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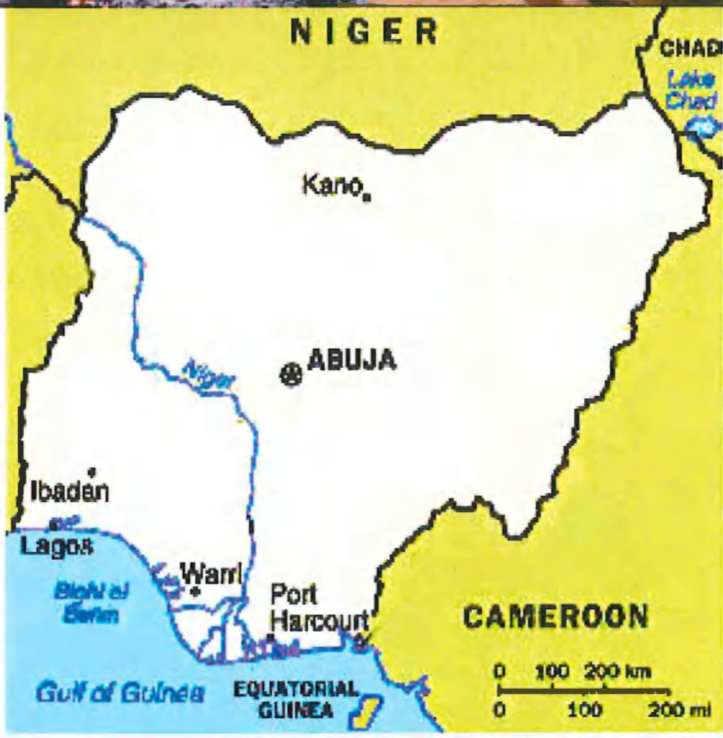
The Politics of the MDGs and Nigeria



A Critical Appraisal of the Global Partnership for Development (Goal 8)

AFRODAD
African Forum and Network on Debt and Development

“ Wherever we lift one soul from a life of poverty, we are defending human rights. And whenever we fail in this mission, we are failing human rights. ”

Kofi Annan (2000) addressing the United Nations General assembly on the Millennium Development Goals. United Nations, New York·

The Politics of the MDGs and Nigeria

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Preface

Despite rapid advances by some countries that show that Millennium Development Goals (MDGs) are achievable, most countries in Sub-Saharan Africa including the populous nation of Nigeria are yet to mobilize resources, political and financial support to meet specific global challenges, especially the fight against HIV/AIDS and weak fragile economies. A 2003 United Nations Development Programme (UNDP) review of sub-Saharan Africa's social development indicators provides a bleak picture of the region's progress towards MDGs. The number of Africans living on less that $1 a day is increasing. It is also true that while most of the world made significant progress in the fight against hunger during the 1990s, the prevalence of underweight children remained at nearly 50% in South-Central Asia and Sub-Saharan Africa, which is averse to development in an era of global overproduction of food.

With an annual per capita income of barely $300, Nigeria is one of the 20 poorest countries in the world. It should therefore be an HIPC-eligible country—deserving of deep debt reduction. Nigeria's debt overhang is considered severe in the context of its development challenges. Currently, about 70% of Nigerians live in absolute poverty (about 84 million people). It requires an annual GDP growth rate of 7-8% in order to halve the number of people in poverty by 2015, and this translates to an investment rate of more than 30% per annum.[1] Currently, the country grows at about 3 percent and the national savings rate is about 15 percent. In addition, the country faces daunting challenges of re-building a country badly damaged by decades of military misrule and a fragile democracy. There is tremendous pressure on the government to deliver some 'democracy dividends'. Furthermore, there are the threats of diseases such as malaria, HIV/AIDS, and tuberculosis.

The MDGs include a 50% reduction in poverty and hunger, universal primary education, reduction of child mortality by two-thirds, cutbacks in maternal mortality by three-quarters, promotion of gender equality, and reversal of the spread of HIV/AIDS, malaria and other diseases. A Millennium Summit of 189 world leaders in September 2000 pledged to meet all of these goals by 2015. A UN summit in September 2005 reviewed progress towards the goals and set the development agenda for the next decade.

