm shift

INTRODUCTION

If there is any challenge facing the African continent since the age of political independence, it is that of endemic poverty that manifests in overt development woes. For this reason, the continent has attracted attention for negative reasons. From avoidable internecine wars (Congo, Liberia, Nigeria, C.A.R, Sudan etc.) to parlous leadership needed to underpin developmental efforts, perception of the continent has been that of a sick child needing help amongst committee of nations. The obvious dearth of development in commensurate terms in the continent has been adduced to many reasons. One of these has been the issue of corruption that has received sufficient scholarly attention. While that remains an issue that still need to be addressed beyond what it is at the moment, other salient issues such as internal continental dynamics, rules of engagement at the governance level as well as institutional arrangement in and among nations in the continent, are equally worthy of attention. Though all these can and have retarded growth and development by extension of the African state, one issue that has received tarse attention is that of debt profiles among African states. There is thus the need to carefully examine this and how same affect development of the continent.

This paper with focus on Nigeria considers debt burden as one probable cause of the continent's developmental woes. It seeks to establish nexus between debt profile and its debilitating effect on developmental strides. The paper will see extent to which debt servicing obligation, impacts the condition of the poor, considering possible respite those debt cancellations could grant some respite to the common man. Divided into three main sections, the first deals with conceptual framework while sections two and three, focuses on the Nigerian debt situation and salient issues. The third section assesses the impact of debt on development in the continent with Nigeria as an example.

CONCEPTUAL FRAMEWORK

DEBT

Literary meaning of the word debt depicts financial obligation an individual or country owes another that is to be settled at an agreed date. In the same vein, public debt is a debt obligation a government owes another country (ies) or individuals billed to be settled at an agreed date. Public debt could either be internally or externally sourced, Soludo (2003). Debt in itself is never a bad thing to an economy since it serves as a source of income for a country. As Ayadi and Ayadi (2008) noted, *"External debt is one of the sources of financing capital formation in any economy"*. This is particularly important since many countries especially in Africa, lack adequate capital needed for development, Adepoju et al. (2007. This inevitably leads to a situation where many embraced the life-line externally borrowed sums, provided. This by extension bridges the resource gap and shores up the low productivity due low capital formulation by many of these countries. While borrowed sums are expected to shore up economic activities and accentuate development efforts, same from available records, become burden as they fail to contribute to financing growth and development enhancing initiatives. In most cases, borrowed sums, attracts charges that sap most indebted nations of needed resources for development as it accumulates service charges. When this is the case, external debt that should spur development efforts, becomes constraints on development as it becomes a mechanism that perpetuate poverty.

History of debt among African countries which usually start small only to blossom with time, varies, Alemayehu (2003). In South Africa, it began during the 1970s when the public and the private sectors borrowed heavily, often in the form of trade credits, Ayadi and Ayadi (2008). This worsened as foreign investment declined as from 1980s compared to the value of foreign loans needed to finance growth enhancing projects. The South African loan thus increased from mere 40% in 1970 to 70% by 1984. The story is similar in Nigeria when a paltry sum of $28m borrowed to construct a railway between 1958 and 1977, became $36 Billion by 2005 before the Paris club debt treatment for the West African country, Ajayi et al (2012). Other indebted African states have similar stories of small beginning into the ignoble debt path that boomeranged into a monster of debt overhang. This occurs when an indebted country (ies) or individual(s) fail to either pay back borrowed sum or meet accrued service charge obligations, Asogwa (2005). This ironically is practically becoming the story of majority of African countries as huge debt service obligations, leaves a huge hole in the available resources needed for developmental purposes. As Mutasa (2003), *"Africa is burdened with an unmanageable debt, which is hampering the continent's economic growth".* Chronicle of countries debt on regional basis, indicated varying degree of indebtedness. These come at a price which among other things includes stifled economic growth and development by extension. In subsequent paragraphs, focus would be on the Nigerian debt situation and how same affected both economic and developmental fortune of the nation. This would be used to mirror the African situation so as to situate the developmental position of the continent in the face of rising debt profiles.

DEVELOPMENT

The notion of development is a highly contestable one as scholars differ on what it means. While those with economic background see it as improved Gross Domestic Product (GDP), others such as Sen. (1999) would have us view same as freedom. A careful analysis is thus needed to aptly explain the concept with a view to ascertaining position of Nigeria in development discourse. To do this, this paper deals with development by considering it as historically constructed, economic improvement and as holistic improvement of an unpleasant state. In addition to these, a synergized definition of the concept will help explain what it entails. The last section briefly considers elite theory adopted to underpin this piece.

