Journal of Policy and Development Studies, 13(1)2021,53-62

An Open Access Journal
• ISSN: 0189-5958

ARABIAN GROUP OF JOURNALS

Journal of Policy and Development Studies

JPDS Journal Pol Dev Studies

Research Article Homepage: www.arabianjbmr.com AGJ

INTERESTS OF EXTERNAL CREDITORS AND SOCIO-ECONOMIC DEVELOPMENT IN NIGERIA THROUGH FOREIGN LOAN (1980-2019)

Nwagbo, Samuel N.C.
Department of Political Science, Nnamdi Azikiwe University, Awka Nigeria. Email: snc.nwagbo@unizik.edu.ng
Oddih, Mike C.
Department of Political Science, Nnamdi Azikiwe University, Awka, Nigeria. Email: mo.oddih@unizik.edu.ng

ABSTRACT

This study investigated how external factors like the creditors' national interest, conditions and policy designs of the creditors through IMF and foreign loan procurement and disbursements processes hindered utilization of foreign loan performance and how aggravate socio-economic underdevelopment of Nigeria. This study adopted modernization theory and engaged descriptive method of data analysis in interrogating literature and data gathered through secondary sources. In other words, it was a qualitative study. The findings revealed that foreign loan has not performed optimally in Nigeria as a result of many factors including especially profit-making motives of the lenders, adoption of external policies of IMF and conditions for execution of the borrowed fund. Sequel to this, it is recommended that Nigeria's socio-economic peculiarities should be considered while designing and adopting any externally designed policy. Secondly, while engaging in foreign loan government should consider and where possible negotiate for loans that gives the country the flexible opportunity to procure equipment and contract personnel that will execute the intended project from any country where the opportunity cost is better Also, Nigerian government should consider seriously sourcing for fund internally and developing according to her capacity than depending majorly on foreign loan that has become source of capital flight and socio-socio-economic challenges.

ARTICLE INFO

Keywords:
Socio-economic, development, Foreign loan, Nigeria

Article History:
Received: 11 Jun 2021
Revised: 19 Jul 2021
Accepted: 21 Aug 2021
Available Online: 10 Sep 2021

1. INTRODUCTION

Nigeria like many other third world countries are confronted with development challenges since independence. Effort of every government since then has been how to address this. This effort has not yielded expected results as a result of paucity of fund. In view of this Nigeria adopted foreign loan as part of her foreign policy with intention to garner enough resources to solve these challenges. However, it became a heavy development burden that more resources are spent on servicing and repaying the borrowed fund. Nwozor (2009) unveiled that Nigeria has borrowed \$13.5billion and Muhtar (2004) added that cumulative of \$35.09 billion has been paid as service charge and \$32.91 billion was still owed as of 2003 while it stood at \$35 billion in 2005 before Nigeria existed bilateral and private debts in 2005 and 2006 respectively. Nigeria under pressure of the developmental setbacks associated with foreign loan during President Obasanjo's administration in 2005 paid about \$12 billion to Paris Club under debt relief package and got \$18 billion debt relief from them. Thereafter in 2006 paid London Club of \$2.4 billion and was left with \$3.5 billion Multilateral debt. The socio-economic implication of such payments for a developing economy like Nigeria is unimaginable. Surprisingly as of 2019 the country had foreign debt of \$29 billion without corresponding socio-economic growth to show for it. The state of the critical socio-economic sectors like Health, Education, Power, Roads (transport), Labour (employment) etc are still at delipidated and unharnessed stage. Notwithstanding, poor performance of foreign loan over these years, foreign creditors and nations are still advancing foreign loan to Nigeria. The simple explanation to this is that foreign loan is not given for the sake of solving internal socio-economic needs of the borrowing nations like Nigeria rather to promote national and socio-economic development of the lenders. However, the lending nations always argue that they support development in the developing nations through foreign loan and hence, encourage them to borrow more.

1.1 Conceptual Discourse

1.1.1 Foreign Loan

The concept of foreign loan has been a consistent discourse in international relations since the end of the Second World War due to financial needs of many countries to address socio-economic fallouts of the war. Internal economic, social and political structures of many countries that engaged in the war were destroyed or drained to the extent that they could not afford to undertake developmental projects and programmes. The need for financial assistance from other countries became inevitable (Nwagbo, 2012). Thus, foreign loan as international economic relation started primarily to rebuild and revamp struggling economies and help stable ones to accomplish better economic development to alleviate human problems. Also, the need for foreign loan became pressing at the dawn of the 1960s, when many third world countries especially African states got their independence. These newly emerged (independent) countries were in serious need of financial help to revolutionize their economic, social and political sectors. The quest was necessary due to grave need of basic infrastructures to improve conditions of living in such societies and desire to catch up with the developed countries.

Nwoke (1990) sees it as a financial assistance given to a country by another country or countries, international organization(s) or private co-operations with some conditions attached and agreed time to pay back. This implies that foreign loan is not a charitable assistance rather an economic relation with anticipate mutual benefit to all the parties involved. This is a vital aspect of foreign loan which the Nigeria government and other developing countries have not been able understand. This makes their engagement and utilization of borrowed fund poor and ineffective. Foreign loan is different from grant which is a humanitarian support to a country by other country or countries, international private or multilateral organization(s). Aja (1998, p.210) argues that it is not out of sheer generosity that advantaged nations extend loan to the needy nations. It is because they are more mindful of certain political, economic, technical and military interests than moral. Agreeing to this, Offiong (1980) holds that foreign loan is no act of altruism, and that it is a design to promote donors economic interest around the globe. Nwoke (1990) added that foreign loan is not made on altruistic emotions; the overriding aim is to yield profitable returns to the western money-lenders. Therefore, the hope of raising living standards of the people of a borrowing country like Nigeria, through foreign loan, is doubtful, especially in view of the abundant evidence that most of the benefits from foreign loans currently accrue to the foreign lenders and the few well-placed nationals in the debtor-country who have a hand in executing the loans.

