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THE OBASANJO ADMINISTRATION AND THE CAMPAIGN FOR EXTERNAL DEBT RELIEF FOR NIGERIA

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ABSTRACT

The paper examines the campaign for debt relief for Nigeria under the Obasanjo Administration. It argues that economic diplomacy of the Obasanjo administration paved way for Nigeria to negotiate for debt relief from her creditors. Nigeria received an entire debt relief amounting to $18 billion, or a 60 percent write off in return for a $12.4 billion repayment of arrears and buyback. Despite the achievement recorded by his administration, the failure by successive administrations to address the problems of integrity and accountability gap has plunged the nation into a new wave of debts, both internal and external. The paper concludes by noting that the vision, focus and determination of President Olusegun Obasanjo was instrumental to change the situation, which debt burden had imposed on Nigeria, by pursuing a diplomatic initiative that led to the achievement of debt relief.
Key Words: *Debt Relief, Democracy, Diplomacy, Nigeria, Obasanjo*.

INTRODUCTION

In 1999, Nigeria transited to a democratic government under President Olusegun Obasanjo after a long period of military rule. In his inaugural speech on 29 May, 1999, he clearly pointed out that one of the priority issues, which his administration must deal with was the debt issue. No doubt both external and internal debts had constituted heavy burden on the nation and stood as major obstacle to sustainable development. Accordingly, he called 'on the world, particularly the Western World to help us sustain democracy by sharing with us the burden of debt, which may be crushing and destructive to democracy in our land' (Obasanjo, 1999). President Olusegun Obasanjo began a new brand of diplomacy that was aimed at achieving debt relief for Nigeria. This diplomatic campaign was significant because it marked a departure from the approach by successive governments who had resorted to rescheduling as the only way to manage the huge debt. More so, the new diplomatic initiative entailed the personal involvement of the President who had to travel to several Western countries to mobilise the support of influential world leaders and also to present Nigeria's case to relevant international bodies, including the Group of Eight (G8), the United Nations (UN), the Commonwealth of Nations and the African Union (AU).

The nation's debt which stood at about US $25 billion in 1999 when the government of Obasanjo assumed office rose to US $34 billion as at the end of 2004. In addition, Nigerian states had also contracted huge loans from private financial institutions and multilateral organisations like the World Bank and the African Development Bank (AfDB). Nigeria was spending about US$ 1 billion annually to service the debt, leaving the country with less than US$2 billion to meet her developmental commitments, especially in the area of provision of amenities and infrastructure for human development and social economic growth (Usman, 2006:357). It was apparent that despite several initiatives to ameliorate the negative impacts of the debts, the payable stock constituted a fundamental constraint to poverty eradication (Soludo, 2003). Some of these initiatives included the Baker Plan and the Brady Plan, the Toronto Terms, the London Terms, and the Naples Terms. Another debt management initiative was the Heavily Indebted Poor Countries (HIPC) initiative that was meant to achieve outright cancelation or forgiveness for the poorest nations only if they meet the criteria that was prescribed. It was clear to the government that if nothing was done, Nigeria would have to continue borrowing and serving debts at the detriment of the country, and in favour of western interest and their agencies such as the World Bank and the IMF.

With the support of nongovernmental organisations that had began a movement against debts, and for debt relief and debt cancellation, the Nigerian government was able to make a strong case for debt cancellation on the premise that its debt was not sustainable and therefore injurious to economic wellbeing and its democratic project. The civil society activists, as well as some international organisations, institutions and NGOs such as the United Nations, the Group of 77 (G77), Oxfam, ActionAid International, and the Center for Global Development (CGD), amongst others, made a strong case for debt cancellation, arguing that it was largely unsustainable (Oxfam et al, 2004). Even though the policy received some support both internally and externally, there were others who dismissed the pursuit of debt cancellation by Obasanjo and his team as a 'wild goose chase'. Some insisted that Nigeria should honour her debt obligations on the grounds that her inability to manage her debts prudently was largely due to corruption and mismanagement of her oil revenue (Oche, 2006:160). Even the government was careful not to give Nigerians false hope. As noted by Dr. Ngozi Okonjo-Iweala, the Minister of Finance, 'The road is hard and long…No one can guarantee that we will get debt relief. We might make all the efforts and still not get it. But there is no reason why we shouldn't try our very best to qualify and then leave the rest in God's hands!'. That notwithstanding, the Obasanjo administration remained unwavering in its commitment to the policy direction it had adopted to deal with the debt crisis.

