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# The Effects of External Debt Management on Sustainable Economic Growth and Development: Lessons from Nigeria

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*This paper reviewed the roles of debt management practices on sustainable economic growth and development with particular emphasis on Nigeria. Information was generated extensively from literature, the Nigeria Central Bank and National Bureau of Statistic reports. The analyses of the data collected with descriptive statistics shows that, availability of access to external finance strongly influences the economic development process of any nation. Debt is an important resources needed to support sustainable economic growth. But a huge external debt without servicing as it is the case for Nigeria before year 2000 constituted a major impediment to the revitalization of her shattered economy as well as the alleviation of debilitating poverty. The much needed inflow of foreign resources for investment stimulation, growth and employment were hampered. Without credit cover, Nigerian importers were required to provide 100 percent cash covers for all orders and this therefore placed them to a competitive disadvantage compared to their counterparts elsewhere. Failure of any owing country to service her debt obligation results in repudiation risk preventing such to obtain new loans since little or no confidence will be placed on the ability to repay. It will also undermine the effort to obtain substantive debt relief over the medium term with a tremendous increase in interest, arrears and other penalties. This will subsequently depress the economy both in the long and short runs. Best arrangement in debt payment must be put in place from time to time in response to changes in the economy and the polity. Debt can only be productive if well managed so as to make the rate of return higher than the cost of debt servicing.*

**Keywords: Debt Management, Sustainability, Economic Growth, Economic Development, and Nigeria**

**Word Count: 273**

## Introduction

Debt is created by the act of borrowing. It is defined according to Oyejide et al (1985) as the resource or money in use in an organization which is not contributed by its owner and does not in any other way belong to them. It is a liability represented by a financial instrument or other formal equivalent. In modern law, debt has no precisely fixed meaning and may be regarded essentially as that which one person legally own to another or an obligation that is enforceable by legal action to make payment of money.

When a government borrows, the debt is a public debt. Public debts either internal or external are debts incurred by the government through borrowing in the domestic and international markets so as to finance domestic investment. Debts are classified into two i.e. reproductive debt and dead weight debt. When a loan is obtained to enable the state or nation to purchase some sort of assets, the debt is said to be reproductive e.g. Money borrowed for acquiring factories, electricity refineries etc. However, debt undertaken to finance wars and expenses on current expenditures are dead weight debts. When a country obtains a loan from abroad, it means that the country can import from abroad goods and services to the value of the loan without at the same time having to export anything for exchange. When capital and interest have to be repaid, the same country will have to get the burden of exporting goods and service without receiving any imports in exchange. Internal loans do not have the type of burden exchange of goods and services. These two types of debt, however, require that the borrowers' future savings must cover the interest and principal payment (Debt servicing). Therefore, debt financed investment need to be productive and well managed enough to earn a rate of return higher than the cost of debt servicing

## The Place of Public Debt in Nigerian Economy

Developing countries in African e.g. Nigerian was characterized by inadequate internal capital formation arising from the vicious circle of low productivity, low income, and low savings. This scenario calls for technical, managerial and financial support from abroad to bridge the resources gap. The accesses to external finance strongly influence the economics development process of nations. It is an important resources needed to support sustainable economic growth. Ordinarily, economics growth should depend largely on domestic capital formation and accumulation, but due to severe limitations it requires imports of capital goods and complementary raw materials that are not domestically available. These foreign imports are necessary for various reasons. Balanced growth calls for substantial investment in

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infrastructures – roads, ports, dams, transportations and so on. According to Telegram (1992) foreign debt is needed to cover two types of gaps in the developing process. They include

(a). The foreign exchange gap which is the payment of deficit a country faces when it has reduced its external reserves to a minimum compared with projected import requirements.

(b) The investment –saving gap which is the foreign capital needed to supplement domestic savings for financing real investment levels.