Contrary to these scholars' views, Papanek (1972, 1973) argues that foreign loan stimulates savings thereby engendering development. Stern (1974) opines that foreign loan has positive impacts on developing countries. There exists a positive relationship between economic development and foreign loan as it compliments domestic resources and supplements domestic savings (Mahmoud, 2014). Nwagbo (2012) adds that resources to meet up with human needs have been scarce and limited. This has placed Nigerian state in continuous strives to meet up with the needs of their citizenry. One of these includes borrowing from nations, notwithstanding that this act of borrowing has not really proven its objectives to be true in consideration of the experiences of the Third World countries that have been deep into this practice for more than five decades now and nothing to show for it. Ibeh (2014) maintains that after independence Africa was in a serious quest to develop every sector of her economy to catch up with her erstwhile colonial masters. In effort to achieve this, in midst of scare financial resources, she started relying on funds from external sources (with some conditions attached). Pallage & Robe (2001) and Mahmoud (2014 p. 167) aver that "in the less developed countries, foreign assistance plays an important role as another means of income at an average of 12.5% of the gross domestic product and a source of external income". However, multi-lateral loans seemed to be in insufficient supply, which made governments of African states to start accepting loans from private foreign financial organizations not minding its high dependence on market mechanisms which is full of high risk, high transaction cost and imperfect information. In line with this, Abubakar (1990) surmises that foreign loan helps to supplement the recipient country's domestic resources and thereby facilitate its development process. According to UNCTAD (2015), international finance can play an important role when domestic funding is not available or is insufficient, particularly when a country is in need of foreign exchange to import capital goods and production inputs beyond what it earns through its exports of goods and services. This limitation is usually the justification for borrowing especially when domestic (private) institutions cannot generate the needed resources, state resorts to external help. Abukakar's argument made foreign loan an inevitable need of intending developing countries. However, they did not actually consider the likely economic or development challenges associated with foreign loan which borrowing countries should be careful about.

However, Nwoke (1990) further argued that it is an organized international credit with terms and conditions attached. This makes it national interest infested, especially on the side of the lending nations which the borrowing nations must be careful about. This loan is usually with interest and conditions which both countries and parties involved must agree upon. For foreign loan transaction to be effective both parties involved must have a need for each other's services and interest which each is guaranteed to meet. In other words, foreign loan has a business-like outlook. The lender has some expected profits to derive from such loan while also the receiver has expected advantage to make out of the loan too. These expectations can be political, economic, cultural or otherwise. Poor performance of foreign loans over many decades now portrays that borrowing countries do not understand intricate measures of foreign loan as the lenders understand it. This explains why the lenders benefit from it, whereas the borrowers are always crying woes. It has become a serious draw back to socio-economic development of developing countries who ventured into it as a result of meagre or limited resources. Instead of experiencing economic boom, developing countries meagre resources are sapped the more. In today's experience, the lender countries are usually the advanced industrialized countries of Europe, Asia (Japan and China), and North America, while the borrowing countries are the poor, underdeveloped countries of the Third World found within Africa, Asia and Latin America. This disposition puts the receiving nation(s) in struggle to see that the loan obligations are met in order to avoid harsh and economic destructive sanctions from the super powers. The inability of the third world countries to approach foreign loan as business and then invest in sectors that can reproduce it has actually been bane for its colossal failure in the sub-Saharan region of Africa.

According to Olukoshi (1990), foreign loan has become a serious foreign policy instrument which the developed nations are engaging in recent time to dominate, manipulate and exploit socio-economic system of the weak but richly endowed states for the benefit of the former. These states have become sources of mineral resources for their raw-material needs, markets for their finished goods and avenues for financial enrichment through payment of penalties, interests and accumulated debts associated with foreign loan. Therefore, granting of foreign loan from decades of experience has shown that it is difficult to enhance development rather a deliberate foreign policy design to recolonize (neo-colonialism) and manipulate weak states. Albert (2011) maintains that if not for national interest, there is no justifiable reasons developed nations should be consistently rolling out billions of dollars in form of foreign loan, whereas by their own evaluations, the receiving nations who are mostly underdeveloped have visible indices that portrays that these monies will not yield any positive outcome. Even, in the midst of this negative scenario, they go on to grant them loan. This action suggested clearly that foreign loan is a mechanism for modern economic slavery and re-colonization. Foreign loan output over the years hardly justify humanitarian intentions attached to it by the lenders and international agencies. In his own contribution, Arnold (1979, p. 72) asserts that it is now a big business, whether it solves problems of development is another matter. Every year a mass of statistics is published to demonstrate the quantity and kind of capital flows taking place. All too frequently, however, the relevant questions about development are not raised: sometimes because those who are interested to do so, have been so inundated with facts and figures that they can no longer put these aside and see what is happening in reality; and at least as often, because foreign loan has become a business in which the main protagonists have a vested interest in ensuring that these questions are not asked (Arnold, 1979). Hence, it ensures the penetration of these countries (economy and politics) and in the process it also perpetuates or attempts to perpetuate the dependency of the periphery on the centre (Alli-Balogun, 1990).