Seen through the eyes of history, Pearson; (1957:6) held that

> *"Development is an ancient concept but one which, in our modern age, has acquired new meaning and purpose. Its pursuit unites two strands of human thought: the belief in progress and the conviction that man can master his destiny"*

The assertion above, traced development to history. Available literature shows that development as a concept appeared immediately after the Second World War. This emerged with the Marshall Plan of 1947 as '*point four*' of President Truman's famous speech that established a difference between development and underdevelopment, provided for. Building on the historicity of development, Escobar (1995:5) argued that *'development is historically constructed'.* He further see *"development as a historically produced discourse entails an examination of why so many countries started to see themselves as underdeveloped in the early post-World War II period",* and so *"how to develop became a fundamental problem for them, and how, finally, they embarked upon the task of un-underdeveloping themselves by subjecting their societies to increasingly systematic, detailed, and comprehensive interventions".* Initially the term referred to rebuilding ruined economies in the Second World War; later, the plan provided the platform for rendering support for less developed countries. The essence was to, as the Pearson's report of 1969 acknowledged, mitigate *"the widening gap between the developed and developing countries has become the central problem of our time".*

Seen with the lens of economic improvement, Todaro and Smith (2009:14) held that development expresses "the capacity of a national economy, whose initial economic condition has been more or less static for a long time, to generate and sustain an annual increase in its Gross National Income (GNI) at rates of 5% to 7% or more". Thirlwall (2003) also equated development to economic development when he remarks that it should be "thought of in terms of the expansion of entitlements and capabilities, which are not well captured by aggregate measures of output growth". The economic conception of development dominates contemporary development literatures. This is widespread since development scholars see increase in per capita income and GDP of countries as sufficient indicators of development. This prompted Kuznets (1973:255) to argue that "development required high rates of growth of per capita Gross National Product (GNP), of population and of total factor of productivity (especially labour productivity)". Does the economic dimension development put into account, disparity in population and resource power of countries to determine what development entails?

Finally, the holistic view of development sees it beyond both the historical and economic perspectives already seen. Giving a holistic definition, Kambhampati, (2004:12) sees development as a *"multi-dimensional process, one that changes the economy, polity and society of the country in which it occurs,".* This perception sees development beyond historical evolution and improvement in the economic condition of a country. This means development occurs when there is general improvement and measurable change in the life of an individual, group or a nation. Sen (1999) who sees development as *"a process of expanding the freedoms that people enjoy",* can be said to have aligned with this perspective of development. Rist; (2010:13) aligned with the holistic conception of development when held that "*development consists of a set of practices, sometimes appearing to conflict with one another, which require - for the reproduction of society - the general transformation and destruction of the natural environment and social relations. Its aim is to increase the production of commodities (goods and services) geared, by way of exchange, to effective demand"*. He no doubt, shifted the definitional base of development beyond both historical contraction and economic conjectures as was earlier observed. .

The three views considered above painted the picture of development in different forms. One trend that runs through all the views is the fact that development entails improvement. From the researchers' perspective, development can be defined as *'embracing the whole gamut of processes that leads to the enhancement of the living standard of any society with a view to making it achieve acceptable minimum standard that is able to sustain life, guarantee equality and freedom needed for the good life'*. The extent to which a nation can be said to have achieved this varies. However, to a very large extent, most LDCs can safely be said to lack development in generic terms. In Goulet's (2006) view, no country is developed if it is unable to provide for self and its population (self-sustenance), lacks self-worth/independence (self-esteem), and is encumbered by daily survival needs (unfree). Absence of the trio as Goulet noted, means achieving development for a nation. Several factors are responsible for failure of nations to develop. Debt burden and huge cost of its services, is identified as one of the cause of alleged development woes in Africa. The next sections will build on other concepts that will make consideration the concept of debt and development as relates to this study, clearer.

THEORETICAL FRAME

Theories act as foundational blocks by providing empirical underpinning for a written piece, help put any piece of academic writing in perspective. According to Silver (1983), a theory provides a "*a unique way for perception of reality, expressing someone's prominent insight about a nature's aspect in addition to a fresh and new understanding about a world aspect"* while Leedy and Ormrod (2005:4) held that its " *an organized body of concepts and principles intended to explain a particular phenomenon"*. Building on the above, this piece is adopting elite theory to underpin this study. To start with, what's elite theory and how does it fit into this study?