External financial supports, when used productively accelerate the pace of economic development. It will not only provide foreign capital but will also give managerial know-how, technology, technical expertise as well as access to foreign markets for the mobilization of a nation's human and material resources for development purposes. Specifically, loans can be used in areas such as increasing agricultural production of goods for export, mineral exploration and exploration, industrialization, transport and communication, rural and urban development, heath care services balance of payments, tourism, infrastructural development etc (Anyanwu et al 1997)

A borrowing country visors its borrowing need for foreign capital from the standpoint of its development programmes and projects. Foreign lenders on the other hand will normally take account of the borrower's ability to service its loan, taking into consideration the programme and projects of the borrower. Where views are reconcilable, both the borrower and lenders work out a variety of policy guidelines that influence the magnitude and use of borrowed funds.

**The Structure of Nigeria's Public Debt.**

Public debt records are kept on a loan by loan basis. To prepare statistics, these records must be aggregated by various criteria, such as short-term and long-term, type of flow and type of borrower or creditor.

**Table 1: General classification of the structure of public debt related flows.**

| **Types** | **Classification** | |
|---|---|---|
| Maturity | short-term (1 year or less) | |
| | Long-term (more than 1 year) | |
| Type of flow | Disbursements | |
| | Interest payment | |
| | Amortization | |
| | Restructuring | |
| | Change in arrears | |
| Type of borrower | ➢ *Government (direct debt)* | |
| | Public Enterprises, other public sectors. | |
| | ➢ *Private sectors* | |
| | Public guaranteed and | Non- guaranteed |
| Type of creditor | *Official* | *Private* |
| | Multilateral | Bonds |
| \` | Bilateral | commercial bank |
| | | suppliers other private |

**Note:-** Maturity is conventionally expressed on an original maturity basis, the time elapsed from the date of commitment.

- Often figures on private debt are included with public sector debt under the title "Public and Publicly –Guarantee debt"
- Commercial Bank buyer's credit is some times combined with supplier.

***Source:*** *Klein (1994): External Debt Management: An Introduction. World Bank Technical Paper No 245.*

**The Emergence and Structure of Nigeria's External debt.**

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, contractor-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.

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.

**Analysis of the Nigerian External Debt Policies and performance.**

**A 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;

The first National Development Programme 1962 – 1968

The second National Development Programme 1970 – 1974

The third National Development programme 1975 – 1980

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 (Table 3).

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). The situation is 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 ₦80m was spent on food importation alone between 1981 and 1984 in spite of the much celebrated Green Revolution Programme.

Agricultural however came to dominance viz – a – viz mining as a contributor to GDP.

The primary per capital consumption that was expected to rise from ₦ 27.5 in 1980 ,and maintained a steady growth rate of 6% per annum shoot up to ₦ 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 ₦21, 384, 5 million in external debt alone.

**B Structural Adjustment Program (SAP) Period 1986 - 1991**

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 (Anyanwu 1993). The programme 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).

**C 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 ₦82.3: US$ 1 and ₦83.7: 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.

**D. 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).

**Nigeria External Debt Creditors**

Nigeria has contacted a number of debt obligations from eternal source. This could be grouped into two main categories (see table 4 and 5).

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.

A. 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.

B. 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.

C. 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.

D. 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.

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.

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

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

1 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.

2 Limit on debt service payments: This requires setting aside portion of export earnings to allow for internal development.

3 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 (table 4) 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.

**Nigerian External Debt Rescheduling and Restructuring**

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 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. 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.

From table 9, 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 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**.**

## Conclusions and Recommendations

### i Summary of major findings.

Nigerian economy has for a long period been characterized by a high degree of openness, with its major sectors depending on foreign sources for a wide range of consumption and investment goods, the problems of external borrowing and the resultant indebtedness have strong consequences on the economy.

In the late 70's and early 80's, the oil prices fell while interest rates went up which did not result in reduced spending of the Nigerian government, thus it level of debt started to increase. By 1985, its debt service arrears started to accumulate and in spite of debt servicing, outstanding external debt was US35.9 Billion.