Arnone, Bandiera & Presbitero (2005) described external debt as that part of a country's debt that was borrowed from foreign lenders including commercial banks, governments or international financial institutions. Udeh, Ugwu & Onwuka (2016) assert that external debts are funds sourced from outside a nation's border usually in foreign currency and is interest- bearing, to finance specific project(s). In International economic relations, foreign loan describes the financial obligation that ties one party (debtor country) to another (lender country). It is usually referred to as incurred debt that is repayable in currencies other than that of the debtor country. In principle, external debt excludes short term debts such as trade debts, which mature between one and two years, or whose repayment would be settled within the fiscal year in which the transaction is conducted. External debt may be incurred through a number of transactions, such as trade, contractor-finance, supplier credit, private investment and public borrowings (Nwoke, 1990). In this regard, foreign loans are classified into two i.e. reproductive loan or debt and dead weight loan or debt. When a loan is obtained to enable the state or nation to purchase some sort of assets, the debt is said to be productive e.g. money borrowed for acquiring factories, develop electricity, and build refineries etc. The expected output or productivity of the loan is not only to service itself but overtime to enhance stability and growth of the economy. However, loan undertaking to finance war and expenses on current expenditure are dead weight debt. It does not contribute directly in producing economic gains that will enable it service itself or produce profit that will help to pay back itself or stabilize the economy at the long run. This type is more social than economic (Ajayi & Oke, 2012, Nwoke, 1990) and contribute greatly to foreign debt and debt burden problems.

1.1.2 Socio-Economic Development

Socio-economic development is an aspect of development that perceives development from the view point of social and economic development. It is concerned with the relationship between social and economic factors within a given society. It believes that development is not comprehensive if it has not added any value to human needs. It overlooks econometric projections and statistical presentation of development without establishing how that has impacted well-being/welfare of the citizenry. It is a progression in human, social and economic lives which is primarily targeted to end poverty, unemployment, hunger, ignorance, diseases, premature death, inequality, man exploitation by man; and development of basic infrastructure (schools, roads, pipe borne water, industry, transport and electricity facilities) to improve human empowerment, job creation, equality and justice. Therefore, human development is the epicentre on which socio-economic development revolves. Kande (2005) added that the impacts of socio-economic development are seen in changes in laws, physical and ecological changes, human interactions, social stability and active participation in public activities. In this view, Gbosi (2001) reveals that socio-economic development entails ability of any given economy to provide goods and services, increase its development and capacity and provide infrastructure. Socio-economic development however differs from the perspective of the liberal school of thought who emphasize on physical development as being sine qua non to socio-economic development. Development to the Liberal school of thought is associated with growth and changes in economic outlook therefore determined by the GNP (Gross National Products) as associated with capital accumulation and industrialization. In this instance, development means a national economy whose initial economic condition has been more or less static to generate and sustained an annual increase in its Gross National Product (GNP) at rate of 5-7% or even more (Eghweree, 2015; Todaro & Smith, 2009). Kuznets (1963) argues that development required high rates of growth per capita Gross National Product (GNP) of population and of total factor of productivity (especially labour productivity). Many countries especially the developing countries including Nigeria have pursued this with vigour, even to the extent of attaining the proscribed GNP point without any real development attained in respect to changes in human life and value. There may be increase in number of cities, industries, institutions, few millionaires and etc. but the real essence of development which is ending poverty and enhancing human empowerment among the majority of the population is not achieved. This is growth without development (Offiong, 1980).

Dependency theorists deposit that the real essence of development encompasses more than the material and financial side of life, physical structures, concrete streets and statistical permutations. Hah (1970) asserts that we were taught to take care of our GNP as this will take care of our poverty but this has failed us. The reverse is the case, so let us take care of our poverty as this will take care of our GNP. Richard & Ghazi, (1988) maintain there are a number of problems which one encounters while using per capita income as a measure of development and hence, though convenient, income is not a very satisfactory measure of development and at best it can be taken as one of the component or indicators of development. Income is not evenly distributed among the social class. Therefore, increase in GNP may not primarily mean development, because the assumed growth may end up in the hands of few economic and political elites without trickling down to general citizenry of such economy. Ingrid (2016) opined that for growth to be pro-poor and developmental, substantial parts of the investment generally need to be targeted to employment-generating sectors. It is unfortunate that all arguments, policies, assistances and loans borrowed for the purpose of development have not been able to address development problems in Nigeria, because poverty and people's needs have not been focused on, rather implementation of externally influenced policies that do not understand and focus on the real needs of the poor (Nwagbo, 2012). Okereke & Ekpe (2002) worried that statistics, graphs and tables are presented to show economic growth and possible socio-economic stability with all manner of favourable future predictions; still poverty, poverty-oriented crises, youth unemployment, high death rate, and increase in spread of diseases are prevalent and disturbing. Socio-economic development can only be said to have been achieved or improving when these issues are being curtailed or eliminated within a society or country.

2. THEORETICAL FRAMEWORK

The Dependency theory was adopted in this paper as a better theoretical proposition to justify its discourse. The theory argues that development should be internally driven among the people and not externally propelled. Development is accomplished when the basic needs of the people like unemployment, poverty, sickness, disease, injustice and etc. are being addressed. Development is not and should not be measured by statistical and abstract propositions that do not reflect and solve problems of the populace (Kambhampati, 2004). Dependency theory also asserts that problem of underdevelopment in the third world countries is as result of external factors that negate internal conditions of the third world countries. This is against the view of the modernization theorist that submitted that internal compositions and practices of the third world countries are responsible for their underdevelopment and they should adopt western (external) policies, theories and practices as a model for their development. It is only by this can development be attained. Amadou (2007) emphasised otherwise that development entails ability of a country to direct its affairs without external influence. When a country still depends squarely on the economic and political policies of other countries to survive such country's development is questionable, because it is bound to crumble any time such other countries are having socio-economic problems. Development includes ability to pilot your affairs without recourse to external dictates. Dependency theorists maintained that human development should be the epicentre on which development should revolve. Target of development should be to end poverty, ignorance, diseases, premature death, human exploitation by man; to improve human empowerment, job creation, equality and justice (Ake, 1981 and Rodney, 1972). According to Okereke & Ekpe (2002, p. 11) "if poverty, unemployment and inequality have declined from high level, then beyond doubt this has been a period of development for the country concerned. If one or two of these central problems have been growing worse, especially if all the three have, it would be strange to call the result development even if per capita income doubles". Development to this theory is more than just acquisition of industries, but includes such ideals like rise in productivity, social and economic equalization, modern technical know-how, improved institutions and attitudes, justice, aggressive end to poverty, unemployment as well as rationally coordinated policy apparatus (Eghweree, 2015). Therefore, relying on external source of fund for economic development would not enable the intended goals. The external forces as dependency theory asserts would not allow that, rather it would jeopardize the socio-economic sectors of such country the more to enable it manipulate them for its national interest.