Of particular importance to this research report is Goal Eight, outlining Northern governments' commitment to a global partnership for development - a late addition to the MDGs. Goal Eight relates to issues of – debt cancellation, trade justice, equitable governance in global institutions, and political, social and economic rights for the poor – as an indispensable foundation for a politics that will enable sustained progress to end poverty in the South. It is an important goal for holding developed countries accountable in advancing the MDGs. This goal is particularly significant, as it requires richer countries to reform their policies and actions to contribute to the fight against poverty. The lack of basic rights in poor countries stems from and reinforces highly unequal power, within and between countries, which marginalize poor people's needs and priorities.

This research report is an attempt to provoke debate towards an answer. It argues that what is overdue is a viable global partnership that enables African countries to attain the Millennium Development Goals (MDGs) through having a lasting solution to their debt overhang, better and effective aid delivery, diversification and access to markets in the North for their primary commodity produce as well as fair trade. We draw from the Nigerian experiences to suggest that a "development marshal plan" requires both a viable national agenda and fundamental global action to be sustainable. We take an international perspective, although Nigeria is the primary focus of analysis.

The report is therefore organized as follows: Section I briefly examines the nature and severity of Nigeria's development challenges. Section II looks at the national plans and strategies put in place to attain the Millennium Development Goals. Section III evaluates the relationships between Debt on the one hand and the challenge to attain the Millennium Development Goals on the other.

1 Human Development Report 2000, UNDP.

Empirical evidence suggests that debt badly deprives Nigeria its prospects for a full-fledged democracy and equitable social service provision to its populous nation. Section IV focuses on the aid delivery and its impact on Nigeria's potential to attain the MDGs, while section V addresses issues of trade and investment which are vital to the attainment of the MDGs. Section VI speaks to the existing and potential roles that key stakeholders can play to make MDGs attainable and Section VII gives precise recommendations to pull Nigeria out of its current economic quagmire and daunting poverty.

There is a growing global consensus that the old approaches to debt, trade and aid have not worked. The current global trading regime and aid delivery system appears to be reinforcing than alleviating Nigeria's economic wretchedness. Official Development Assistance (ODA) seems to have a way of returning to the donor nations without effecting development. Much of the ODA inflows by-pass national budgets, and thus are not within the control of national policymakers. The structure of Nigeria's debt indicates that its growth has been mainly from the accumulation of unpaid arrears and less out of new borrowing. The fact of entrapment and accumulation of arrears is symptomatic of inherent difficulties in servicing the debt. It is crystal-clear that the debt incurred did not serve its intended purpose. The research findings indicate that the development problems confronting Nigeria are so huge and overwhelming that Nigerians alone would not overcome them. It takes both national and international cooperation to bring them to an end. Nigeria, on its own, will not attain its MDGs by 2015.

It is true that aid is not a lifetime entitlement, hence a national strategy and international reform of development financing taking care of the trade and debt problems is urgently needed. The activities of the international civil society movement including AFRODAD should be able to continuously remind the world of the need for fundamental changes in Debt, aid and trade if MDGs are to be attainable.

Mutasa

Charles MUTASA
Executive Director

Acknowledgements

The Politics of the MDGs using country case studies was conceived from AFRODAD's annual and strategic planning in December 2004 and approved by the Joint Programming Meeting of its partners/ affiliates in March 2005 in Nairobi, Kenya. Debt and economic activists present felt that tracking and critically analyzing the MDGs' Goal number 8 on Global Partnership's failure to pull Africa out of its vicious circle of poverty, indebtedness and capital losses, should be able to direct debates and deliberations on Africa's future on the right path.

The Politics of the MDGs: The Case of Nigeria is the result of hard work by colleagues within and outside AFRODAD. We warmly thank all the contributors to the report. Special thanks to the principal researcher Professor Milton Iyoha for investing his time and energy to make this report possible. We also thank Tirivangani Mutazu, our Research Program Officer and Vitalice Meja our Program Director for Lobby and Advocacy for providing invaluable assistance by checking references and facts. We are also grateful for the financial support from HIVOs, Diakonia and Novib for our work and noble cause.

