Nigeria's External Debt Burden: Prognosis of COVID-19 Post-Viral Syndrome

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Abstract

Given that nations, particularly those of the emerging world, require external borrowing to finance their desires for rapid economic development, contain calamities and insecurity, and achieve welfarism, is trite and verity. What is worrisome, however, is the crisis situation pervasively engendered by poor management of external debt, as a result of which the otherwise growth-inducing policy option degenerates into a harbinger of economic and social malaise. The objective of this study is to conduct an expository examination of the trajectory of Nigeria's external debt burden; and to offer a prognostication of the post COVID-19 viral syndrome. Arising from the analysis of the historical antecedent, it was surmised that Nigeria would be challenged by vicious circles of debt crisis, and the associated domino effect on macro-economic stability. Accordingly, it was recommended that Government should in the interim de-emphasize external borrowing, except where the process is ineluctable; harness the alternative domestic taxation resources and taxing capacity, and refrain from consumption oriented budgeting.

Keywords: COVID-19, Debt Burden, External Borrowing, Post-Viral Syndrome, Prognosis

Introduction

Irrespective of a country's level of development, borrowing plays an important role in advancing the frontiers of her economy, particularly in providing critical infrastructure, without which development can be retarded. In recent times, countries have borrowed for several reasons: to finance budget deficits, to prosecute wars, to resolve national calamities or disasters, to meet emergencies, to provide public enterprises and utilities and to maintain macro-economic stability, among others (Falegan, 1992).

That nations with more factor endowment, particularly capital, are better strategically positioned to achieve faster socio-economic development than nations with low capital accumulation, is trite knowledge. This is because capital is the central catalyst in the production, and creation of the wealth of a nation. This dichotomy in the level of capital endowment and accumulation accounts for the disparity in the development of the

Advanced and Developed Countries (ADCs) and the emerging or Less Developed Countries (LDCs).

Upon the massive attainment of independence in the 1960s, LDCs, Nigeria inclusive, were confronted with the naked truth about the level of their poverty. Given the paucity of resources, the challenges of development efforts, packaged in various national development plans, became as daunting as they were enormous. Against the backdrop of the desire to accomplish rapid development, LDCs, Nigeria leading, considered various financing options and sources. Given the narrow and fragile economic base, and the domino effect of taxation, one of the readily available options was external borrowing.

Literature and empirical studies in Public Finance in Nigeria recognize the role of external debt in her economic, social and political development. Also, adherents of orthodox Economics of Development are generally agreed on the desirability of external debt, particularly when the underlying needs or projects can produce the desired results: development in economic and social infrastructure; and when the loan terms are favorable. Implicit in the first condition is that projects financed with external loans should earn positive returns, with a clear capacity for loan repayment (Adebayo, 2015). Flowing from the requirement of capacity for loan repayment, it is truism that to pass the test of economic viability, a decision to procure public external loan must be thoughtfully and cautiously taken. Indeed, the decision must consider and exhibit a clear understanding of the relationship between external debt and the underlying macro-economic variables, and vice versa.

Notwithstanding the enormity of the harbinger which external debt portends for a fragile LDC economy, Nigeria descended on the risky trajectory of massive accumulation of external loans beginning from the close of the 1970s, through the 1980s, 1990s, to the mid-2000s, when the insidious effects presented with diverse symptoms, and indeed vicious attacks. The "antigens" produced by debt accumulation were set to ravage Nigeria's economy and put it on the path of a pariah nation, with high vulnerability to imperialist attacks, but for the "counter attack" by the "antibodies" produced by the international community; and the frantic belated effort of Nigeria's leadership, which culminated in debt forgiveness. Curiously, Nigeria has amassed a huge debt stock from various lenders, including IMF, African Development Bank (AfDB), Islamic Development Bank, China Exim Bank and the World Bank, etc.

Granted that in emergency situations of natural calamity, epidemic, pandemic, war, earth quake, etc, a nation can resort to unplanned borrowing, vis-à-vis taxation, which is relatively long-gestational, this paper aligns with the decision to approach foreign lenders, who naturally do not act on impulse or altruistic sentiments. The major focus of this paper therefore is outside the purview of the rationale or otherwise of the decision to borrow, be it external or domestic. Instead, the central focus is to provide a prognostication of Nigeria's external debt burden post-COVID-19. As a corollary, the major objective of the

study is to analyze Nigeria's mounting external debt burden, exacerbated by the effects of COVID-19 pandemic, and to provide a prognostication of the post-viral syndrome. The study is structured as follows: Nigeria's external debt burden and crisis; debt relief measures: international and domestic; cross-administration external debt management; COVIC-19-induced external borrowing; prognostication; conclusion and policy prescription.

Nigeria's External Debt Burden and Crisis

Financing economic development, particularly accelerating the pace of economic growth, motivated LDCs, to seek alternative sources of capital in the light of the acute deficit. To Rodeisten-Roda (1943)'s Big-Push" theory, humongous investment in infrastructural development is required to leapfrog the economies of LDCs over their doldrums. Without doubt, the available financial resources to accomplish such feat are in short supply, given the high level of poverty. For this reason, borrowing is a necessary complementary tool for financing development in LDCs (Adebayo, 1990).