2.1 Promotion of National Interest through Foreign Loan by the Lenders

It is a pathetic thing in Nigeria that up to 80% of public loans are channelled out of the country as private assets through capital flight and other illicit deals. It is therefore imperative to keep in mind when analysing capital flows to sub-Saharan Africa that there is always the very real risk of capital flowing back out again through illicit channels. In fact, UNCTAD finds that the continent as a whole lost about $854 billion in illicit flows from 1970 to 2008, which is approximately equivalent to all ODA received during that period. In 2015 alone, Sub-Saharan Africa lost 6.1% of GDP to illicit financial flows. The African Development Bank and Global Financial Integrity estimate that illicit flows are the main driver of the net drain of resources from Africa (Ajayi and Khan, 2000; UNCTAD, 2016; Kar and Spanjers, 2015; and Ingrid, 2016).

This simply supports the argument that foreign loan and associated assistance are pure business in disguise and will not really help to trigger development in the developing countries as usually argued. Abubakar (1990) added that the sovereign lending boom of the 1970s was encouraged by western government because it served an even grander geo-political objective, preservation of market and distribution and recycling the world's financial capital. Olukoshi (1990) in support argues that external creditors actively encouraged and continued to encourage borrowers to borrow externally to execute projects even when they are of doubtful viability and are known would cause the country financial hardship just for the purpose of their selfish interest. Foreign loan is just an instrument to make the receiving countries lazy and reduce capacity to think of developing other sources of income generation to sustain and advance their economies. Also, it makes them to depend largely on the policy designs and desires of the lending countries without serious considerations of impact of such policies on the overall interest of their countries over time. Immediate interest is usually considered which is to receive available fund whereas overall and long-term implication is seriously underplayed. Therefore, these assistances whether private or public, loan or aid keep promoting and achieving one thing which is to keep developing economies as apron string of the developed capitalist economies. In view of these imperialistic tendencies, foreign loan has become a neo-colonial instrument to keep developing nations perpetually subjects to the capitalist economies as a source of raw material both financial, human, material and otherwise. Outflow of capital from Africa is alarming. This keeps the continent in a continuous need of fund. The lenders of fund turn in the dark (background) to collect the fund back and kept the continent under protracted debt crisis (Offiong, 1980). Foreign loan has not only been used to bring immediate profits to the lenders, it has also provided support for other forms of economic penetration such as markets, investment opportunities, acquisition of natural resources. It now serves as instrument of diplomacy to widen the lending nation's sphere of influence.

Olukoshi (1990) opines that as a result of the debt problems, the Third World has suffered a net outflow of capital to the detriment of domestic economic growth. From 1983 to 1996, the major borrowing countries of Africa, Asia and Latin America suffered a net outflow of $107 billion; and an estimated $26billion in 1997 (Aluko & Arowolo, 2010). Nigeria for instance received debt forgiveness in 2005 which saw its external debt fall from $35b billion in 2005 to $3.5 billion in 2007 (DMO, 2007). In the wake of debt relief, Nigeria was again in a position to borrow internationally. International institutions willingly lent to Nigeria. It is surprising how a country that just came out of debt burden could be easily be allowed to borrow again immediately from the same lenders who have expressed concern over level of development and rate of poverty in Nigeria and among Nigerians respectively. It was a simple process of entrapping the country into a cycle of debt burden and development crisis. Nigeria under Obasanjo regime worked hard to stabilize the economy but foreign debt burden and demand for its payment was always used by the lenders to manipulate it and held the economy at a standstill. Magalasi (2018) avers that between 2007 and 2019 Nigeria has borrowed $29 billion externally again. However, over the same period, Nigeria paid $7 billion in service charge, leaving the economy in a very bad state. Unemployment rate has risen as high as 38% and poverty rate above 40%. One then wonders the essence of foreign loan, if for more than five decades it has not been able to add anything meaningful to the development of Nigeria rather development struggle, all in the name of debt, debt rescheduling, debt servicing, debt buy back and debt pay back.