ELITE THEORY

Elite theory has to do with management of the public life. Menges (1968), had observe that:

> *"There are endless assertions about the political dominance of the "rich," the "landlord class," the "economic oligarchy" and for the Latin American countries; there is a mass of polemical prose about the various kinds of exploitive alliances the wealthy have contracted..."*

What can be gleaned from the above is the control of public life which in Africa and Nigeria in particular, is still largely the exclusive preserve of the elite class. Literarily, an elite is *'enlightened members of any society, informed enough to shape the social construct of such society'*. Elite theory was developed in sociology to *"explain the behaviour of men in social setting"* Duru (2012). This was to be extended to politics later when two Italian sociologists, Vilfredo Pareto (1848-1923) and Gaetano Mosca (1858-1941), developed elite theory as a framework of analysis in politics. Other scholars of note that wrote on the elite theory, includes Robert Michels (1962), James Burnham (1943) and Wright Mills (1956). While they all pointed out the domination of the masses by the elite which Pareto sees as psychological, Burnham on his part pointed out the economic dimension of this domination while Mills focused on the institutional dimension of elite domination. The thrust of the arguments is that there exists a select few that shape societal life at the expense of the mass public.

As Duru (2012) noted, the central message of elite theory is simply that *"there may exist in many societies a minority of the population which takes the major decisions in the society"*. They constitute the minority but powerful and influential in the society "*with greater access to resources"*, Ikelegbe (2005). By virtue of their powerful position in the society, they shape public policies often times crafted to protect their interest. What come to mind in this regard are two concepts. These are *power* and *dominance.* These the larger society lacks but the elite class have to *"**dominate"*** societal affairs so as to shape societal decision making mechanism. Because issues of debt, management of same and how development cause are pursued are within the public domain where elites hold sway, use of elite theory to underpin this piece, is thus apt. If public policies of how to secure debt and manage same for development or lack of it falls within the purview of the elite class in Nigeria, where do we locate the Nigerian elite?

THE NIGERIAN ELITE

The Nigerian elite manifest same self-serving features associated with the elite class. They do this with a twist and that's mobilizing and manipulating ethnic sentiment needed to further both personal and primordial interest. This is possible because of the multi-cultural society in Nigeria where patronage politics is rife. As expected, this is buoyed by pervasive corruption and malignant culture of impunity that allow elites from a particular region, supporting one of their own irrespective of capabilities. This represents a peculiar trait of the Nigerian elite class as they tend to abandon their collective interest and embrace sectional interest. Sectional rather than group consciousness, breeds corruption and inefficiency which retard growth and development (Otite 2007:78). This feature makes the Nigerian elite peculiar to what elitism entails in other climes.

Lewis (2004) observed that the Nigerian elites are fragmented and divided along regional, ethnic and religious lines. Hiding under the cloak of ethnicity, they pursue largely personal interest at the expense of the region involved and to the detriment of the nation and desired development. This in a way depicts picture of leadership in the larger Nigerian context. Ironically, the character of the Nigerian elite, amplify that of Nigerian leaders and African leaders by extension. In a sketch, Blaine Harden, former African bureau chief for the Washington Post had likened the African leader, to that of the Nigerian power elite. Harden's view as echoed through the works of Szeftel (2000b:293), said it all about the Nigerian elite class. Harden had observed thus:

> *His face is on the money. His photograph hangs in every office in his realm… He names streets, football stadiums, hospitals and universities after himself… he undercuts pretenders to his throne. He scapegoats minorities to shore up popular support. He bans all political parties except the one he controls. He rigs elections… He blesses his home region with highways, schools, hospitals, housing projects, irrigation schemes, and a presidential mansion. He packs the civil service with his tribesmen. He awards uncompetitive, overpriced contracts to foreign companies, which grant him, his family and his associates' large kickbacks. He manipulates price and import controls to weaken profitable business associates… He espouses the political philosophy of whatever foreign government gives him the most money. He is … the richest man in the country. He buys off his oppositions by passing out envelopes of cash or import licenses or government land. He questions the patriotism of the few he cannot buy* (Szeftel 2000b:293)

All in all, the Nigerian elite depict class of self-seeking lots that sacrifices development on the altar of greed. In a way, attributes of the Nigerian elite, character of the state as well cultural factors are key variables that can aid deeper and broader understanding of the role of debt in the development discourse in Nigeria. Focus on debt burden and development challenges in Nigeria as it is done below, will help explain suitability of the elite theory for this piece.