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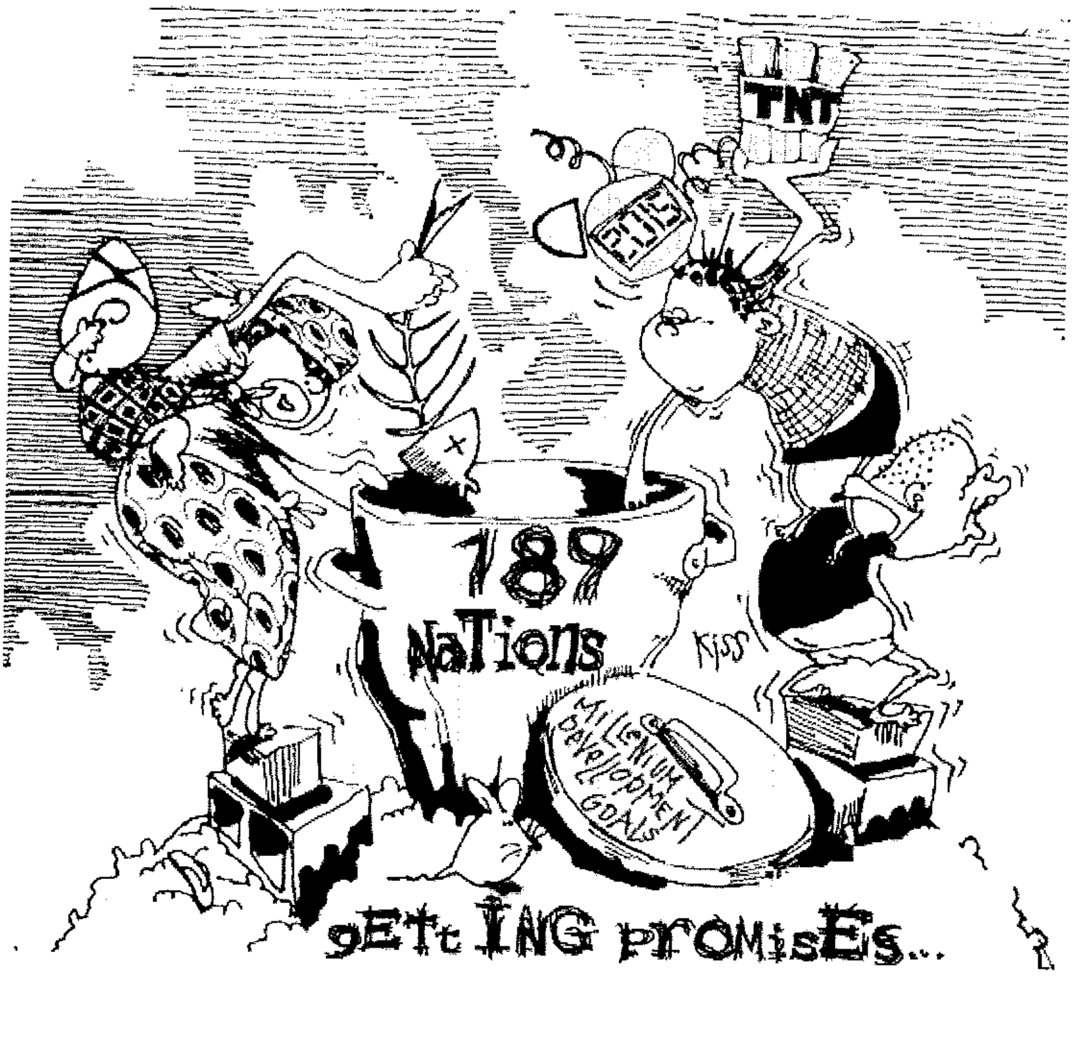
AEC	African Economic Community
AGOA	Africa Growth Opportunity Act
ANEEJ	African Network for Environmental and Economic Justice
AU	African Union
DMO	Debt Management Office
ECOWAS	Economic Community of West African States
EU	European Union
GDP	Gross Domestic Product
GDP	Gross Domestic Product
GNP	Gross National Product
GSM	Global System of Mobile Telecommunications
HIPC	Highly Indebted Poor Country
IBRD	International Bank for Reconstruction and Development
IMF	International Monetary Fund
ICSEED	International Centre for Solar, Environmental and Economic Development
IPA	Investment Project Assistance
MDG	Millennium Development Goals
NEEDS	National Economic Empowerment and Development Strategy
NEPAD	New Partnership for Africa's Development
ODA	Official Development Assistance
SEEDS	State Economic Empowerment and Development Strategy
UNDP	United Nations Development Programme
WAMZ	West African Monetary Zone
WTO	World Trade Organization