It is against this background that the paper examines the efforts of former President Oluesegun Obasanjo's administration to secure debt relief for Nigeria. The paper also discusses the gains of the debt relief and discusses debt management in Nigeria in the post-Obasanjo era. The paper is divided into five sections, beginning with the introduction in section one. Section two focuses on the origin, nature, and management of Nigeria's debt before the Obasanjo administration (1999-2007). Section three is on the Obasanjo Administration and the Management of Nigeria's Debt. Section four, discuses Nigeria's debt management after Obasanjo administration and section five is the conclusion.

The Origin, Nature and Management of Nigeria's Debt before the Obasanjo Administration

Several explanations have been offered as to why African countries, including Nigeria, became indebted to the western nations and international financial institutions. One of such explanations is anchored on Africa's historical experience in the world capitalist system. African countries were forcefully integrated into the western capitalist economy, where they became peripheral appendages, providing natural resources, labor for the industrialized process and markets for the surplus manufactured produce of the industrialized world. This unequal relationship partially explains Africa's external dependence and structural underdevelopment both of which account for its external indebtedness to the West. The implication is that almost all African countries over the years became heavily indebted to foreign nations and international financial institutions. However, it must be stated that the origins of Africa's external debt problem are fundamentally structural, arising from its peripheral relationship with the world capitalist economy. As noted by Nwoke (1990), this explains why mainstream economic approach to solving the African development problem with financial, monetary and trade policies can only act as temporary palliatives at best, not as a permanent solution. Consequently it can be argued that a critical reason why Nigeria became a huge debtor nation is not due to lack of domestic savings needed for investment and socio-economic development, but due to manipulation and distortion of her economy by the capitalist forces, both locally and internationally. While most African countries became indebted in the early 1970s due to the oil crises, Nigeria's debt which stood at about $1 billion (Alli, 2006:23), was considerably low because the government was still cautious about taking external loans.

The origin of Nigeria's external debts dates back to May 2, 1958 when the sum of $28 million was secured from the World Bank for the construction of 1780 miles of railway from Kuru in Jos through Bauchi and Bornu, and to improve then existing rail network (Oche, 2006:160; Henshaw, 2009:3). 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. Following the civil war in Nigeria (1967-1970), the Gowon regime promulgated Decree No.38 that allowed the government to raise external loans not exceeding US$1 billion dollars for the purpose of post civil war reconstruction. Despite the availability of loans in the 1970s, Nigeria's income grew due to increase of prices of oil in the international market. The Obasanjo regime in 1977 promulgated a Decree No. 30, which paved way for borrowing up to US$5 billion. Following the promulgation of this decree, Nigeria borrowed the sum of US$1 billion from the international capital market on commercial terms, increasing the total debt stock to US $2.2billion (AFRODAD, 2007). Thereafter, the spate of borrowing increased with the entry of state governments into external loan contractual obligations. It has been pointed out that Nigeria's resort to the international market was a wrong step (Alli, 2006). At this time, the western nations were facing serious crises following the increase in oil prices in 1973. The crises of the period also affected the terms of trade as well as interest rates in the international capital market. For Nigeria, the 1980s were worst, as her economic crises deepened following the refusal of the western creditors to extend new credits (Alli, 2006:24). It wasn't long after the Shagari government took over in 1979 to realize that urgent steps had to be taken to salvage the economy from total collapse. A pointer to this was that external reserve of Nigeria had fallen from US$8.5 billion in May to US$2.8 billion in December, 1981. The Shagari government decided to apply for an IMF Extended Fund Facility of about 2.4 billion naira (Alli, 2006:25). 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. It was in that same year that the debt issue became a global issue, with Mexico's open declaration of its inability to continue to meet its repayment obligations (Sautter, 1990:3). The strategy of the Buhari regime to manage the debt crises through the adoption of debt conversion and debt securitization was largely rejected by the Paris Club. The Paris Club did not like the idea of Nigeria bypassing the IMF and dealing individually with the creditors (Olukoshi, 1998:36). These efforts did not lead to the reduction of Nigeria's debts but rather compounded the problems. Under the regime of General Ibrahim Babangida, discussions with the IMF were reopened. However the IMF indicated that further loans was to be granted to Nigeria based on acceptance of certain conditionalities. This led to the adoption of the structural adjustment programme (SAP) in 1986.