DEBT BURDEN AND DEVELOPMENT

As previously noted, debt depicts financial obligation an individual or country owes another that is to be settled at an agreed date. Debt burden arises when the debtor on regular basis fails to repay borrowed capital or associated service charges incurred debt from the creditor(s). While both individuals can be entangled in debt overhang, it's often popular if associated with nations because of the perceptible effect on both national life and development. According to Adejuwon et al (2010), Nigeria is embroiled in debt burden that cripples developmental efforts. In a related development, Ajayi and Oke (2012) noted that *"Nigeria economy today has unprecedented debt crises"* which attracts huge service charges that dwarfs what's left for investment needed to accelerate the growth process. Iyoha, (2005) noted that insufficient investment, causes an inverse relationship between changes in export, saving, fiscal deficit as well as real exchange rate and net foreign earning. This no doubt, increases net capital outflow that results in depression of economic activities. When this is the case, meaningful economic activity let alone development can take place in such a situation.

While available data reveal very little about the exact impact of debt overhang on Nigeria's parlous development situation (Ikelegbe, 2014), the nation no doubt, spent huge sum easing the debt burden it has. The table below shows Nigeria's debt to GDP. What this reveals, is the unpleasant effect of debt on gross domestic product that can be translated to national development.

Indebted third world countries, Nigeria inclusive, cannot boast of sustainable development today, no thanks to debt overhang and its service ratio. The past two decades witnessed increasing concern about the foreign debt of less developed countries. According to Akparan (1992:48), "it has been argued and found that the large debt service payments made by indebted less developed countries retards their growth and adjustment effort". This points to the fact that large debt accumulations by less developed countries such as Nigeria, has resulted in "debt overhang" that discourages investment and negatively affects future output. While precious time would not be wasted trying to paint the picture of why Nigeria's foreign debt profile escalates, we would however be mindful of the following facts – the debt problem in Nigeria over the years, became acute because the size of the external debt relative to the size of the economy, is enormous. As such, no meaningful development efforts have yielded expected results.

World Bank captured this problematic situation when it stated in her report that: "the external indebtedness of African countries is an obstacle to the restoration of the conditions needed for growth" – World Bank (1999 – 2004, P xix). Adejuwon et al (2010:102) observed that "*the debt burden of African states has reached a frightening dimension that it threatens to cripple socio-economic and political development in Africa, if not urgently addressed*". Amadou (2007) on his part noted how same affects the West African sub continental growth potentials in the face of rising debt profiles. This shows the appalling situation in most indebted countries with virtually nothing working due to huge sum spent on debt services. This is particularly telling on the development strides in Nigeria which can be traced to the huge sum spent on debt servicing annually. Omo (2005) corroborated this when he observed that:

> ***"…without doubt, Nigeria has been on the clutches of a huge debt overhang which as at 2004 was put at $36 billion. This has constrained Nigeria's developmental efforts as most of its earnings went into debt servicing with little left for the execution of social and economic programmes of the government", (Vanguard, July 2, 2005).***

According to Manser Muhtar, the Director-General, Debt Management Office, Nigeria by 2002 had spent $33.28 & billion as cumulative debt service figure while the actual debt profile was $30.991 billion. Again, in 2003, while Nigerians debt profile stood at $32.91 Billion, her cumulative debt service was $35.097 billion. Debt service charges no doubt, are enough to drain the finances of any indebted country to the extent that little would be left to fund viable programmes such as investment that can engender development. This was the view of Iyoha (2005:11) when he observed that:

> ***"Accompanying the escalating external debt has been a crushing debt-service burden since the 1980s … A direct consequence of the escalating debt and high debt-service burden is that there is insufficient foreign exchange to finance the importation of raw materials, intermediates, and capital goods needed for rapid economic development (Iyoha 2005:11).***

From the above, huge sums spent on debt serving, is enough to push the development bar beyond reach. In the case of Nigeria, besides other variables beyond the scope of this piece such as corruption, structural defects, systemic weakness, debt burden can safely be seen as one factor that have made development elude Nigeria. Muhtar (2004) had observed that debt services have direct negative impact on economic development since it "*encroaches on resources needed for socio economic development and poverty reduction*". On their part, Anyanwu et al (1997) noted that it contributes to *"negative net resources flow"*. How has the nation tackled this in terms of management mechanism?

DEBT MANAGEMENT STRATEGY: AN OVERVIEW

Service charges associated with either internal or external, are managed in several ways. These are *debt management mechanisms* which Offiong (1999:77) says "*involves the process of making provisions for the payment of interest on debt owed and arranging for the refinancing of maturing bond debts".* Depending on its effectiveness, adopted debt management mechanism, can help indebted nations settle their indebtedness since it entails a conscious and carefully planned schedule for the acquisition, development and retirement of loans contracted either for developmental purposes or to support balance of payments issues.