2.2 Imposition of Conditions and Policies by the Creditors/Lenders

Lenders always strive to impose their ideas on the Third World countries with the view to ensure that their funds are paid back as agreed without any excuses. This contradicts and undermines sovereignty of these nations. It is an outright show of superiority and neo-colonialism in manifestation. The IMF and World Bank have consistently insisted on close supervision of the implementation of their stabilization plans by the Third World governments and, in many cases, this entailed implanting officials from both institutions in the central banks and finance ministries of the developing countries. This can be described as new colonialism (Olukoshi, 1990). Fajana (1990) added that western creditors and agencies have engaged in whole lot of efforts to ensure that Nigeria adopted IMF economic stabilization and debt management programmes which were usually contrary to the existing domestic financial and monetary system. He went further to unveil that IMF and World Bank use the carrot of the various loans at their disposal to encourage debtor countries that are prepared to adopt their stabilization programmes and the stick of a wholesale international financial boycott to frighten those that may not be ready to adopt and implement their particular type of adjustment policies. Theref (Fajana, 1990 p. 82). These institutions capitalized on unorganized socio-economic system of Nigeria, corruption and weak institutions etc. as reasons for their actions. They argued that if the government of Nigeria is left unmonitored, borrowed loans will surely end up unproductive and unrepaid. They went further to allude that efforts should not only be made to make fund available in form of loans, but serious actions should be taken to ensure that these loans are put to use, serve its purpose, produce adequate profit to service and pay back itself without recourse to further foreign loans or unnecessary financial struggle that impedes development. Surprisingly, Nigeria never borrowed from IMF and it was least expected that IMF will have such strong hold on her economy. Nwagbo (2012) and Ezenwe (1993) clarified that IMF was not initially part of Nigeria's borrowing processes and Nigeria did not borrow from it. However, after 1980s world economic crisis, debt profile of many Third World countries including Nigeria began to rise tremendously that the creditors became afraid of recovering their money and its yielded interest. There was also obvious abysmal failure of the most of the loans (projects) to repay back itself and accumulated interest. The outcome prompted the creditors to bring in IMF in the picture as a mediator to recover back their money. IMF introduced what it tagged stabilization policies to limit spending power of governments of the debtors' countries on their citizens and economy in order to save enough to pay back their debts. Structural Adjustment Programme came as a policy to reduce spending capacity of Nigerian government and curtail social responsibility to her citizens in order to save enough money to settle her creditors. This action typically affected the poorer members of society disproportionately hard in a bid to save enough to pay off mounting foreign debts. This explain why IMF could not and have not achieved its stabilization and development policies in Nigeria and other African countries.

One of the main content of the IMF-SAP policy to Nigeria is devaluation of naira. This has made value of borrowed fund to grow outrageously high when translated to naira. For instance, the devaluation of naira on the advice of the IMF forced the Nigerian currency (Naira) to make a downward swing in 1986. This is more than doubled the outstanding external loan from its previous N18.5 billion in 1985 to N30.6 billion in 1988, it grew to $33.7 billion in 1991. It affected Nigeria's debt servicing capacity, and also exaggerated the external debt burden of the nation. Nigerian currency since then has not in any way stabilized rather it keeps nosediving almost on yearly basis. Initially in the late 1970s and 1980s when much of these borrowings were made, Naira was more valuable than dollar, later dollar came at par with naira. When these loans were due for servicing and repayments dollar has become 100 to 200 times higher than naira. Presently (2019) dollar is officially exchanged as high as 360 and higher in the open/black market. This has serious implications on the economy and repayment of these loans and growth to debt burden. It affects budget and budgeting, contributes to poor purchasing power of Nigerians, leading to underemployment and unemployment as government and public sectors are limited in their capability to confront these socio-economic problems. Prices of goods were likewise increasing especially imported goods, locally made goods worth nothing again in the international market, cost of production became too high. Nigeria lost between $4 billion and $5 billion within 2002-2004 due to naira depreciation (Guardian Wed, April 21, 2004). For instance, Nigeria's debt stood at $22.1billion 2018, $18.9billion in 2017, $11.4billion in 2016, $10.7billion in 2015 $9.7billion in 2014, $8.8billion in 2013, $6.5billion when translated into naira these give #6.8trillion, #5.8trillion, #3.5trillion, #2.1trillion, #1.6trillion, #1.4trillion, #1.01trillion respectively. These volumes of funds are not healthy to local economy rather lubricating the economy of the lender. Therefore, addressing basic needs and attracting meaningful development becomes difficult. Furthermore, the policy encouraged retrenchment of workers by the government and this has pushed many workers into the highly saturated labour market in search of means of livelihood. The outcome of this IMF policy is social and security crises of all sort bedevilling the nation. Ferraro & Rosser (1994, p. 5) insisted that devaluation brought high cost of living as a result of lack of financial capacity to purchase meaningful things of life by the citizenry. Citizens receive their wages but cannot use it to secure good living. Goods are expensive, cost of production is high and exchange rate is high. Anyanwu, Oyefusi, and Dimowo (1997) emphasize that structural adjustment programme did not emphasize on human development thereby aggravated socio-economic problems of income inequality, unequal access to food, shelter, education, health and other necessities of life. It ended up aggravating poverty especially among the vulnerable. 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. Abubakar (1990) warmed that a debt-ridden country should resist any appreciable depreciation or devaluation of its currency, for that will worsen its debt burden.

The monitoring has achieved forceful imposition of policies of the lenders which have not helped economic advancement of Nigeria and other Third World countries. For instance, in 1992 Paris club arrangement for debt relief failed because Nigeria could not return to democratic rule (Udoka and Anyinggang, 2010). Debt relief became a carrot approach to impose democratic ideology on Nigeria. The failure of the country to meet up with this was not justifiable enough to cancel the planned relief without any considerations for the suffering of majority of Nigerians who know nothing about this deal. The primary interest of the Paris Club was promotion of western ideology of democracy not salvaging of humanity who are under chronic poverty and unhealthy living conditions as a result of effects of Nigeria debt crisis. Nigeria later translated to democratic governance in 1999. The civilian government then 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 (Ubani, 2005). For instance, Obasanjo aggressively engaged in debt deal to save Nigeria's economy from total collapse. The IMF policy implementation was a condition given to him for any attention and help in that regard. The IMF President Kohler told Nigerians in Abuja in July 4, 2000, that unless IMF policy is implemented, "your President's objective to get debt relief for this country may not work. My advice to this country is to do it on the basis of trust and definition of good policy here in Nigeria. If this is done, I am quite confident that the international community, particularly the bilateral creditors will be open to those talks and hopefully, a good outcome on the interest of Nigeria".