Several debt relief was sort for, in this period but to know avail. Nigeria was only granted debt reschedule by its creditors. Using the Brady Plan in1992 Nigeria was able to conclude at the London club an exchange deal for a substantial part of its commercial debt allowing for a discount of about 60%. While Paris club arrangement for debt relief in the same year failed because Nigeria failed to return to democratic rule.

After the restoration of civilian rule in Nigeria 1999 new economic policies were put in place and same debt servicing was started again. By this time the total bilateral debt owed to Paris club members had increased tremendously due to interest, arrears and penalties. The civilian government therefore called for substantial debt reduction arrangement with the Paris club to improve economic planning and growth. On the other hand the Paris club creditors insisted on economic and political reforms which Nigeria considered largely unacceptable leading to a deadlock until year 2005.

But It was announced by the Paris club on Thursday 30th June that officer government creditors were ready to consider a comprehensive debt relief deal for Nigeria under certain conditions. Among these were: putting an economic reform programme in place to be monitored by IMF, through the debt reduction under Naples term and eligible debt buy – back at a market related discount on the remaining eligible debts after reduction. This final arrangement was made in October 2005 while giving Nigeria to pay bill its arrears within a space of 9 months.

Nigeria and the Republic of Australia, Denmark and Russia signed the fifth bilateral arrangements and they are required to formalize the monumental debt relief package granted her by the Parish club in October 2005. With the signing of these agreements in April 2006 Australia, Denmark and Russia cancelled Nigeria's debt amounting to $ 287.4 Million, 292.1 million and 23.2 million respectively.

Nigeria owes Australia, Denmark and Russia US$491 million, US$524 million and US$32 million respectively (Thisday newspaper 2006). The signing of agreements will facilitate the resumption of normal bilateral economic relations between these countries and Nigeria as well as the restoration of the export credit cover by their respective Export Credit Agencies which Nigeria needs to improve trade and investment relations.

## II Implications of Major Findings

Every year Nigeria has to pay large sum of money on interest payments and principal been paying on its stock of debt. Nigeria has been paying approximately $1 billion annually to Paris club creditors and a further $0.8 billion to its other multilateral and commercial creditors. However, Nigeria has not been able to pay the US $3 billion debt service due every year. As a result, arrears have been built up on Nigerian's Paris club debt. The accumulation of arrears and associated penalty charges has created the paradox where by Nigeria's total debt stock has been increasing year after year even though it has been repaying debts, and has not borrowed any more money from Parish club creditors.

With an elimination of 100% of its Paris club debt, Nigeria's annual debt service due should fall from US$3 billion to some US$0.8 billion and the amount paid will fall from US$1.8 billion to US$ 0.8 billion, more than halving the payment to the debtors. This means that $1 billion can be diverted to spending on poverty reduction. In addition, Nigeria will escape from the debt spiral caused by rising penalties and interest on its unpaid debts – a spiral that each year adds about $1 billion to its dent burden.

Another dimension of Nigeria's reduced debt burden is that it should improve the country's credit worthiness in the eyes of investors, thereby improving confidence and promotion of private sector development in the country.

The deal with the Paris Club represents a great achievement for the Nigerian administration under President Obasanjo on behalf of the Nigerian people. It is an endorsement by western governments of all that is achieved in the country since the reintroduction of democracy and it means Nigeria can use more of her resources to help herself ion reducing poverty and working towards the MDGS. (Millennium Development Goals).

**lll Recommendations**

Although Nigeria adopted the following strategies to ameliorate external debt by placing embargoes to new loans; ,limit on debt service payment (maximum of 30% of export earnings) debt restricting through refinancing, rescheduling, buyback, issuance of collateral bonds etc.