According to Olukoshi (1998), 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. However, these objectives were not achieved as Nigeria's total debt rose from US18, 034.1 billion in 1985 to US$29,282.0 billion in 1988 (CBN, 1988). Nigeria's debt crisis became stack during this period as unsettled bills accumulated and medium and short term loans which could not be serviced as at when due had to be capitalized. Babangida's approach of rolling over short term foreign trade debts, debt servicing and rescheduling agreements with creditors, and exchange rate fluctuations pushed the total debt stock further up. General Sani Abacha, who took over power in the mid-1990s, had a diplomatic crisis with most of the nation's traditional trading partners. His regime, which had also attracted sanctions from the West on account of poor human rights records, paid very little attention to debt management and debt service, especially to the Paris Club (Callaghy, 2009:3). 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 December 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.

The Obasanjo Administration and the Management of Nigeria's Debt

When the administration of President Olusegun Obasanjo assumed office in 1999, the management of Nigeria's debt, both external and internal, posed a serious challenge to the newly elected democratic government. The management of external debt was spread across five agencies located in the Federal Ministry of Finance (FMF) and the Central Bank of Nigeria (CBN). This created a number of problems in terms of responsibilities, thus making it difficult to ascertain the claims of creditors due to conflicting figures from the various bodies; complicated and inefficient debt service arrangements; and lack of coherent and well defined debt strategy for the country (Mansur, 2006:329). In response to this problem, the Debt Management Office (DMO) was established in 2000, with the primary objective of maintaining reliable database of the nation's loans and to prepare and implement a plan for the efficient management of the nation's external and domestic loans obligations at sustainable levels that would enhance economic growth and development. The government also set up several institutions to boost its image and to fight against corruption. These included the Independence Corrupt Practices Commission (ICPC), the Due Process Office, the Economic and Financial Crimes Commission (EFCC), the Nigerian Extractive Industry Transparency Initiative (NEITI). The government adopted an economic reform program known as the National Economic Empowerment and Development Strategy (NEEDS) at the federal level which was complemented by individual State Economic Empowerment and Development Strategies (SEEDS). The objectives of NEEDS were addressed in four main areas of reforms namely, macroeconomic, structural, public sector and institutional and governance reforms (Iweala and Osafo-Kwaako, 2007). Through the reforms, the Nigerian government had hoped that the international community will support its efforts to revamp and develop the economy and reduce poverty by significantly reducing Nigeria's debt.