Other external sources include direct foreign investment (DFI), aid and grants. In terms of their growth-inducing potentials however, these sources are not equally desirable. Rostow (1961) in Jhingan (2006), observed that for emerging economies to progress along the growth paths earlier followed by ADCs, the right mix of the various sources of capital and investment: savings, foreign aid and investment, is essential. When available, these sources may be preferred to debt, as development financing instruments, particularly when loans are offered under non-concessionary terms. To Oshadami (2006) and Klein (1994), external debt is amassed by LDCs when over reliance is placed on external sources, to complement the low domestic capital formation. However, as the volume of external debt increases so also the amount of interest payment. Similarly, as interest payments exact pressure on the current account, the deficit grows higher, putting a heavier debt burden on the economy.

In order to cope with the long run debt service obligation, a nation's debt service capacity must grow at a rate higher than that of its financial risk exposure. The non-debt earnings represent funds flow from sources which do not bear fixed or compulsory service obligations on government. The size and frequency or regularity of such resources depends on the perception of foreign investors about the economic environment in the beneficiary country (Falegan, 1992).

Evidence from LDCs, particularly Africa and Latin America, Okuneye (2017) show that many LDCs borrow heavily because of low domestic private savings, ascribable to low per capita income and government fiscal deficits. In the circumstance, the effects of external debt burden proceed to exacerbate the problem of development. The situation slows the affected countries' ability to attract DFIs, thus retarding the capacity to achieve the desired rate and level of development (Okuneye, 2017).

Several indicators have been devised in literature, for measuring a country's debt burden. The indicators, often expressed as ratios, include total external debt to export of goods and services (EDT/X), total external debt to gross national product (EDT/GNP), total debt service to export of goods and services (debt service ratio) (TDS/X) and total interest payment to gross national product (INT/GNP), among others (Fasipe, 1990).

Of utmost importance among the indicators is the debt service ratio, defined as the ratio of debt service payments (interest and amortization) to total current account receipts (export of goods and services) (Falegan, 1992) This, succinctly, is the proportion of foreign exchange earnings absorbed by external debt service. The World Bank (1989) (in Falegan, 1992) prescribed a ceiling of 10 per cent. The World Bank's emphasis on the use of external debt service to foreign exchange earnings ratio is based on two reasons: first, external debt servicing is met in foreign currencies; and second, public debt has a priority claim over private sector external debt during periods of exchange difficulties, when rationing becomes necessary.

Thus, although other debt burden indicators provide complementary utility, the debt service ratios (TDS/X), provided at the second column in Table 1, is used in measuring Nigeria's external debt burden during the illustrative 1977-1997 period. The choice of the period is informed by the need to the growth trajectory of the burden from a near zero position in 1977 to the high-point of the situation in subsequent years.

Table 1: Nigeria's External Debt Burden Indicators, 1977-1997.

Year	TDS/X	EDT/X	EDT/GNP	INT/X	INT/GNP
1977	1.0	23.6	8.8	0.4	1.5
1978	1.3	43.8	14.0	0.6	0.2
1979	2.2	34.6	13.3	1.4	0.5
1980	4.1	32.1	14.6	3.3	1.5
1981	9.2	58.6	19.6	5.9	2.0
1982	16.2	92.8	24.6	9.7	2.6
1983	23.6	161.5	51.2	13.0	4.1
1984	32.9	143.9	64.8	15.7	7.0
1985	32.7	137.9	68.1	12.7	6.3
1986	38.0	411.7	118.2	15.0	4.3
1987	14.1	370.5	137.9	8.3	3.0
1988	30.4	406.8	132.6	20.9	6.8
1989	24.7	350.8	138.5	17.6	6.9
1990	22.6	226.4	130.7	14.6	8.4
1991	21.9	249.9	134.9	15.5	8.4
1992	28.7	222.3	97.5	14.3	6.3
1993	12.5	257.5	161.5	7.6	4.8
1994	17.9	317.3	155.3	10.8	5.3
1995	13.9	257.4	133.7	6.9	3.5
1996	14.0	175.3	95.0	6.1	3.3
1997	7.8	156.6	75.6	3.2	1.6

Source: World Bank Global Development Finance, 2000.

Data in Table 1 indicates that until the end of the 1970s, external debt servicing was accomplished with relative ease, given the low ratios of 1.0, 1.3 and 2.2 per cent for 1977, 1978 and 1979 respectively. However, from the inception of the 1980s, when the international oil market was shocked, and when foreign exchange earnings dwindled, debt servicing experienced difficulties, as is observable in the escalating ratios, from 9.2 per cent in 1981, through 38 per cent in 1986 down to 14.0 per cent in 1996 respectively. At an average of 17.6 per cent, much higher than World Bank's prescribed bench mark of 10 per cent, the situation clearly depicted a huge burden on Nigeria and the economy during the period

Implications of the Burden

The huge external debt burden had adverse consequences for Nigeria's economy and the welfare of the citizenry. To meet debt service obligations, the scarce resources which would have been appropriated for social and economic development were otherwise prioritised for the inescapable repayment. By 1981, Government decided to limit debt servicing to a maximum of 30 per cent of oil receipts. But the relief enjoyed from the decision was minimal (Falegan, 1992). Between 1985 and 2001, Nigeria's total external debt service gulped $32billion. Payment to annual debt servicing hovered between $3.0 billion and $3.5. Before the rescheduling in 2000, debt service due was in excess of $3.1 billion, 14.5 per cent of total export earnings (Okonjo-Iweala, Soludo & Muhtar, 2003) although actual debt service cost was $1.9billion. This provision was 4 times the 1999 Budget of Nigeria for education; and about 1.2 times the allocation to health, both requiring priority attention. Of note is that besides the debt service outlay of $1.9 billion in 2000, arrears of $19.6 billion owed to Paris Club lenders were outstanding.