But against the background of the major findings, other approaches which can help debt payment to be sustainable in Nigeria as well enhances economic growth and development include: -

- The use of more superior method to negotiate for fixed interest payment and varying amortization schemes. Nigeria should seek multi-year rescheduling rather than year by year basis.
- African debtor nations should come together form a union and collecting bargaining with their creditor's association rather than facing such associations of London and Pans clubs individually.
- External finance should be used only for projects of highest priority. This is so because it is huge external debt that threw us into the series of economic problem in the first instance.
- The implementation must stipulate period long enough (10 years or more) before dividends can be repatriated for investment to mature.
- To achieve a long term solution to the external debt problem there must be vigorous promotion of the nations export trade and drastic reduction in her merchandize imports.
- The principal vulnerability of Nigeria is to an open- ended burden of higher interest payment in the event of an increase in international interest rate. Nigeria should therefore seek fixed interest rate.
- Nigeria should devote a tangible proportion of her annual foreign exchange earning for debt servicing. This would enable the counting to accommodate the creditors requirements.

- Spending of external debt on productive self-liquidating investment must be strictly adhered to while projects to be financed with external to loan must be properly appraised.
- The federal government should lay down well considered guideline for external loans. Defining the purpose, duration, moratorium requirements and commitments, negotiation fees etc including the conditions under which the government can approve and guarantee external loans
- In view of the debt relief, government should ensure that its spending impact on poverty reduction, halts HIV/AIDS and malaria and addresses child and material mortality. Thus, the government should prioritise its spending on health, education, water, infrastructure, power and agriculture.
- The money saved from external debt servicing should be ploughed into poverty reduction programmes boosting agriculture and other sectors of the economy, to meet the UN MDGS.
- Government should ensure the Paris club deal opens Nigeria up to greater trade and investment and stimulate the private sector because Nigeria will be seen as a country in good credit.
- With proper management, the government should ensure that the money saved from debt cancellation is invested in changing the lives of millions of people in Nigeria by providing more educational and health facilities.

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**Table 2: Nigeria External Public Debt outstanding (US $ million)**

| Year | Multilaterals | Paris Club | London Club | Promissory Notes | Others | Total |
|---|---|---|---|---|---|---|
| 1983 | 884 | 5.390 | 6.263 | 3,702 | 1,526 | 17,765 |
| 1984 | 1097 | 5,811 | 4966 | 4125 | 1,939 | 17,347 |
| 1985 | 1317 | 7833 | 3.560 | 4255 | 1939 | 18,904 |
| 1986 | 1887 | 10228 | 6088 | 4498 | 2873 | 25574 |
| 1987 | 2986 | 12.589 | 5860 | 4850 | 2032 | 28316 |
| 1988 | 2838 | 14.400 | 5960 | 43810 | 2685 | 30693 |
| 1989 | 3171 | 51871 | 5680 | 4553 | 2311 | 31,586 |
| 1990 | 3842 | 17171 | 5680 | 4553 | 2311 | 31,586 |
| 1991 | 3650 | 17793 | 5988 | 4479 | 14.54 | 33,099 |
| 1992 | 4518.0 | 16433.9 | 2120.0 | 3246 | 12326.2 | 33,365.4 |
| 1993 | 3694.7 | 18160.5 | 2055.8 | 3159.9 | 1647 | 27564.8 |
| 1994 | 4402.3 | 18334.3 | 2057.8 | 3178 | 1456.3 | 29428.9 |
| 1995 | 4411 | 21699.6 | 2,045 | 3,148.0 | 1311.2 | 32,584.8 |
| 1996 | 4665 | 19.091 | 2043 | 2140.0 | 121.0 | 28060 |
| 1997 | 4372.7 | 189804 | 2043 | 1612.5 | 79.2 | 27.087.8 |
| 1998 | 4237.0 | 20829.9 | 2043.0 | 1597.8 | 65.8 | 28,773.5 |
| 1999 | 3933.3 | 20534.3 | 2043.2 | 1486.8 | 69.3 | 28066.9 |
| 2000 | 340.0 | 21180.0 | 2043.2 | 1446.7 | 143.8 | 28273.7 |
| 2001 | 2797.9 | 22092.9 | 2043.2 | 1291.8 | 121.2 | 28347.0 |
| 2002 | 29606 | 25380.8 | 1.441 | 115.3 | 55.6 | 30.9921 |
| 2003 | 3.0b | 27.5 | 1.4b | 0.9b | 0.05b | 32.9b |
| 2004 | 2.8b | 30.9b | 1.4b | 0.8b | 0.05b | 35.9b |