Before 1999, past administrations had tried different approaches to management of Nigeria's debt; however most of the previous regimes had favored the approach of debt rescheduling. Through this arrangement, Nigeria was able to obtain debt rescheduling agreement with the Paris Club in 1986, 1989 and 1991. The approach of debt rescheduling did not help Nigeria much because it only led to the postponement of the payment period with resultant penalties. The Obasanjo administration also succeeded in reaching rescheduling agreements with the Parish Club, after paying about US$7 billion between 1999 and 2004. The DMO played a critical role in the re-negotiation of interest rate regime of Paris Club debt from an average of 10-13 percent to 5.3-6 percent per annum (Mansur, 2006:340). Despite the efforts of the government, the debt service of US1.8 billion in 2004 alone was more than six times the federal government recurrent budget on education (Alli, 2006:35). Even before the Obasanjo administration was inaugurated in 1999, the President had visited the World Bank to discuss how Nigeria could get debt relief (Okojo-Iweala, 2003). On assumption of office, in May 1999, President Oluesegun Obasanjo declared that the achievement of debt reduction would be an important element in his economic relations and foreign policy. To win the support of the creditors, President Obasanjo made servicing of Nigeria's debts more regular and substantial payments were made. However this did not help to endear the country to the creditor nations, as most them felt that Nigeria's debt was sustainable due to her huge oil revenue. The argument of the creditor nations was that with prudent management of resources, Nigeria could afford to pay. For instance the French Ambassador to Nigeria had declared Nigeria's debt was sustainable- 'if you compare the size of Nigeria and the debt and the country's GDP, then the debt is sustainable' (The Guardian, March 14, 2005). This did not deter President Olusegun Obasanjo, who had since 1999, began to use international platforms such as the G8, AU, Commonwealth, and UN to promote his campaign for debt relief for Nigeria. The President also held several meetings with Western leaders on the debt matter. The United Kingdom was initially opposed to any debt forgiveness for Nigeria. However the ascension into power of Tony Blair made a difference. Through the efforts of the British Prime Minister Tony Blair who called for 100 percent debt cancellation for poorest African countries, Nigeria's position was further strengthened. Through the Blair Commission, Britain, Nigeria's largest creditor, helped Nigeria's campaign when Blair became the Chairman of the G8 in 2004 and that of the EU in 2005.

Thus working in conjunction with the National Assembly, advocacy groups abroad and within the country, the Obasanjo administration was able to achieve debt relief for Nigeria. Though several pledges were made by the creditor nations to either reschedule the payment or cancel Nigeria's debts (Oche, 2006:169), the biggest achievement of Obasanjo debt relief diplomacy was the October 2005 debt deal which led to exit of Nigeria from the Paris Club as Africa's largest debtor. In his address to the nation on June 30th, 2005, President Olusegun Obasanjo declared that: *This debt relief offered to us, I am pleased and proud to say, is the direct product of our relentless and persistent endeavor over the past six years.* The total relief package amounted to an $18 billion debt write off, with Nigeria to pay off the balance of approximately $12.4 billion to the creditors over a period of six months. The summary of the deal was aptly captured by Okonjo Iweala and Philip Osafo-Kwaako (2007:12):

> As part of a tough but ultimately successful debt negotiation process with the Paris Club, Nigeria paid its outstanding arrears of $6.4 billion, received a debt write-off of $16 billion on the remaining debt stock (under Naples terms), and purchased its outstanding $8 billion debt under a buyback agreement at 25 percent discount for $6 billion. The entire debt relief package totaled $18 billion, or a 60 percent write-off in return for a $12.4 billion payment of arrears and buyback. The exercise involving the buyback was unprecedented in the Paris Club for a low-income country and was the second largest debt relief operation in the club's 50-year history. It brought an $18 billion debt reduction on Nigeria's $30 billion Paris Club debt, an overall reduction of 60 percent and a 76 percent reduction of the non-arrears portion of the debt stock; it was also the first time the Paris Club had allowed a discounted buyback of a portion of debt stock.

The debt relief was unique in many ways: first, it was the first of such exit for an African country and the second largest Paris Club debt deal ever after Iraq; second, it was granted without formal IMF programme in place; third, it was structured to enable Nigeria to secure a complete and permanent exit from the Paris Club of creditors. Instead, the IMF introduced a Policy Support Instrument (PSI) to back Nigeria's economic reform programme, the National Economic Empowerment and Development Strategy (NEEDS).