Without doubt, the resultant culmination of the situation was external debt overhang which adversely impacted on inflow of DFIs. Similarly, the Export Credit Guarantee Agencies (ECGAs) denied further insurance covers for Nigeria's export and investment capital, with the consequent diminution in inflow of foreign investible resources, required to stimulate growth and employment. The precarious development implied that exporters must provide full cash deposit or cover for all orders. The situation placed Nigerian exporters at a competitive disadvantage in the international business arena. Besides, the situation blocked any expected relief through accelerated recovery, growth and development, and further deepened the pains of external debt burden.

As a corollary to debt overhang, the burden heightened Nigeria's reputation risk and blocked her access to additional loans, due to the diminished confidence in the ability to repay at all; or to repay as and when due. In this regard, baskets of conditionality levied on Nigeria by IMF in the 1980s and 1990s remains memorable. The combined effects of the decrease in net capital inflows, and the forced conditional requirement of net outflow over a long period by foreign lenders, exacted pressure on the immediate prospects of Nigeria's economic development (Yekini, 2002).

Given the precarious situation characterized by declining revenues, ascribable to the severe glut in the international oil market, payment difficulties became ineluctable. Thus, external liabilities mounted, to the confusion of Nigeria's leaders. As the cost of the initial loans rose, paucity of foreign exchange worsened, leading to a crisis point. Because imports contributed largely to external debt service, profit and dividend outflows, the cost of import substitution rose considerably. As a corollary, the need for Nigeria to service her outstanding before 2000, propelled the Federal Government to levy hasty and very harsh austerity measures on the economy and citizenry, in order to avert the danger which, the pending debt crisis portended.

By 2003, Nigeria through various debt relief measures, as subsequently discussed, succeeded in exiting from the stranglehold of the Paris Club, thus crashing annual debt servicing requirement from $3.0billion to below $1.0billion. Indeed, the annual requirement dropped from $1.8 billion to $0.8billion (Ariyo, 2011). The feat released Nigeria from the erstwhile debt trap, propelled by growing penal charges and interest arrears. The relief is also better appreciated when the positive impact on national expenditure on health, education, agriculture, poverty reduction and infrastructural development are imagined.

To guide or caution against reoccurrence of previous unpalatable experience, it may be useful to conduct a post-crisis expository re-examination, so that the benefits of hindsight can chart a smoother path for the future. In this regard, a brief review of the international cum domestic efforts at negotiating debt relief for LDCs, Nigeria inclusive, is undertaken.

External Debt Relief Measures

The challenges of Nigeria's external relief generated high tension that remained unclaimed before President Olusegun Obasanjo's Administration was inaugurated in 1999. Previous Administrations, overwhelmed by the quagmire of the mounting external debt liability, overlooked the danger and adopted an escapist attitude, by putting debt servicing in "perpetual" abeyance. Hence, in 2001, Nigeria was undecided on whether debt servicing or debt cancellation should be the right way to proceed (Sach, 2002). To begin, a brief review of the international and domestic debt relief initiatives, packaged in various plans, is undertaken.

International Debt Relief Initiatives or Plans

Towards resolving the protracted problems of external debt of LDCs, Nigeria inclusive, numerous Plans were proposed and pursued. While some of the initiatives were implemented, others were abandoned. In the United States of America (USA), several Plans: Baker (1985) and Brady (1989) were initiated. The focus of Baker Plan was the extension of additional loans of up to $30 billion to 15 poor LDCs, spread over 3 years, in very clear departure from USA's erstwhile position, which required that LDCs should re-organise their domestic economies, in order to exit their debt burden. In effect, the Plan marked the era of USA's direct intervention by way of growth-assistance to LDCs.

Notwithstanding the applause received by the initiative, it was criticized for bringing on board the overbearing position of USA on the internal economic management of debtor-countries. Very specifically, Peru and Brazil decried the imposition of harsh economic conditionality on debtor-LDCs (Westlake, 1985).

Brady Plan, another proposal by USA for dealing with LDCs' debt problems, anchored on four principles: domestic reforms by LDCs; alignment of LDCs with overseas financing resources to hugely support the domestic reforms; the imperative of matching LDCs' debt problems with growth; and debt reduction by creditors, based on case-by-case basis. To Brady, the reduction in debt overhang was to be funded by IMF, Japan and the World Bank.

Nicholas F. Brady, US Secretary for Treasury, in his address at the Bretton Woods Committee and the Bookings Institution in March 1989, stated that:

> …these past seven years we have faced a complex accumulation of a myriad of interwoven problems. It contains economic, political, and social elements. Taken together, they present a truly international problem, for which no one nation can provide the solution. Ultimately, resolution depends on a great cooperative effort by the international community. It requires the mobilization of the world's resources and the dedication of its goodwill (Brady, 1989).

Implicit in Brady's position were critical issues to be resolved: the amount of money required for debt reduction; who to absorb the losses arising from the reduction; the effect on the debtor-nations' cash flows; the criteria for selecting beneficiary debtor countries; and management of future debt in the affected LDCs (Sparks, 1989). Table 2 presents the beneficiary debtor-countries under the Brady Plan.

Table 2: Beneficiary Debtor-Countries for Debt Reduction under Brady Plan.