Debt burdened African nations, adopted similar debt management mechanisms. Some of these peculiar to Nigeria, are discussed below. The Central Bank of Nigeria (CBN) and the Debt Management Office (DMO), manages Nigerian public debt in conjunction with the Federal Ministry of Finance, Oke & Sulaiman, (2012). Debt Management Office was saddled with the responsibility of achieving Good debt management practices that will positively impact the economy and stimulate growth and national development. Others includes evolving measures that will reduce debt stock and cost of public debt servicing to save resources for investment in poverty reduction programs, Uma et al (2013). These were expected to raise adequate resources that can fund government deficits and manage associated risks in the medium and long-term to achieve positive impact on overall macroeconomic management; including monetary and fiscal policies. Ability of the DMO to achieve these and other sundry aims were expected to help mitigate debt crisis through an efficient management procedures needed to achieve envisaged economic growth and national development.

Some of the debt management mechanisms adopted in Nigeria to check her public debt profiles till date, includes ceiling and Embargo on loans, refinancing of debt and rescheduling of debt as well as debt Buy-Back. These are briefly discussed below.

CEILING & EMBARGO ON LOANS

As policy adopted to check the rising debt profile of countries, this enables an indebted country to place a limit on amount they can borrow. This is done by placing embargo on loans to either out rightly end borrowing or sets out a safe limit within which an indebted country can borrow. Usually a government measure to tame rising debt profiles, it goes a long way in bringing debt situations in countries to manageable levels. The Nigerian government adopted this measure in when strict guidelines for borrowing, were issued. This made state government willing to borrow externally, to do so with the express approval of the Federal Government that was expected to stand as guarantor for such loans. Besides fixing a limit of $200 million dollar sealing on amount states can borrow, the regulation assessed to ensure that intended loans, were for development purposes. This stringent measure helped the worrying debt situation in Nigeria during this time.

DEBT REFINANCING

This, according to Ola and Offiong (1999:78), *"involves the procurement of a new loan by an indebted country to pay off an existing debt particularly short-term trade*". This as debt management strategy merely begs the question since it worsens the debt situation of an indebted country. It does very little in solving the debt burden of indebted countries. Experimented in 1983, Nigeria ended paying more interest rate on the procured debt to settle the old one.

DEBT RESCHEDULING

This strategy entails the re-negotiation of the terms of outstanding debt to automatically change the maturity period and structure of the debt, (Ola & Offiong, 1999:79). By so doing, indebted countries are able to reconsider the conditions attached to the debt they earlier contracted to achieve far more favourable terms in terms of maturity period, mode of repayment and in most cases, the applicable interest rate. Nigerian experience of debt rescheduling occurred in 1986 when debt worth $1.6 billion due to the London Club payable in 1987, was rescheduled to extend to 1996 with four year period of grace. Due to this reschedule, Nigeria had breathing space that freed resources for other vital socio-economic issues instead of debt servicing. As pleasing as this seems, it was never enough to pave way for Nigeria's exit from indebted.