The Paris Club debt deal was not without its criticisms. As stipulated in the deal, Nigeria paid US$12.4 billion to Paris Club as part of the buy-back agreement. However, this did not go well with some stakeholders who disagreed on the prudence of such a deal. Criticisms were primarily from media, some members of the National Assembly and some Nigerians. There were accusations that the payment had not been an effective use of resources and that national funds should never have been used for payment of doubtful debts, but should instead have been used for the provision of critical infrastructure or such other development related expenditure (Alsop and Rogger, 2008:14). For instance Professor Sam Aluko argued that Nigeria gained nothing from the debt relief:

> If you pay $12 billion in one year, which the Federal Government has paid, there is virtually little or no gain because if you put that $12 billion in a bank at about 10 per cent rate of interest you get $1.2 billion in a year. In effect, we gained virtually nothing (from the debt deal). So, over the next 10 years if we (Nigerians) invested that $12 billion, we would have got about $24 billion. So, the white man is very clever. He does not loose in either way. We may feel that we gained momentarily but in the long run, we gained virtually nothing (The Comet Newspaper, July 8, 2006:4).

Professor Jeffery Sachs also agreed with Aluko when he stated that the Paris Club deal did not meet Nigeria's debt sustainability needs because poverty in Nigeria was too prevalent for creditors to demand $12.119 billion debt repayment at once (AFRODAD, 2007:31). For members of the economic management team, such critics hardly took into cognizance the difficulty of obtaining such a deal. As argued by Mansur (2006), *we had to fight tooth and nail to get this deal. It wasn't really given to us on a platter of 'gold as some people may believe, but really it involved a very big fight and sometimes we came out of this fight with blood, sweat and tears.'* Some raised concerns on the usage of the proceeds from the deal. The Obasanjo administration responded accordingly to these concerns by setting up tracking mechanisms to monitor the debt relief funds. One of the key tracking mechanisms that was set up for monitoring the use of debt relief was the virtual poverty fund (VPF) also called Oversight of Public Expenditure in NEEDS (OPEN). This mechanism was used alongside the budget to report on the nature of debt relief expenditures. A VPF is a coding system within an existing budget classification structure that enables the tracking of poverty-reducing spending. Such a scheme does not involve the setting up of separate institutional arrangements, but rather creates a set of budget codes that labels a portion of government expenditures as poverty-reducing, funded by debt relief, or both. An automated accounting system is then required to report the relevant aggregates.

The DMO has noted that the impact of the debt deal with the Paris Club made Nigeria's foreign debt stock sustainable (Mansur, 2006:336). For instance, in terms of standard debt sustainability ratios, the net present value (NPV) of external debt stock as a percentage of gross domestic product (GDP) fell from 51.4 per cent in 2004 to 4.8 per cent in 2006. The net present value (NPV) of debt to government revenue also fell from 412.0 percent to 16.1 percent over the same period. Also, the present value of debt to exports fell from 15.9 per cent to just 15.7 per cent. Debt service as a proportion of government revenue fell from 20.1 percent to 8.7 percent; debt service as a proportion of government exports fell from 7.4 percent to 2.1 percent (Mansur, 2006:337). The reduction in Nigeria's debt stock, and the corresponding reduction in foreign debt servicing, freed up critical resources needed for sustainable development. Government was able to save US$1 billion a year- with US$750 million in savings for the Federal Government, and a sum total of US$250 million to the state governments. The savings, which was referred to as 'debt relief funds', was channeled into critical sectors and projects such as provision of 4000km of rural roads, 166 new primary health centres across the country, 400,000 insecticide-treated bed nets, a million doses of anti-malarial medicines, and training of 145,000 teachers amongst others.

In the Budgets of 2007 and 2008, additional expenditure of US$750 million on poverty reducing programmes and projects ensured increased spending on core social infrastructure. Attention of the government was also turned to provision of safety nets for the people. The National Poverty Eradication Programme (NAPEP) received the sum of US$75 million to fund Nigeria's first comprehensive social safety net scheme. A further US$150 million was put aside to increase the resources available for basic services at the local government level. The managing the debt relief was designed such that a conditional grants scheme allowed for both federal funding of MDG-related projects at the state level, and through a matching component, leverage some of the US$250 million of state debt relief towards MDG-related projects. The flexibility of the virtual poverty fund (VPF) made such innovations in public expenditure management possible. The Presidency argued that the aim of the debt relief was not to provide additional funds to particular sectors only, but rather act as "an entry point for improvements in the way government worked at all tiers that would reinforce and introduce initiatives … and then scale up the successes to the wider budget envelope" (Presidency of Nigeria, 2007).