S/No	Country
1	Argentina
2	Bolivia
3	Brazil
4	Chile
5	Colombia
6	Congo
7	Costa Rica
8	Dominican Republic
9	Ecuador
10	Gabon
11	the Gambia
12	Guinea
13	Guyana
14	Honduras
15	Cote d 'Ivoire

16	Jamaica
17	Madagascar
18	Mexico
19	Morocco
20	Mozambique
21	Nicaragua
22	Niger
23	Nigeria
24	Panama
25	Peru
26	Philippines
27	Poland
28	Romania
29	Senegal
30	Sierra Leone
31	South Africa
32	Sudan
33	Togo
34	Uruguay
35	Venezuela
36	Yugoslavia
37	Zaire
38	Zambia

Source: World Bank Debt Tables, South Magazine, 1989, May.

While advancing the argument of Brady, Bill Bradley (1989), US New Jersey Democrat Senator, offered a more complementary Plan for debt write down, supported with caps on interest rates. Although Bradley's proposal was commended, protagonists of the "triumphalist school" preferred a situation of persistent debt overhang, in order to compel obligor-countries to remain in perpetual borrowing at high interest rates; in contradistinction to the preference for debt restructuring marked by lower interest rates and longer tenors, with possibility of granting new loans to desiring LDCs. On the other hand, the "drop-out school" of thought rejected further lending and preferred debt repayment. Notwithstanding the arguments, Brady Plan was adopted eventually by the G7 (Fasipe, 1990).

Britain's policy on international debt segregated debtor-countries into two: poorer and middle income. While the poorer countries received greater sympathy, it was the view that given the right economic environment, countries in the middle category, Nigeria inclusive, could repay, long-term. In the 1970s and 1980s, various approaches: debt refinancing, rescheduling and cancellation, were employed by Britain in managing debt owed by the poorer countries.

Several British Plan: Nigel Lawson (1987) and Birlin Agreement (1988) presented various proposals aimed at resolving the debt problems of LDCs. Debt rescheduling for longer

periods, up to 25 years, long moratoria of 14 years, lower interest rates, and conversion of loans to grants, among others, formed some of the common highpoints in the proposals by Lawson Plan and Birlin Agreement.

Other creditor-nations: Canada, Japan and other G7 and international organisations, including UNCTAD, ECA and African Development Plan (Alagiah, 1988) threw their varied weights behind the call for debt relief for LDCs. The central argument of this "group" was that it was of no use to expect repayment from an incapable debtor-country. To demand repayment in excess of a debtor-country's capacity therefore could only trigger cycles of rescheduling.

Securitizing medium- and long-term official and commercial loans (obligations to multilateral agencies), with a minimum of 20 years maturity and a fixed interest rate below prevailing market were thus proposed. Across board, outright debt cancellation was canvassed by all initiatives, given the pragmatic and false expectation of debt repayment by incapable debtor – LDCs.

In Nigeria, several domestic initiatives were advanced. Notable among the Plans were Awolowo (1983), Okongwu (1988), Okigbo (1989) and Obasanjo (1989, 2000) (Fasipe, 1990). While the cardinal requests by Awolowo included a renegotiation of loan moratoria and export by Nigeria, of a minimum 2 million barrels of crude oil per day from March 1984, Okongwu presented a three-prong proposal, including outright cancellation of all official debts owed to governments by African countries and establishment of an agency by multilateral institutions, including IMF and the World Bank, to buy over debts owed by African countries to commercial banks. The Plan also proposed the downward adjustments in the roof-top interest rates, which were considered impossible to bear by debtor-nations.

President Ibrahim Babangida's Plan (1989) argued for total cancellation of all official debts, and the establishment of a fund into which financial resources were to be pooled by the World Bank and other major monetary institutions and donors, to assist LDCs in servicing those debts that were considered as not further schedulable, or were not cancellable. The Plan also argued for the establishment of a debt purchase agency controlled by the World Bank and IMF, to buy back existing debts of LDCs owed to commercial banks, at a discount rate of 50 per cent. Okigbo demanded for debt write-off, after which outstanding debts were to be revalued at the prevailing market prices, having regard to ability-to-pay of debtor-countries. The Plan was also opposed to the over-bearing individual action of any country, as was previously noted by Peru and Brazil. Instead, the Plan advocated a united front by the heaviest debtor-LDCs. Okigbo also nominated Nigeria as leader of the united front to be established.

Obasanjo, then military Head of State of Nigeria, identified several causes of Nigeria's' external debt problem. Some of the causes included a fall in primary export prices, decline in the volume of exports, economic mismanagement, massive capital flight, investment in unviable projects, oil price shocks, and high rate of inflation (Fasipe, 1990). Obasanjo plan

also advocated collective bargaining by leading debtor-LDCs in Latin America, Asia, Europe and Africa, to ensure protection of the welfare of the citizens. The Plan, in its principles, aligned with Okigbo and Okongwu.

The outcome of the debt relief efforts by all participants in the "struggle" was the adoption of a common goal: debt relief for the economic emancipation of the poor and incapable LDCs, from the strangulating debt trap. From the outcome, it is discernible that although different initiatives canvassed different approaches toward achieving the common goal: debt reduction, outright cancellation, rescheduling, domestic economic reforms, regional economic integration and adoption of collective bargaining, among a myriad of other strategies, all and sundry were sympathetic to the intractable debt plight of the weak LDCs (Fasipe, 1990; Falegan, 1992; Fosu 2008).