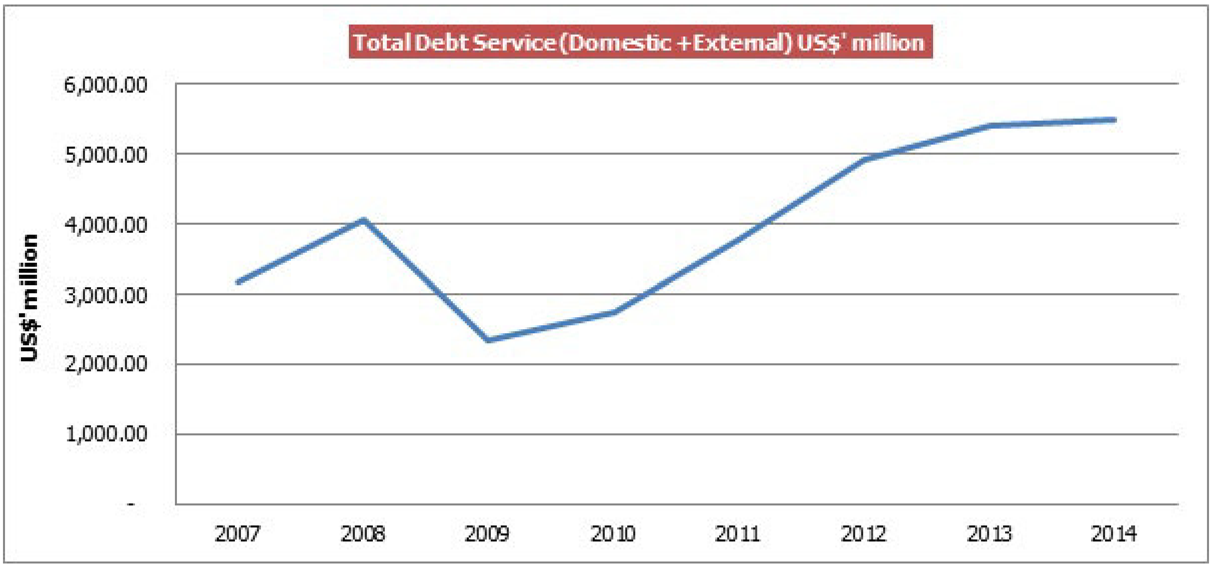
DEBT BUY BACK

This occurs when there is an offer of substantial discount to pay off an existing debt. This means that a creditor gives discount to enable a indebted nation to pay outstanding debt. When this happens, it is assumed that the indebted nation bought over the debt earlier incurred with a discount. Nigeria used this strategy in 1992 when the nation 62 percent of $3.395 billion commercial debt due to London Club at 60 percent discount to enable Nigeria pay $1.352 billion to liquidate the debt. The remaining 38 percent was used as a collateral par bond with a thirty (30) year period to off-set the collateralized amount at the end of the 30 year period. Where the funds are available, this proves an effective debt management strategy.

IMPACT OF DEBT MANAGEMENT

While one expects that the various debt management strategies available would help check the rising debt profile in Africa and Nigeria in particular, the reserve is painfully the case as the debt burden in Nigeria increases rather than deplete. It's been observed that the various debt management measures adopted were insufficient to address Nigeria's debt problem. That accounted for the endless cycle of economic woes that necessitated restructuring. This no doubt, has had adverse effect on development since huge sum spent on debt services annually; takes away needed resources for needed development, Uma et al (2013). Between 2002 and 2006, $2.4 billion was projected as amount to service Nigerian debt. From 2007 as the figure below shows, the amount used annually to service Nigerian debt rose steadily except in 2009 and 2010 with low figures compared to the other years where the service charges kept rising. This comes with the inevitable effect on the economy that affects development. This shows the ineffectiveness of the various debt management techniques.

GRAPH ONE: DEBT SERVICE CHARGE 2007-2014



Source: http://www.dmo.gov.ng/

If this is the case, what then is the current debt situation in Nigeria? The next section focuses on that as well as discusses the debt relief treatment the nation got from the Paris club of creditors in 2005.

THE PRESENT DEBT SITUATION

With the successful settlement of the Paris Club debt by Nigeria in 2005, there appears to be a glimmer of hope in the horizon as far as debt overhang that hindered development considerably, is concerned. While the debt treatment gave the nation a great relief, it however never put paid to Nigeria's external indebtedness. Though the 80% Nigeria's external debt owed the Paris Club was written off, the remaining 20% owed the London Club, was still a debt burden that cripples development efforts, Ezeabasili et al (2011). Rather than build on the gains from the Paris club debt treatment, the nation accumulated more as there were unrestrained borrowings thereafter. The graph below shows the present state of Nigerian external debt obligations.

If in the face of the various debt management instruments and the Paris club debt treatment Nigeria got in 2005 there is still raising debt profile in Nigeria, what then are some of the practical implication of debt burden in Nigeria? The next section will consider nexus between debt burden and development as well as some of the implications of debt burden on Nigeria.

THE NEXIUS BETWEEN DEBT TRAP AND DEVELOPMENT

Borrowing in the face of short of needed funds when the guinea need arise, is by no means bad or harmful. However, if the borrowed sum is not paid back as at when due such that it becomes overhang; debt becomes harmful to national economy and development in general. We can thus establish two associated benefits of debt to development. One is the positive effect while the other, is positive. If borrowed sum help achieve desired goal and it is paid back as at when due, such is positive impact. Conversely, it becomes negative impact on development when borrowed sum transmute to debt overhang. There nexus then can safely be said to be two pronged; positive and negative. Often times, attention is usually on the negative effect of debt as is the case in Nigeria.