The Challenges of Emerging Debts after Obasanjo Administration: A Case for Prudent Management

While it can be argued that the Paris deal freed some resources needed for national development, the failure by successive administrations to address the issues of integrity and accountability gap has plunged the nation into a new wave of debts, both internal and external. In his address to the nation on June 30, 2005, President Obasanjo provided a succinct explanation for Nigeria's debts. According to Obasanjo:

> Fellow Nigerians, how did we get to the point where our debt burden became a challenge to peace, stability, growth and development? Without

> belabouring the point we can identify political rascality, bad governance, abuse of office and power, criminal corruption, mismanagement and waste, misplaced priorities, fiscal indiscipline, weak control, monitoring and evaluation mechanisms, and a community that was openly tolerant of corruption and other underhand and extra legal methods of primitive accumulation.

Despite its celebrated exit from indebtedness with the Paris Club deal, the Nigerian government is returning to unnecessary indebtedness to external creditors including the World Bank and recently emerging economic powers such as China. In 2007, the government announced that it had received new loans of up to $2.3 billion since the return to civil rule in 1999. Apparently concerned by the new wave of external borrowing, the House of Representatives, on 23 July, 2009, cautioned the Federal Government to stop further external borrowing after it was made known that the country had secured another $195 million loan from the World Bank, bringing Nigeria's external debt stock to $3.7 billion. The World Bank Country Representative in Nigeria, Onno Ruhl had in April 2009, pointed out that more loans was being sought by the Nigerian federal government to cushion the effect of a deficit in the 2009 budget. The Minister of Finance had forecast that the budget deficit would reach 3.02 percent of gross domestic product in 2009. This had been blamed on the global economic crisis brought about by the collapse of the US financial market. While it is understandable that the global financial crisis is a global problem, it requires individual nations to adopt prudent economic management to secure their domestic economies. But rather than take concrete actions to strengthen Nigeria's weak economy occasioned by years of neglect, as well as weak financial control, the ready alternative has been to continue borrowing as a way out of the crisis. Indeed the federal government had been borrowing long before the onset of the financial crisis. After the exit from the Paris Club, government became rather better at concealing the facts of new borrowing from the public. For instance the summary below from the DMO provides us with a picture of the external debt outstanding by economic stock in 2009.

Table 1 External Debt Outstanding by Economic Sector as at 30 June 2009

Amount in USD Millions

Economic Sector	Amount	% of DOD
Agriculture	536.82	14.46
Air Transport	5.32	0.14
Education & Training	318.82	8.59
Electricity	145.25	

03.91	
Energy - Elec. Hydro	206.84
05.57	
Energy – Gas	26.62
00.72	
Energy (Electricity)	74.87
02.02	
Environment	177.18
04.77	
Fishing	0.00
00.00	
General	47.66
01.28	
Ground Transport	49.20
01.32	
Health & Social Welfare	635.45
17.11	
Housing & Urban Develop.	73.63
01.98	
Industrial Development	20.42
00.55	
Investment	16.71
00.45	
Irrigation & Related Act	58.71
01.58	
Manufacturing - exc textile	10.01
00.27	
Monetary Policy	55.96
01.51	
Multisector	32.93
00.89	
Other	182.44
04.75	
Rail Transport	1.99
00.05	
Road Transport	204.47
05.51	
Rural Development	56.64
01.53	
Scientific & Tech Equip.	206.54
05.56	

Telecommunications	106.84	02.88
Water Supply	467.94	12.60
Total	**3,719.24**	**100.00**

Source: Debt Management Office (2009)