*Source: Statistical Bulletin 2005*

**Table 3: Annual Growth Rate of GDP and investment Ratio 1963 - 1979**

| **Year** | **GDP%** | **Investment** |
|---|---|---|
| 1963 | 6.7 | 12.6 |
| 1964 | 3.8 | 14.4 |
| 1965 | 5.7 | 15.8 |
| 1966 | 4.2 | 15.4 |
| 1971 | 18.4 | 14.8 |
| 1972 | 7.3 | 17.2 |
| 1973 | 9.5 | 19.2 |
| 1974 | 9.7 | 19.6 |
| 1975 | 1.3 | 23.3 |
| 1976 | 8.7 | 29.7 |
| 1977 | 7.5 | 29.1 |
| 1978 | 1.1 | 25.7 |
| 1979 | 8.8 | 28.5 |

*Source: Anyanwu (1997). The Structure of the Nigeria Economy pg. 631*.

**Table 4: Outstanding External Debt to the Paris club creditors as at December 31st 2004.**

| | Country | Total original loan amount | Outstanding as at 31/12/04 | %as compared to original amount |
|---|---|---|---|---|
| 1 | Australia | 342.83 | 521.38 | 152.08 |
| 2 | Belgium | 694.52 | 608.19 | 87.57 |
| 3 | Denmark | 246.80 | 571.75 | 231.67 |
| 4 | Finland | 3.98 | 3.99 | 100.25 |
| 5 | France | 2132.81 | 6249.61 | 293.02 |
| 6 | Germany | 2226.59 | 5288.66 | 237.52 |
| 7 | Italy | 1026.86 | 1975.94 | 192.43 |
| 8 | Japan | 3927.24 | 4447.97 | 113.26 |
| 9 | Netherlands | 438.45 | 1707.98 | 389.55 |
| 10 | Russia | 67.50 | 36.97 | 54.77 |
| 11 | Spain | 185.29 | 249.54 | 134.68 |
| 12 | Switzerland | 151.55 | 201.01 | 132.64 |
| 13 | UK | 4707.17 | 8000.32 | 169.96 |
| 14 | USA | 641.79 | 984.49 | 153.40 |
| | **Sub total** | **16,797.38** | **30,847.80** | **183.69** |

Source: www.newstartnigeria.org

**Table 5: Nigeria's External Debt Service Payment.**

| **Holder** | **90** | **91** | **92** | **93** | **94** | **95** | **96** | **97** | **98** | **99** | **00** | **01** | **02** | **03** | **04** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| London Club | 53,431 | 316.1 | 637.4 | 195.8 | 143.5 | 161.0 | 127.7 | 127.7 | 127.7 | 127.7 | 129.1 | 134.1 | 266.8 | 90.2 | 90.2 |
| Paris Club | 154.55 | 1,506.7 | 536.6 | 234.6 | 59.2 | 271.8 | 359.7 | 305.98 | 228.5 | 644.5 | 812.7 | 1,273.6 | 161.6 | 1,020.2 | 994.4 |
| Multilateral | 34,606.3 | 733.4 | 810.1 | 643.2 | 758.9 | 826.9 | 814.4 | 800.2 | 680.2 | 659.2 | 623.3 | 491.5 | 472.1 | 509.0 | 487.3 |
| IBRD | - | - | - | 563.1 | 626.0 | 650.6 | - | - | - | - | 392.8 | 298.7 | - | - | 264.8 |
| EIB | - | - | - | 4.9 | 24.1 | 8.0 | - | - | - | - | 20.9 | 35.1 | - | - | 11.4 |
| ADB and others | - | 27.0 | - | 75.2 | 108.8 | 161.3 | - | - | - | - | 209.6 | 157.7 | - | - | 211.1 |
| Promissory Notes | 40,950.4 | 376.6 | 267.3 | 256.1 | 254.8 | 251.9 | 238.4 | 226.8 | 216.3 | 258.7 | 149.5 | 195.2 | 192.1 | 176.4 | 171.2 |
| Others | 15,075.2 | 502.2 | 141.9 | 442.8 | 626.6 | 109.0 | 336.4 | 181.8 | 19.8 | 34.8 | 1.5 | 33.8 | 75.9 | 13.3 | 13.8 |
| Total | 298,614.3 | 4,168.4 | 2,393.3 | 1772.5 | 1843.0 | 1,620.6 | 1,876.6 | 1,642.5 | 1,272.5 | 1,724.9 | 1,716.0 | 2,128.2 | 1,168.5 | 1,809.3 | 1,756.9 |