One should then ask; what policy is good policy? This is simply IMF-SAPs policies, and if Nigeria refuses to adopt it for the interest of her economy, her creditors will not give her listening ear. What is relationship between debt settlement deal and IMF policy that was not part of loan agreement as of the time it was contracted? This shows that loan and its debt burden, is a policy to hold Nigeria at rampage and manipulate its economy. President Obasanjo out of frustration lamented, these people have been holding a sword over us and more or less keeping us in slavery. Okonjo-Iweala (2005) revealed that before you get debt relief you have to be on an IMF programme which is a tough one. They have to monitor your level of compliance and vet whether you are doing the right things before the creditors will look at you. The government pursued the reform programmes with doggedness and tenacity. Foreign loan and its debt crisis by experience in a country like Nigeria, is an imperialistic approach to promoting political, economic, social, etc. agenda of the lending nations. They keep advancing from one demand to another leading the country to losing control of her domestic and external policies thereby leading to all manner of internal crisis. The citizens' interest and welfare are no longer the concern of the government rather how to satisfy the demands of the almighty lending clubs and organizations in order to escape their sanctions. Unfortunately, some of these policies are externally engineered therefore, lacking comprehensive understanding of the Nigerian economy. It has contributed adversely in loss of control of economic policies and development programmes by the leaders and people of these countries. The outcome of the policies and programmes of the lenders end up sapping Nigeria economy while boosting lenders economy through capital flight, economic dependence and serving as market for finished products. Any effort to resist this is challenged and frustrated with the network and powers of the lenders and their government institutions.

2.3 Conditions for Procurement and Disbursement of Foreign Loans

Developed countries attached stringent conditions that make it difficult for foreign loan to be productive. The creditors have created facilities which provided stringent conditions and thus borrowing nations sacrifice their sovereignty in return for foreign loan (Vreeland, 1999). Fund conditionality clauses have come to be seen for what they really are – instruments for perpetuating western (China) economic and political interests in the third world (Olukoshi, 1990). Chinese government has adopted Sovereign immunity clause in its loan deal with African countries including Nigeria. The executive and legislature had misunderstanding over Article 8(1), of a $500 million contract with China over this clause. This implies that Chinese government shall take over management of agreed national asset and any other it wishes if Nigerian government fails to meet up with loan agreement (premiumtimes news, August 17, 2020). Such sovereign immunity loan clauses with Kenya bars Kenyan government from sharing the details of loan transaction with her citizens. Secondly the agreement would be "governed by and construed in accordance with the laws of China, also offer China "right to refuse" any payment Kenya manages to secure to offset the Chinese loan in lump sum and to take any asset if Kenya fails to meet up with repayment agreement (Umeh, 2020). There has been claims that Nigeria has subjugated her sovereignty to China through loan transactions with the country. Hon. Minister of Transport Mr. Chibuike Amechi once agreed to this in an interview that part of the Nigerian government loan agreement with China is that if the country fails to meet up with its loan repayment requirement that Chinese government will take over the rail system of Nigeria pending when they recover their money. It is quite unfortunate that future of Nigeria is mortgaged by government of a country that has a very poor record of loan services and repayments. Nigeria is already indebted to China within a short period of loan transaction to volume of $5.6billion (DMO 2020). Some of the loans have less than 10years to be paid off with more than 80% outstanding both in principal and interest. The implication of this in the near future is scaring especially considering how China is dealing with super powers, how much more a weak economy like Nigeria. Nigeria economy has been screwed to be China based due to prudence and intelligence of Chinese government to manipulate its relationship with Nigeria to favour Chinese local economy. That has led to Nigerians resorting to importing Chinese products no matter the durability and standard. Nigerian institutions and authorities are also not forth coming in regulating and sanctioning them on these breach of trade rules and standard. Through this process, China has become the fastest growing economy in the world. Nigeria is the highest Chinese market in Africa if not globally where all manner of products is saleable without regulations. Nigerian businessmen have resorted to patronizing Chinese products even to the extent of importing toothpicks, brooms, woods and other basic things Nigeria economy could handle. These activities can be classified as modern attempt to colonize.

Nigerian leaders are usually desperate in acquiring foreign loan thereby neglecting the contents and conditions of the loan they borrow. One of these conditions is that equipment and contractors that will be used to execute projects the loans are borrowed for must be from the lender's country. For instance, while borrowing from China, the loan must be used to acquire all the needed facilities and equipment from China. No consideration is given on the strength and durability of these facilities, adaptability to Nigerian environment, availability of the spare parts, indigenous manpower to maintain them after installations. It is established that one of the reasons Port Harcourt, Warri and Kaduna Refineries; Ajeokuta Steel and other Projects of foreign loan failed was as a result of lack of spare parts to maintain them, lack of indigenous manpower to man to service them after installation, high cost of foreign expatriates. Some of the facilities were moribund therefore no longer accessible even from the countries that executed the contracts (Olukoshi, 1990). Furthermore, another conditions lenders/creditors country especially China gives is that the contractors that will execute such projects must be from China and Chinese should be used as part of manpower to execute the project(s). This deprives Nigerian government the privilege of possibly considering alternative and cheap market to procure such materials/equipment, more reliable and tested contractors and expatriates to be engaged. It is a concern that in the midst of high rate of unemployment in Nigeria that Nigerian government still allows foreign contractors to bring in casual workers to take jobs which teaming Nigerian youths would have executed. Nigerian Minister of Transport Amaechi confirmed that about 560 Chinese workers are engaged in Lagos-Ibadan rail project alone. (Premiumtimes News, August 17, 2020). By this act the borrowed fund added no or little value in empowering Nigerians rather it was all spent in the country it was borrowed. This is a harsh borrowing condition which super nations imposed on weaker nations like Nigeria who are in desperate need of fund to survive and gain recognition by the lending super countries of the world. It is a very poor foreign policy approach both to Nigeria and lenders who always argue that they help poor economies like Nigeria to development through offer of foreign loan. It is also unfortunate that some of the contractors used substandard materials and delivered low quality equipment. These facilities and equipment collapse and breakdown respectively, before the expected duration. It puts Nigeria government in a difficult financial stress to maintain them or to source more fund to rebuild them where not possible to repay them. Invariably fund will be sourced again or rather borrowed to service this loan or to pay back. This act is a deliberate underdevelopment policy by the lending supper countries to keep Nigeria perpetually dependent on them for her survival. Recently rail contract awarded to a Chinese company by the Nigerian government has been a colossal disappointment to the government. Trains that have not served their 4 years' warranty broke down two times in a deadly Abuja-Kaduna route. The area is known for notorious act of criminality and banditry that made Nigerians to consider rail transport as alternative to road transport for security reason. The Minister of Transport lamented that this is a big disappointment as the locomotives were brand new during inspection on their arrival but was surprised that they are failing already. He said government is considering returning them to China for replacement (Wada, November 24, 2020). It is obvious that these locomotives were refurbished and sold to Nigeria as new products. Refineries (Warri and Kaduna), Ajokuta steel and some other factories suffered the same predicament that up till now they are still in the state of comatose without yielding any value to the economy and money is sourced elsewhere to pay back money borrowed to build them.