With the acquisition of new debts, debt servicing is gradually reemerging as a burden on both the federal and state governments. In terms of external and domestic debt service revenue ratio, some states have had to submit a large proportion of their allocation from the federation account. In 2007, Cross River State suffered a 10.40 percent deduction from its gross federation account allocation to external debt service. Oyo State had a deduction of 8.84 percent, Lagos State 7.78 percent, Nasarawa State7.05 percent and Akwa Ibom State 5.88 percent. In actual monetary terms, the deductions amounted to $2.2 billion for Lagos State, $2.07 billion for Oyo State, $2 billion for Cross River State, $1.2 billion for Nasarawa State and $1.19 billion for Akwa Ibom State. According to the Debt Management Office, the total debt service payment by Nigeria to external creditors in 2007 was $3.186 billion.

The situation does not seem to be abating as observed by House of Representatives, which in March 2012, asked President Goodluck Jonathan to submit a proposal to peg the debt limit. Records from the DMO has shown that domestic debt, comprising federal government bonds, Nigerian treasury bills and treasury bonds stood at N5,622,843,712,000 (Daily Independent, Friday, March 30, 2012). The House of Representative had pointed out that Nigeria's total debt stock stood at N13 trillion, yet Nigeria had not set up a ceiling for its borrowing. These concerns were raised against the background of President Goodluck Jonathan's request to the National Assembly in March 2012 for approval to engage in external pipeline borrowing of $7.9 billion a year, being cumulative facilities offered by the World Bank, Development Bank, Islamic Development Bank, Exim Bank of China and Indian Lines of Credit. Though the House of Representatives had expressed deep concern about the growing debts, they also pointed out the failure of successive Administrations since 2007 to implement the Fiscal Responsibility Act of 2007. According to Section 42 (1) of the Fiscal Responsibility Act 2007:

> The President shall within 90 days from the commencement of this act and with advice from the Minister of Finance subject overall limits for the amounts of consolidated debt of the Federal, State governments pursuant to the provisions of items 7 and 50 of Part I of the second schedule of the constitution and the limits and conditions approved by the National Assembly, shall be consistent with the rules set in this act and with fiscal policy objectives in the Medium Term Fiscal Framework.

As a result of non-compliance with the Act by various governments since 2007, Nigeria has been borrowing without limits. Various countries set limits for themselves with a view to managing their countries debt burdens. For example, the USA has a debt limit of $14 trillion, where it has to exceed this ceiling; it has to revert to Parliament (US Congress) for approval. The Guardian Newspaper on 11 January 2012, had declared that 'over five years after the debt relief deal, Nigeria presently finds itself in another rising debt profile,… even as experts continue to raise concerns over the Debt Management Office (DMO) position that the country's current debt position is still sustainable'. While Nigeria had argued that its debt stock of debt amounted to about $46.6 in 2004 was not sustainable, the debt management office has argued that the present debt of the country is sustainable. Similarly, the Minister of Finance, Dr. Okonjo Iweala had also declared that Nigeria's debt-to-GDP ratio was currently 20 percent and the government had set a ceiling of 30 percent, which is below the highest International standards of 60 percent. What is clear is that despite efforts by the Obasanjo administration to ensure that Nigeria exit from indebtedness, the succeeding administrations seem to have returned to the era of borrowing thereby plunging Nigeria into another debt trap.

CONCLUSION

Debt relief as pursued by the administration of Chief Olusegun Obasanjo was indeed a departure from the approach of former regimes to the management of Nigeria's debt. The Obasanjo administration did not only make it a priority, but the President was personally devoted to the course until debt relief was granted. We cannot but agree with former President Olusegun Obasanjo who observed in 2005 that what plunged the nation into debt crisis is the poor management of the country's resources, mismanagement as well as misuse of the borrowed funds. While the Obasanjo administration had recognised these and made concerted efforts to reverse the negative trends, the re-emergence of borrowing by successive administrations after Obasanjo does suggest a return to the era of debt with its debilitating effects on the country's development. We therefore conclude that unless the government addresses issues of integrity and accountability at all levels of government, the nation will not be able to prudently manage its resources and hence, debts, both internal and external.

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