In this wise, the Nigerian debt experience and impact of same on developmental strides, comes to mind. Huge sum spent annually on servicing external debt obligations, is seen to have negatively impacted the nation's developmental strides. Debt thus becomes an albatross on national development since economic growths are stunted which leads to compromise of social development. In the light of the above, we can say that debt has a dual links with development. It could either endanger or engender same. In the case of Nigeria, it endangered development because it became an overhang as its service obligations, sapped huge resources that could have been used to fund developmental projects. In the light of this, besides interfering with development, what are some of the practical implications of debt overhang on the national life of indebted countries? Some of these are briefly seen below.

DEBT TRAP AND ITS IMPLICATIONS ON:

As noted above, debt incurred and used for intended purposes, help facilitates development process. However, when reverse is the case as it is in many African states and Nigeria in particular, there are obvious implications in the national economy. Some of the implications of debt overhand in a national life are seen through the lens of some key national variables discussed below.

ECONOMIC IMPLICATIONS

Debt obligations no doubt, have notable economic impact on the life of any nation, depending on how well it is managed. If well managed, economic life could be positively impacted. On the other hand, mismanaged debt that leads to overhang discussed thus far, has damning implication on economic life of any nation. Huge sum spent as debt service related charges, discourage investment and retarded her growth. When this is the case, economic performance would be negatively affected. A virile and responsive economy is a veritable tool for national development. Absence of virile economic life, stunts national economy which with time; manifests other notable sectors of national life. The spiral effect such as death of local businesses can only be imagined than experienced.

It is thus safe to say that debt burden has grave consequences for the economy and the welfare of the people of an indebted nation. Sum spent servicing country's external debt, encroaches on resources available for socio-economic development and poverty alleviation. For example, prior to the October 2000 rescheduling arrangement with the Paris Club creditors earlier mentioned, the annual debt service payment in Nigeria that ranged between $3.0 billion and $3.5 billion annually, is enough to improve the real sectors of the economy. In the face of this, there is consequently insufficient foreign exchange to finance the importation of raw materials, intermediates, and capital goods needed for rapid economic development.

SOCIO-CULTURAL IMPLICATIONS

Following from above, the socio-cultural life of an indebted nation is also affected in several ways. Paucity of funds to fund social services by the government, doubtlessly affects provision of needed social services. When this happens, the people are meant to either provide for themselves or live without those essential social services that the government would have been able to provide had there been adequate funds left after huge debt service charges. In Nigeria for example, social services such as recreational facilities, infrastructural facilities, welfare scheme, good and safe drinking water and other social services, have suffered gross neglect over the years partly due to alleged paucity of funds. This forces the people to improvise or live without.

POLITICAL IMPLICATIONS

Though the political implications of indebtedness to countries appear fluid to a very large extent, it is however apparent. This can be seen in the conditionalities attached to certain loans that tend to compromise internal sovereignty. For example, one of the conditions attached to the recent Paris Club debt treatment Nigeria got, was for Nigeria to subject herself to IMF constant monitoring. Though this condition appear innocuous to the liberal scholars but it tend to undermine the nation’s sovereign status as an independent country.

If these implications are anything to go by in the face of rising debt profile in Nigeria, what is the way forward? The next section considers what the future holds for Nigeria.

NIGERIA, DEBT, DEVELOPMENT AND THE FUTURE

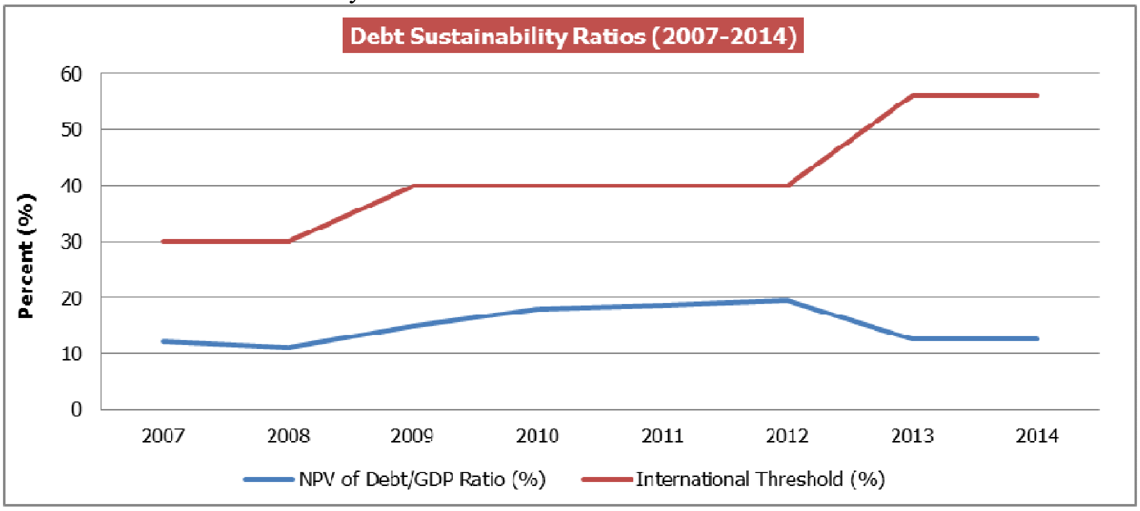
Freedom from indebtedness, no doubt releases funds that could have been ploughed into debt services that leave very little for social services and infrastructural development and investment needed to drive the development process. This is the story of most indebted countries in Africa. Despite momentary gains some made to achieve debt free status such as Nigeria did in 2005 with the Paris club debt treatment earlier mentioned, many have slipped back into debt. This has led to a situation where spectre of the ridiculous playing itself out in many African states as handlers of these countries oftentimes go cap in hand, begging Western Creditors to give them favourable debt conditions or outright cancellation of same.