*Source: CBN Annual Reports and abstracts. Various issues*

Table 6: International Liquidity: International Reserves and Related Foreign Account (₦ million).

| Year | Monetry Authorities Foreign Assets (NET) International Reserves | | | | | |
|---|---|---|---|---|---|---|
| | Gold (1) | Special Drawing right (2) | Reserve Position with I.M.F. (3) | Foreign Exchange | | Total (1-5) (6) |
| | | | | Central Bank (4) | Fed. Govt. (5) | |
| 70 | 14.2 | - | 8.1 | 82.3 | 2.2 | 106.8 |
| 71 | 14.2 | 22.3 | 8.1 | 87.7 | 1.2 | 133.5 |
| 72 | 14.2 | 32.5 | 9.2 | 135.7 | 5.5 | 197.1 |
| 73 | 15.8 | 35.9 | 24.8 | 164.5 | 5.2 | 246.2 |
| 74 | 15.8 | 37.5 | 25.1 | 3034.1 | 5.8 | 3118.3 |
| 75 | 15.8 | 40.6 | 24.8 | 3298.9 | 1.3 | 3381.4 |
| 76 | 15.8 | 44.8 | 24.7 | 2972.3 | 4.9 | 3062.5 |
| 77 | 17.3 | 50.7 | 31.0 | 2422.0 | 4.9 | 2525.9 |
| 78 | 18.2 | 56.3 | 309.5 | 865.1 | 1.1 | 1250.2 |
| 79 | 19.0 | 79.6 | 219.7 | 2724.9 | 2.6 | 3045.8 |
| 80 | 19.0 | 92.0 | 331.4 | 5076.7 | 16.8 | 5462.3 |
| 81 | 19.0 | 177.2 | - | 1897.2 | 16.8 | 2441.6 |
| 82 | 19.0 | 29.9 | - | 977.6 | 16.8 | 1043.3 |
| 83 | 19.0 | 77.4 | - | 685.3 | 16.8 | 798.5 |
| 84 | 19.0 | 6.6 | 63.8 | 1054.4 | 16.8 | 1160.6 |
| 85 | 19.0 | 2.8 | - | 1619.3 | 16.8 | 1657.9 |
| 86 | 19.0 | 0.9 | - | 3567.5 | 16.8 | 3604.2 |
| 87 | 19.0 | 0.6 | - | 4623.7 | 16.8 | 4660.1 |
| 88 | 19.0 | 0.1 | 0.5 | 3253.2 | 16.8 | 3289.6 |
| 89 | 19.0 | 3.2 | 0.5 | 13434.4 | 16.8 | 13473.9 |
| 90 | 19.0 | 8.7 | 0.7 | 34924.7 | 16.8 | 34969.9 |
| 91 | 19.0 | - | 0.8 | 44229.7 | 16.8 | 44266.3 |
| 92 | 19.0 | 2.3 | 1.7 | 49514.4 | 16.8 | 49554.2 |
| 93 | 19.0 | 3.2 | 2.1 | 61852.0 | 16.8 | 61893.1 |
| 94 | 19.0 | 3.2 | 2.2 | 30455.9 | 16.8 | 30497.1 |
| 95 | 19.0 | 14.6 | 2.2 | 31587.8 | 16.8 | 31640.4 |
| 96 | 19.0 | 13.6 | 2.2 | 174275.1 | 16.8 | 174326.7 |
| 97 | 19.0 | 13.0 | 2.0 | 262,164.5 | 2600.0 | 264798.5 |
| 98 | 19.0 | 16.1 | 2.1 | 141901.4 | 2600.1 | 144538.7 |
| 99 | 19.0 | 203.0 | 2.1 | 539756.7 | 16.8 | 539997.6 |
| 00 | 19.0 | 34.7 | 9.8 | 546641.8 | 16.8 | 1090147.8 |
| 01 | 19.0 | 75.0 | 20.0 | 1,090,084.3 | 16.8 | 1181652.0 |
| 02 | 19.0 | 18.0 | 23.0 | 1,181,538.0 | 16.8 | 1013514.0 |
| 03 | 19.0 | 31.0 | 23.0 | 1,013,454.0 | 16.8 | 1065093.0 |
| 04 | 19.0 | 55.0 | 23.0 | 1,065,020.0 | 16.8 | 2252571.4 |