Nigerian Cross-Administration Debt Relief-Initiatives

Literature is aplenty with fascinating theoretical considerations in support of the preference of government for debt financing against other alternatives. To be sure, the theoretical consideration for financing social infrastructural development via debt is hinged on the thesis that it is immaterial how financing is accomplished through raising tax or public debt; because both have equivalent effect on economic growth, as posited by the Ricardian Irrelevance Hypothesis, propounded by David Ricardo, but popularised by Barro (1974). Because of the relative convenience and ease of shiftability, preference is often accorded by political authorizes to debt financing. To be sure, it is less offending to the electorate to levy additional taxation on the residents. Besides, the burden of taxation can be shifted to a future generation (Anyanwu, 1993). Also known as Recardian Equivalence Hypothesis, the central thesis of the theorem is that given the options of raising public revenue to finance development, the mode: whether tax or debt is irrelevant, because both options have equivalent effect on development (Anyanwu, Oaikhenan, Oyefusi & Dimowo, 1997).

Studies conducted variously in the USA by O'Driscoll (1977) and in Canada by Kormendi (1983) attempted to test the theorem on the advanced economies; and reported interesting insights. Consequently, democratically elected government prefer public debt option, for three reasons: the option bears indirect incidence which is less scorching on the citizens; the burden can be shifted to a future generation; besides, raising tax rate is often offending to tax payers whose reactions at the polls express their displeasure. Corollary, therefore, experience from Latin American, African and Asian countries largely indicates debt financing. It is, therefore, understandable that Nigeria, as other LDCs, had frequent recourse to external borrowing at the slightest need. Table 3 presents the profile of Nigeria's external debt for the period 2005-2019 (DMO, 2019).

Table 3: Nigeria's External Debt, 2005-2019 ($m)

Year	Multilateral (ML)	Paris Club (PC)	London Club (LC)	Promissory Notes (PN)	Other LDCs	Total
2005	2,512.19	15,412.40	1,441.79	649.80	461.79	20,477.57
2006	2,608.30	0.00	0.00	509.01	427.18	3,544.49
2007	3,080.91	0.00	0.00	184.90	388.40	3,554.21
2008	3,172.87	0.00		547.49		3,720.36
2009	3,400.23	0.00	0.00	364.70		3,863.93
2010	4,152.27	381.92	0.00	0.00	0.00	4,534.19
2011	4,568.92	0.00	0.00	597.66	500.00	5,666.58
2012	5,267.42	0.00	0.00	556.62	703.03	6,527.07
2013	6,275.20	0.00	0.00	0.00	2,546.70	7,554.26
2014	6,799.36	0.00	0.00	0.00	2,912.08	9,711.44
2015	7,560.43	0.00	0.00	0.00	3,158	10,718.43
2016	7,988.22	0.00	0.00	0.00	3,418.05	11,406.27
2017	10,241.44	0.00	0.00	0.00	8,672.00	18,913.44
2018	10,929.45	0.00	0.00	0.00	11,142.46	25,274.36
2019	12,660.38	3,847.41	0.00	0.00	11,168.35	27,676.14

Source: DMO, www.dmo.gov.ng, 2019

From Table 3, it is discernible that Nigeria's external debt proceeded on a growth trajectory from 2015 at N10.7billion, through $11.4 billion in 2016, $18.9billion in 2017, $25.3biilion in 2018, to $27.7billion in 2019. The high level of external debt stock at $20.5billion plummeted to all-time low of $3.5billion, following the substantial debt cancellation in 2005 by the Paris Club, to which Nigeria owned about 70 per cent of the total debt (Ariyo, 2011). The substantial reduction in the large debt stock, which had accumulated since the period of oil shock in the late 1970s, ushered the dawn of fiscal relief.

Unfortunately, however, the gains of the relief were short-lived. From 2009, external debt level resumed on a gradual increase, with a remarkable acceleration from 2014, towards the expiration of Jonathan's regime. Thus, debt stock grew from $3.8billion in 2009 to $10.7 billion in 2015 during the first half of President Muhammadu Buhari's tenure, a growth of 181.6 per cent. Similarly, the growth from $10.7 billion to $27.7 billion in 2019 represented an increase of $17.7billion or 158.9 per cent. The growth trajectory for the period, when compared to the rate during the period 1979-1986, was higher (Ariyo, 2011). Between 1979 and 1983, Nigeria borrowed hugely from external sources, to finance projects. The result was the multiple increases in the outstanding level of debt. (Fasipe, 1990).

Unfortunately, declining foreign exchange earnings, occasioned by the adverse development in the world oil market, initiated an era of payment difficulties and arrears, from 1982. During the period, State Governments resorted to indiscriminate borrowing from external sources, to finance budget deficits. Those loans which did not carry Federal Government's guarantee were offered at very high interest rates by the international capital market. At the end of 1985, unguaranteed loans totaled N477.4million (Fasipe, 1990). As a proportion of Nigeria's export earnings, debt service payment grew from 0.7 per cent in

1979 to 33.2 per cent in 1985; but fell to 29.4 per cent in 1986. The fall in debt service ratio in 1986 was however due to the interest moratorium granted to Nigeria by the London Club, effective April 1 (Falegan, 1992).

In the past years, the burden of external debt was due more to costs imposed by debt servicing. Besides, the accumulation of the arrears impaired Nigeria's credit worthiness in the international market; and made it difficult to secure additional credit lines. Among the factors that contributed to Nigeria's external debt burden were low saving propensity, poor debt management policies, unrealistic exchange rate, declining foreign exchange earnings in the face of growing export bills, diversion of loan proceeds into other uses, and loan mismatch (Okigbo, 1989). The debt situation remained fragile through successive governments over the years, until the inauguration of Obasanjo's regime in 1999. In the subsequent analysis, a across-administration examination of Nigeria's debt profile, traversing Obasanjo, Yar'Adua/Jonathan and Buhari regimes, is conducted.