Debt as an obligation a country owes another to be settled in a later but agreed date is by no means a bad thing. Virtually all countries in the world, borrows when there is shortfalls in annual budget. What become of the borrowed sum counts. When nations borrow, the purpose for which the borrowed sums were taken must never be abandoned. Abandonment of the original intention due to misplaced priority or corruption as is the case in Nigeria, Nwabuzor, (2006), leads to build up of external debt obligation amidst souring annual interest on service charges. It’s thus important to note that Nigeria must reassess its debt sustainability ratio which means ability of a country to meet its debt obligation without seeking debt relief or accumulations of debt service charge areas can be achieved through government’s fiscal responses, nation’s economic growth and conscious effort the government would make to achieve financial repression. Failure of the nation to tame the rising debt profile in the face of needed development would make what Iyoha noted below to manifest and continue to come in the way of development. Iyoha (2005:11) observed thus:

> ***A direct consequence of the escalating debt and high debt-service burden is that there is insufficient foreign exchange to finance the importation of raw materials, intermediates, and capital goods needed for rapid economic development***.

Sustainable debt must be achieved as the graph below, shows a grim picture of the debt situation in Nigeria. From 2007 to 2012, the nation failed to sustain her external debt obligations. Progresses were however made from 2013 amidst rising debt profile. Overcoming this needs proactive government fiscal policies and the political will to check corruption in governance. That way, that would be an albatross to development but a boost.

GRAPH THREE: Debt sustainability ratio



Source: http://www.dmo.gov.ng/

In all, entering into debt obligation harms no nation but wrong management of secured loans, does. Virtually all African states are enmeshed in debt crisis that have denied access to need development. Role of the elite class in all this is unmistakably pronounced since the elite class, determines when debts are secured and what should be done with such funds. Benevolent elite dominance which is lacking in Nigeria, make accumulation of debt and associated service charges, quite easy. No nation makes progress in such a situation. In the light of the graph above, Nigeria has to be proactive to be able to overcome the debt quagmire. The nation needs to adopt strict disciplinary measures to curb taking loans that are absolutely unnecessary that will end up in the pockets of few dominant elite in the elite driven public life in Nigeria. In addition, the federal ministry of finance must equally come up with feasible and simple guidelines to guide external borrowing to guide against slipping into indebtedness that can sap the nation of needed resources for development. Doing these in the face of Nigeria's debt burdens, the hope of breaking free from debt and possibility of saving enough for development, would be very high. In the light of this, the following recommendations are made.

(i) Stricter measure should be adopted to douse the elite dominance of public life that breeds corruption that left development in shambles.
(ii) Projects that need external borrowing must be beneficial and clearly stated to avoid misplacing development priorities.
(iii) State governments must be properly guided and monitored to avoid diversion of borrowed sums that can be used for development purposes.
(iv) There is the need to review and reassess the strategy and measures put in place to combat the scourge of corruption in Nigeria.
(v) In the light of the above, development plans should be properly coordinated and left in the hands of trained technocrats capable of taking adequate measures that can match cost with derivable benefits.
(vi) Governance mechanism should be strengthened to curb the negative effects of oil politics that breeds corruption that saps the nation of needed development. The scramble for resource space by the elite class which breeds corruption that left the regions in differing degree of lack and underdevelopment, can be averted if this is done.

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