3. CONCLUSION

Nigeria's experience in foreign loan transactions and associated debt have shown that foreign loan is a complex development approach for weak nations. Thus, the expectations of Nigerians through foreign loan were dashed due to lack of capacity and understanding to manage the external forces that defines the nature and operations of foreign loan in Nigeria. Foreign loan has become international instrument to advance creditors interest at the detriment of the receiving nations. Year by year billions of dollars left Nigeria to foreign countries in the name of foreign loan services, even without the borrowed fund ab nitio being successfully utilized. Foreign contractors, expatriates and the IMF conditionalities became channels through which borrowed funds and the entire economic and political system of Nigeria is being manipulated. Foreign loan and follow up debts from 1980 to 2019 has deepened Nigeria's dependency syndrome. It is therefore, recommended that Nigeria's socio-economic peculiarities should be considered while adopting any externally designed policy. Secondly, while engaging in foreign loan government should consider and where possible negotiate for loans that gives the country the flexible opportunity to procure equipment and contract personnel that will execute the intended project from any country where the opportunity cost is better rather than conditions that compel the country to use the borrowed fund in the lenders/creditors' economy even when not cheaper. Some of these resources needed for these projects should be sourced internally to enable easy management and maintenance and to eliminate foreign loan transactions becoming source of capital flight and socio-economic challenges. The experience of going back to the western/creditor market to contract expatriates to service and maintain projects built with foreign loan at every slight breakdown adds burden on the economy and deprived the citizens the opportunity to take control of their economy.

REFERENCES

Abubakar, F. (1990). Refinancing and servicing Nigeria's external debt, in A.O. Olukoshi, (eds.), *Nigeria external debt crisis: its management.* Lagos, Malthouse Press Limited.

Aja, A. (1998) *Fundamentals of modern political economy and international economic relations… changing with the times.* Owerri, Data-Globe.

Ajayi, S. & Khan M. (2000). *External debt and capital flight in sub-Saharan Africa.* Washington D.C.: International Monetary Fund; or Boyce, J. & L.

Ajayi, L. B. and Oke, M.O. (2012). Effect of External Debt on Economic Growth and Development of Nigeria. International Journal of Business and Social Science. Vol. 3 No. 12 (Special Issue – June)

Ake, C. (1981). *A political economy of Africa*. Nigeria, Longman Nigeria Plc.

Aluko, F. & Arowolo, D. (2010). Foreign aid, the Third World's debt crisis and the implication for economic development: The Nigerian experience. *African Journal of Political Science and International Relations*. 4(4), 120-127. Available online at http://www.academicjournals.org/ajpsir.

Albert, W; Brain, D. & Palitha, P. (2005). Economic growth and external debt servicing: a cointegration analysis of Sri Lanka 1952-2002. *University of England School of Economics*. Working Paper Series in Economics ISSN 14422980. www.une.au/feb1/econstud/wps.html.

Alli-Balogun, G. (1990). The options of default, repudiation, and cartelization for Nigeria's debt management. In Olukoshi A. (1990) *Nigerian external debt crisis: its management.* Lagos, Malthouse press limited.

Amadou, N.R. (2007). Local currency debt markets in the West African economic and monetary union, *IMF working paper* WP/07/256

Anyanwu, J.C, Oyefusi, O. and Dimowo, F.A, (1997). *The structure of the Nigeria economy*. Onitsha: Joanee Educational Published ltd.

Arnone, M. L. & Presbiteno, A. (2005). External debt sustainability: theory and empirical evidence, retrieved from http://www.unicatt.it /dipartimenti/ DISES/ allegati /arnoneBandierapresbite ro.pdf.

Ayayi, L.B. & Oke, M.O. (2012). Effect of external debt on economic growth and development of Nigeria. *International Journal of Business and Social Science*, 3(12), special issue – June.

DMO (2020). *Nigeria debt profile*. dmo.gov.ng/debt-profile-public-debt. https://www.dmo.gov.ng/ Accessed 15/7/2020.

DMO (2007). *Nigeria debt profile*. dmo.gov.ng/debt-profile-public-debt. https://www.dmo.gov.ng/ Accessed 15/7/2020.

Eghweree, O.C. (2015). Debt and development in Africa: examples from Nigeria. *Developing countries studies*; 5(8) 17-27. www.iist.org.