*Source: Statistical bulletin 2005*

**Table 7: Nigeria's External Reserve (₦ Million)**

| Description | Year | | | | | |
|---|---|---|---|---|---|---|
| | **1999** | **2000** | **2001** | **2002** | **2003** | **2004** |
| Gold | 19.0 | 19.0 | 19.0 | 19.0 | 19.0 | 19.0 |
| Foreign Exchange | 546,641.8 | 1,090,084.3 | 1,181,538.0 | 1,013,454.0 | 1,065,020.0 | 2,252,474.4 |
| Reserve Tranche | 2.1 | 9.8 | 20.0 | 23.0 | 23.0 | 23.0 |
| Special Drawing right (SDR) | 203.1 | 34.7 | 75.0 | 18.0 | 31.0 | 55.0 |
| Total | 546,873.1 | 1,090,147.8 | 1,181,652.0 | 1,013,514.0 | 1,065,093.0 | 2,252,571.4 |
| External Reserve in US $ million. | 5,450.0 | 9,910.4 | 10,415.6 | 7,681.1 | 7,467.1 | 16,955.02 |

*Source: National Bureau of Statistics 2004/2005*

**Table 8 : Nigeria's External Reserves (₦ million)**

| Year | Amount |
|---|---|
| 70 | 104.6 |
| 71 | 132.3 |
| 72 | 191.6 |
| 73 | 241.0 |
| 74 | 3112.5 |
| 75 | 3380.1 |
| 76 | 3057.6 |
| 77 | 2521.0 |
| 78 | 1249.1 |
| 79 | 3043.2 |
| 80 | 5445.6 |
| 81 | 2424.8 |
| 82 | 1026.5 |
| 83 | 781.7 |
| 84 | 1143.8 |
| 85 | 1641.1 |
| 86 | 3587.4 |
| 87 | 4643.3 |
| 88 | 3272.7 |
| 89 | 13,457.1 |
| 90 | 34,953.1 |
| 91 | 44249.6 |
| 92 | 13.992.5 |
| 93 | 67245.6 |
| 94 | 30,455.9 |
| 95 | 40,333.2 |
| 96 | 174,309.9 |
| 97 | 262198.5 |
| 98 | 226702.4 |
| 99 | 546,873.1 |
| 00 | 1090148.0 |
| 01 | 1,181,652.0 |
| 02 | 1,013,514.0 |
| 03 | 1065093.0 |
| 04 | 2252571.4 |

*Source Statistical bulletin 2005*

**Table 9: Annual per Capital Expenditure per head of the Population 2003**

| | |
|---|---|
| Education | $ 11.04 |
| Health | $ 6.59 |
| Total debt payment | $ 13.16 |
| Paris Club Service payment | $ 7.35 |
| Projected debt service after Paris Club cancellation. | $ 5.81 |

**CBN Annual Report and Statement of Accounts, 2004**