Obasanjo Administration

The situation of Nigeria's external debt burden upon assumption of office by President Olusegun Obasanjo in 1999 was worrisome, for several reasons: first, the economy was adjudged or alleged to have been badly managed by erstwhile military regimes; and second, it was doubtful that the future of Nigerians was any concern of military-type leadership, characterized by impunity.

Obasanjo's concern for the continued growth of Nigeria's economy under mounting pressure and claims by external debt and its service obligations was exhibited in the Administration's effort at securing debt forgiveness from creditors, particularly the Paris Club, to which Nigeria owed about 75.25 per cent or $15.40billion, out of the cumulative debt of about $20.47 billion as at December 2003 (Okonjo-Iweala, et al, 2003). Relief came in 2005 when Nigeria secured a debt cancellation of $18billion. Thus, by 2006, Nigeria's outstanding debt of about $15.40 billion owed to Paris Club had zeroed off, leaving the total outstanding, owed mainly to multilateral institution and in promissory notes, to $3.55 billion as shown in Table 3.

Yar'Adua/Jonathan Administration

Given the substantial clean off of the humongous debt and its burden secured by Obasanjo's Administration, Yar'Adua inherited a good foundation upon which to build and grow Nigeria's economy from 2007, upon inauguration. To be sure, the foundation was to engender the requisite goodwill for progress. A perusal of Table 3 reveals that Nigeria maintained a relatively low debt profile during the period, 2007-2014. However, growth in multilateral loans and promissory notes resulted in increase in total debt from $4. 5 billion in 2010 to $9.71 billion in 2014, during Jonathan's Presidency.

Buhari Administration

Upon assumption of office, Buhari's Administration saw upon inauguration in May 2015 economy, security and anti-corruption crusade as cardinal and of priority to its program. Unfortunately, it had serious challenges. First was the Treasury, widely reported as virtually empty. Second was the huge financial liability in domestic debt owed to contractors, government employees (backlog of salaries, pension, promotion arrears and other allowances, etc), and Nigeria's diplomatic missions. Third was crude oil price which had fallen from about $140 in 2014 to $40 per barrel by 2015. The Jonathan Administration was alleged to have squandered a substantial proportion of every dollar earned by Nigeria, thanks to economic mismanagement and widespread corruption. The state of insecurity characterized by insurgency in the North East, pipeline vandalism, widespread kidnapping of oil expatriates, among others, retarded economic progress and slowed economic growth.

Buhari Administration, nonetheless, remained resolute in its determination to shift the paradigm. With respect to the war against insurgency, much financial resources were required for its prosecution and success. To revisit the Ricardian Equivalence Hypothesis, Government was determined to finance public infrastructure through external debt. Given the time horizon within which a public loan can be negotiated, obtained and deployed by a country, and indeed for an Administration in a hurry, vis-à-vis implementing a new tax regime, the former option was more expedient for the Administration. Of course, the aftermath of the financing option was, in any material particular, less of an issue, for an Administration that desired to deliver within a limited period.

Against the backdrop of the challenges faced by the Administration, a two-prong approach was adopted to generate the revenue required to implement the huge developmental projects. First, the previous reforms in and gains from retooling the internally-generated revenue mechanism were enhanced. It was realized, and rightly too, that intensive revenue drive was a prerequisite for tax compliance, given the disappointing attitude to voluntary tax and duty payments by liable Nigerians. Reforms which traversed ease of tax administration rebate upon prompt payment and voluntary payment incentives were therefore carried out among others (Federal Inland Revenue Service (FIRS), 2014).

In spite of the efforts directed at substantially growing internally-generated revenue (IGR), financing budget deficits annually from the source remained a challenge, because of the inadequacy of the proceeds. Recourse had therefore often been made to the more readily available and revenue assured option of external debt, by the Administration, such that at the expiration of the first tenure of the Buhari Presidency, and specifically by December 2019, Nigeria's external debt stock had grown to $27.7billion (DMO, 2019), upon from $9.7 billion in 2014, an increase of 185.6 per cent.

Without doubt, the intention of Buhari Administration to grow Nigeria's economy had been well articulated in the "Economic Recovery and Growth Plan, 2017-2020. In the Plan, key priority sectors including agriculture, industrialization, transportation, tourism, infrastructure, social investment and solid minerals were identified. Financing a Plan of

such magnitude within a short period was a tall order, given budget constraints. Reliance on IGR, against the backdrop of the narrow tax base and weak collection machinery, was therefore unpragmatic. To the rescue, massive external borrowing had been heavily relied upon.

COVID-19-Induced External Borrowing

Coronavirus (COVID-19) epidemic was first reported in December 2019 at Wuhan, China. By February 2020, when the first case was reported in Nigeria, the epidemic had assumed a wide dimension in terms of spread and attack. Very ferociously, the disease assumed a pandemic status, with stunning fatality.

Nigeria had established a miniature disease response agency, National Centre for Disease Control (NCDC), which hitherto dealt with localized outbreaks of allied diseases such as polio, Lassa fever and Ebola fever. More sophisticated structures capable of containing diseases of the magnitude of COVID-19 were neither envisaged nor planned for. When therefore the pandemic ravaged, Government was taken by storm, against the backdrop of acute deficits in the needed resources and capacity: human, financial, physical infrastructure, medical, demographic and psychological ware-withal.