Ezenwe, U. (1993). The African debt crisis and the challenge of development. *Intereconomics journals*, Vol 28. No 1. Pp 35-43. ISSN 0020-5346, http://dx.doi.org/10.1007/BF02928100

Fajana, O. (1990) The dynamics of Nigeria's negotiation with London and Paris clubs. In Olukoshi A. (1990) *Nigerian external debt crisis: its management.* Lagos, Malthouse press limited.

Gbosi AN (2001). *Contemporary macroeconomics, problems and stabilization policies.* Port Harcourt. Antamic Venture Nigeria Guardian Wednesday, April 21, 2004.

Ibeh O. N. (2014) *Independence and development: the experience of Africa*. Nigeria, Reux Enterprise.

Igwe, U. (2020) What do sovereign immunity clauses mean for Chinese engagement with Africa? https://blogs.lse.ac.uk/africaatlse/2020/12/01/what-do-sovereign-immunity-clauses-mean-for-china-engagement-africa-debt/. Assessed 4th September, 2021.

Ingrid, H.K. (2016). *Bond to happen? Recurring debt-crises in Sub-Saharan Africa and the rise of sovereign bond issuance*. Norway: Norwegian Council for Africa.

Kar, D. & Spanjers, J. (2015). *Illicit financial flows from developing countries: 2004 -2013.* Washington, D.C.: Global Financial Integrity.

Kuznets, S. (1963). Quantitative aspects of the economic growth of nations: VIII. Distribution of income by size. Economic development and cultural change, 11(2), 1-80

Magalasi, C. (2018). *Loan contraction and debt management in Ghana.* Afrodad. Available at: https://afrodad.files.wordpress.com/2015/03/loan-contraction-and-debt-management-in-ghana.pdf.

Mahmoud, K. A. (2014). Impact of foreign aid in the economic development of developing countries: A case of Philippines. *European Journal of Business and Social Science*, *3*(4), 166-180.

Nwagbo, S.N.C (2012). *Foreign loan and international monetary fund (IMF) conditionalities as instrument of dependency (A case study of Nigeria): 1978-2007.* A master's thesis submitted in the Department of Political Science, Nnamdi Azikiwe University, Awka.

Nwoke, C. (1990). The origin and dimension of Nigeria external debt. In A.O Olukoshi, (eds) *Nigeria external debt crisis its management*. Lagos: Malthouse Press Ltd, 42-61.

Nwozor, A. (2009) Echoes of divergence within: the politics and politicization of Nigeria's debt relief. Review of African Political Economy, Vol. 36, No. 119, Mar. pp. 23-35, Published By: Taylor & Francis, Ltd. https://www.jstor.org/stable/27756239.

Offiong, D.A. (1980) Imperialism and dependency: Obstacles to African development. Enugu, Nigeria: Fourth Dimension Publishers.

Okonjo-Iweala, N. (2005, July 18). Debt relief: How we did it. Tell News magazine, No. 29; Tell Communication Limited, Plot 26, Kudirat Abiola Way, Oregun, Ikeja Lagos.

Olukoshi, A.O. (1990) The management of Nigeria's external debt: issues and problems. In Olukoshi, A. (1990), *Nigerian external debt crisis: its management*. Lagos, Malthouse press limited.

Okereke O.O. & Ekpe A.E. (2002). *Development and underdevelopment: politics of the north and south divide*. Enugu: John and Jacob's Classic Publishers.

Pallage, S. & Robe, M.A. (2001). Foreign aid and the business cycles: *Review of International Economics*, (9) 641-672.

Papanek G.F. (1972). The effect of aid and other resource transfers on savings and growth in less developed countries. The Economic Journal, Vol. 82, Issue 327, 1 September. Pp 934–950, https://doi.org/10.2307/2230259.

Premiumtimes news (17 August, 2020) Amaechi, Reps disagree over alleged $33bn loan. https://www.premiumtimesng.com/news/top-news/409389-amaechi-reps-disagree-over-alleged-33bn-loan.html. Assessed 4th September, 2020, 10:33am.

Richard, A. and Ghazi, M. F. (1988), Population and Socio-Economic Development: The New Perspective, in M.E Khan. and D.V.N Sarma, (eds.), *Socio-Economic Development and Population control*, Manohar Publications, New Delhi, p 247.

Rodney, W. (1972). How Europe underdeveloped Africa. London, Bodle-L'overture Publications.

Todaro, M.P & Smith, S.C (2009). *Economic development (10th ed).* Harlow: Addison-Wesley.

Ubani, E. (October 21, 2005). *Nigeria, Paris club sign Debt Deal*. Thisday Newspaper Lagos.

Udeh, S.N, Ugwu, J.I. & Onwuka, I.O. (2016). External debt and economic growth: The Nigeria experience. *European Journal of Accounting Auditing and Finance Research*; 4(2), 33-48, February, Published by European Centre for Research Training and Development UK (www.eajournals.org).

Udoka, C.O. & Anyingang, R.A. (2010). Relationship between external debt management policies and economic growth in Nigeria (1970-2006). *International Journal of Financial Research*, 1(1). Doi:10.5430/ijfr.v1n1n1p2.

Umeh, K. (24 August, 2020) China-backed railway agreement puts Kenya's sovereignty at risk. https://guardian.ng/features/china-backed-railway-agreement-puts-kenyas-sovereignty-at-risk/. Assessed 4th September, 2021.

UNCTAD (2016). *Economic development in Africa Report 2016.* Available at: http://unctad. org/en/PublicationsLibrary/ aldcafrica2016_en.pdf.

UNCTAD (2015). Trade and development report, 2015. United Nations New York and Geneva,

Vreeland, J.R. (1999). The IMF: lender of last resort or scapegoat. Seminar paper presented at the Midwest Political Science Association Annual meeting, Chicago, IL; April 15-17, 1999. https://www.files.ethz.ch/isn/30242/1999-03.pdf.