Because of the restrictive requirements necessary to contain the rapid spread of the disease, economic activities were put in abeyance across the world through lockdowns and human quarantining public policy measures. In reaction, economic meltdown, took a devastating toll on the oil market, crashing prices to zero. Indeed, sometime between February and March, it was reported that oil prices plummeted to below zero dollar per barrel. ('THE NATION', 2020)

Given the usual experience of Nigeria's inability to respond to urgent financing needs through other means, the inevitable recourse to external borrowing was prioritized. Table 4 presents a list of some of the external debt contracted as at June 10, 2020, to enable rapid responses to the pandemic by Government. To be sure, the list is unexhaustive.

Table 4: COVID-19-Related External Debt Secured by Nigeria, as at 2020, May 25.

S/No	Loan Purpose	Amount (USD)	Source
1	Economic stimulus against COVID-19 and to fund 2020 Budget	5.513bn	World Bank/IMF
2	COVID-19 Economic Recovery and Stimulus	3.18bn	China
3	To strengthen Nigeria's health system and improve response to COVID-19	125m	AfDB
4	To finance small holder-farmers to mutigate food security impact and COVID-19 pandemic	23m	AfDB
5	To support challenges posed by COVID-19	600m	Islamic Dev. Bank
6	To provide critical support to combat COVID-19	500m	African Export-Import Bank
7	COVID-19 Response/Crisis Fund for States	1.0bn	AfDB
8	Emergency loan for COVID-19	3.4bn	IMF
	Total	14.341bn	

Source: 'THE NATION', May 25; News Reports (various).

Table 5 presents a summary of pre-pandemic external loans; while in Table 6, a global or consolidated position unexhaustive is highlighted.

Table 5: Summary of Pre-COVID-19 External Debt Position.

S/No	Loan Source	Amount (USD)	Remarks
1(a)	Multilateral (led by World Bank Group)	10.1bn	Before 2020
2	China Export-Import Bank, Benjing	3.2bn	Ditto
3	Eurobonds	10.86bn	Ditto
	Sub-Total	24.1bn	
1b	China Exim Bank and others, for Infrastructural Development	22.7bn (part of total 30.0bn)	Captured to be taken in 2020 Budget
2	African Export-Import Bank	15bn	
3	African Dev. Finance Corporation (ADF)	100m	
		37.8bn	
4	Sub total	61	
	Total (a) + (b)	61.9	

Source: THE NATION, Tuesday, May 25.

Table 6: Global Position of Nigeria's External Debt Stock as at 10 June, 2020.

S/No	Source	Amount (USD Bn)
1	Pre-COVID-19 (Table 5)	61.9
2	COVID-19 related (Table 4)	14.3bn
3	Total	76.2

Source: Computed from Tables 4 and 5.

Implication of Debt Position

The obvious implication of the mounting debt position is the likelihood of a huge burden; and the highly probable crystallization of a debt crisis, particularly if the international oil market challenges do not abate promptly; or if the challenges are heightened. Already, many debtor-LDCs have requested for forbearance in the form of debt cancellation, from lenders.

Nigeria's President, Muhammadu Buhari, had joined the league of debt-forgiveness seekers, by asking for outright cancellation of several loans from diverse lenders, as presented in Table 7, for reason of diminished capacity, ascribable to the impact of COVID-19 pandemic. The list may be inexhaustive.

Table 7: Debt Forgiveness (Cancellation) Sought by Nigeria

S/No	Lender	Amount (USD)
1	World Bank group (TDA): International Dev. Association	9.692bn
2	IBRD	409.51m
3	AfDB	1.359bn
4	African Dev. Finance Corporation	926.14m
5	BADEA	5.88m
6	EDF	55.17m
7	IDB	14.26m
8	IFAD	197.84m
9	Exim Bank, China	3.175bn
10	AFD (France)	361.75m
11	JICA (Japan)	76.13m
12	Exim Bank (India)	32.14m
13	KFN (Germany)	202.27m

Source: 'THE NATION', May 25, 2020, Tuesday.

From the request, and the antecedent of forbearances obtained, particularly during Obasanjo's Administration, Nigeria seemed to have mastered the game: procuring loans, seeking and obtaining debt cancellation subsequently as a cheering news, China has accepted to accede to the request for forbearance by debtor-Nigeria inclusive, to enable them over-come the effects of the pandemic.

Prognostication

Numerous issues call for consideration when assessing the probable implications of COVID-19 post viral syndrome for Nigeria. In the circumstance of space constraint, not much was achieved in this examination. For ease of analysis and elucidation, the likely manifestations which traverse the gamut of economic and social spheres of Nigeria's existential fabric, broadly categorized into external debt crisis and macro-economic disequilibria as presented.

External Debt Crisis

External debt crisis is a situation in which a country's debt obligation assumes a worrisome situation, resulting in a problematic or deplorable condition beyond the easy containment of the debtor-nation. In its simplistic origin, it arises when a debtor-country is unable to meet her debt service obligation over a prolong period, resulting in accumulated arrears.

The situation is often characterized by protracted debt burden, debt overhang, debt unsustainability, increasing difficulties in further debt rescheduling, dependency and its portended danger of imperialism and exploitation, downward review of country risk rating by creditor-institutions and the attendant diminished chances of future international support, excessive debt serving requirement, vicious debt circles and the domino effects, among others (Mahmud & Ogwuzebe, 2019).

At various times, particularly in the 1980s through the 1990s, to the early 2000s, Nigeria was challenged by some or all the referenced characteristics. Succor came when the concerted efforts of the international community, and the new focus of Nigeria's leadership, in the early years of the new democratic dispensation, provided the needed debt relief, through debt cancellation, based on the principle of incapacity of debtor-LDCs, Nigeria inclusive.

It is surmised that given the extant borrowing trend, exacerbated by the demands of COVID-19 pandemic, Nigeria may slip to the doldrums: for one reason, the pandemic and its shrinking effects on economic prospects will diminish the earnings potentials or capacity of the country from the dominant oil source; and for another reason, raising taxation during emergencies, notwithstanding its political backlash, is Herculean, given the observed apathy of the citizenry. Therefore, unless the international oil markets rebound robustly and quickly, debt serving may be problematic; and in the surmised event of unsustainability, the burden may stretch to a strain, resulting in crisis, and its domino effects.

Macro-Economic Disequilibria

The focus of macroeconomic management is the attainment of stable objectives. In this regard, macro-economic disequilibrium situations, manifested in unfavorable exchange rate, acute foreign exchange scarcity, unfavorable balance of payments, declining industrial output, rising unemployment and stagflation, among others, have been crystallized.

To tame the effect of macro instability, foreign exchange balances stored in Excess Crude Account, Foreign Reserves and Sovereign Wealth Account can provide the first aid, particularly when additional loans cannot be immediately secured. Already, the first two Accounts had been operated downward at the onset of the pandemic, in response to the need to urgently provide the required facilities; and to intervene in the foreign exchange market, in order to defend the Naira, as explained by the Central Bank of Nigeria, in May 2020. Specifically, a drawn-down on foreign reserves was made in March 2020, leaving $24.96bn in March 2020, from $38.07bn in December 2019. In the 2020 Budget, the official exchange rate was adjusted from N305 per dollar to N360 per dollar. Analysts believe that, however explained, the action is tantamount to "devaluation" of the Naira.

Nigeria may have to depend largely on concessions to other parties, to attract partnership or cooperation, from her erstwhile position of strength or parity. In this regard, unprofitable barter exchange of crude oil, lower international oil prices to motivate demand, crude production cuts, and other trade concessions to attract DFIs or even portfolio investors may become necessary, particularly if agreeable, to OPEC. Without doubt, the projected 4.5 per cent shrink in the global economy in 2020 will take a toll on Nigeria. The sum total of any diminution in the economic prospects of Nigeria is a decline in welfarism, manifested in deterioration in social amenities, job loss, (arising from the "rot" in capital efficiency) declining output and probable industrial shut down, mergers and acquisitions and food or

general insecurity. In the event that appropriate or suitable economic management policies are not promptly deployed, the excruciating hardship may snowball into social dissatisfaction and unrest.

As it is, many employers are spoiling for job cut, or outright shutdowns, if they are unable to secure official economic stimulus packages, to restart their operations. A leading Bank was reported in the social media as announcing arrangements to offload over 800 employees, in response to the lockdown. The Presidential Economic Sustainability Committee, in its Report in June 2020, predicted that 35 million jobs will be lost, no thanks to the pandemic. Airlines and hospitalities are thinking in similar direction. Farmers will return to the "plantations" behind schedule; while importers will not access China for a long time. Given the low domestic industrial capacity, often which necessitates high reliance on imports, copious deficits in supply are expected. Even in the midst of weak aggregate demand, inflation or stagflation will be engendered, in the circumstance. In any or all of the situations, social unrest is envisaged, ultimately.

Conclusion

Nigeria will be challenged on many fronts as a consequence of COVID-19 pandemic. The escalation in external borrowing might trigger vicious circles that are capable of engendering a crisis situation to the prejudice of the welfare of the citizenry, particularly because of the huge demand that would be made on the available but diminished foreign exchange resources for debt servicing. Unless international oil prices rebound and rise to "unexpected" significantly high levels, supported with serious fiscal discipline, the economic consequences may be unfavorable. As to what Government should do to proactively reposition the economy to contain the anticipated situation, various policy options are proposed.

Policy Recommendations

Arising from the analysis, the following policy options are recommended to Government for consideration:

i. Government should put a cap on external borrowings, except where the need is critical and ineluctable. Implicitly, borrowing to fund the execution of deferrable infrastructural development should be discontinued. Instead, only borrowing to restart the economy for immediate recovery should be considered.
ii. Government should prioritize policies designed to achieve superior economic management in the interim and going forward. The strategy should promote deployment of local content and import substitution, indeed and in truth, so as to loosen the tight pressure on the Naira exchange, generated by excessive demand for foreign exchange to finance ostentatious consumption and over-bloated public administration.
    The strategy should also aim at revamping the ailing or "collapsed" SME sector, as well as deliberately supporting the resuscitation of other enterprises which engage

considerable amount of labour force: airlines, hospitality, agriculture and manufacturing. It is gratifying that the CBN has responded with palliatives which include establishment of N50 billion and N100billion funds for SMEs and industries respective, among others. Similar financial incentives had been provided, to revamp the health and pharmaceutical sector. Increasing the provision for Anchor Borrower Scheme of the CBN for agricultural small holder farmers should be considered, to boost rural employment, agricultural output and food security.

iii. Investment in social welfare should be prioritized; with focus on providing social safety nets for the vulnerable, by way of free or highly subsidized healthcare, transportation education and food, among others.

iv. Security of lives and property should also take the center stage, particularly because insecurity, like ill health, terminates or suspends all other activities, be they economic, social or political.

v. Government should re-institutionalize taxation as its cardinal and traditional source of revenue. In this regard, Government should rejig the public enlightenment apparatus, to inculcate the consciousness of tax as a civic responsibility of every eligible citizen. This medium-term measure will provide the ultimate and viable support and alternative to the much often deployed debt financing option.

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