Cartoon kindly supplied by Kiss Abrahams and Olivia Phiri, Zambia

Executive Summary

Four decades after Independence in 1960, Nigeria remains a poor country with a per capita income of US$260 in 2000. At the dawn of the Third Millennium, approximately 70% of the population still lived on less than US$1 a day, an indication of extreme poverty. Real GDP growth has remained sluggish, averaging 3.5% per annum since 2000. Nigeria is also a highly indebted country with total external debt exceeding US$32 billion in 2003. The debt service burden remains crushing. Foreign Aid in the form of Official Development Assistance (ODA) has been low and declining during the past decade. In 2002, ODA per capita was less than US$2 and total ODA was only 0 .4% of GNP. Clearly, Nigeria would find it difficult to attain the Millennium Development Goals without massive assistance from Development Partners in the areas of Aid, Trade and Debt relief.

Since May 29, 1999 when President Olusegun Obasanjo assumed office, he has mounted a campaign to have debt reduced or forgiven, a move largely rejected by western countries on the grounds that oil-rich Nigeria is buoyant enough to repay its debt. Nigeria hinged its plea for debt reduction on the grounds that the debt burden could truncate its fledgling democracy, and the huge amount it spends yearly on debt servicing is too high to enable it to undertake vital social and infrastructure spending needed to alleviate poverty. Obasanjo has criticized the compound interest formula used, saying that Nigeria is still far away from repaying the principal sums it borrowed.

Nigeria owes the rest of the world $35bn, about $31bn of which is owed to members of the 19-nation-strong Paris Club. It has not received any fresh loans since 1992, but repaid $8bn debt since then. With the deal, the country is expected to pay the balance of 40 per cent or $12 billion, beginning with $6 billion arrears in September. Debt relief is significant, and will allow for long-term debt sustainability.

The United Kingdom is Nigeria's biggest creditor and has attempted to persuade other G8 creditors of the need for debt write-off. The British Prime Minister, Mr. Tony Blair claimed that the debt relief was part of a package to assist developing countries; especially poor African countries get on the development track. Some of the G8 agreements included the doubling of aid to Africa by 2010, increasing it by $25bn a year as recommended by the Commission for Africa.

Besides the promised Debt relief, as at today, little or no progress has been made in attaining Millennium Development Goal Number Eight, which is to "Develop a Global Partnership for Development" for the purpose of ending human poverty. The main explanation is a clear lack of political will on the part of the rich countries to cooperate in the struggle to achieve a better and more effective aid delivery, establish a fairer trade system and contribute to the goal of a sustainable debt level for Nigeria. Increasingly, it seems clear that in order to make progress in achieving MDG goal 8, the rich countries would have to take more seriously the "compact among nations to end human poverty" — the lofty ideal enshrined in the MDG approach and in the Millennium Declaration, which they have all signed.

Wth an average annual investment rate of barely 16% of GDP, Nigeria is far behind the minimum investment rate of about 30% of GDP required to reach a growth rate of at least 7 - 8% per annum required to achieve the Millennium Development Goals by 2015. Most of the Foreign Direct Investment (FDI) into the country is directed at the oil and extractive sectors. Thus, the economic structure remains undiversified and oil exports account for 95% of total export earnings, while the manufacturing sector accounts for less than one percent[2].

In order to make significant progress on the aid issue, it is recommended that donors should commit to timetables to reach 0.7% of gross national income, the long-standing target for Official Development Assistance (ODA). Also, in order to move forward on the issue of more effective and fairer trade, the rich countries must translate political will into concrete actions during the WTO negotiations scheduled for Hong Kong in December 2005 such that significant progress can be recorded on the issues of expanded access to industrial country markets and reduced agricultural subsidies to farmers in industrial countries.

2 UNDP (2004) National Human Development Report , UNDP , Nigeria

Finally, on the issue of Nigeria's escalating external debt and crushing debt-service burden, it is again clear that much will be expected from the rich countries. There seems to be no way that Nigeria can attain the MDGs without significant debt relief which can only be granted by the rich countries. Thus, it is obvious that progress in achieving MDG goal 8 will depend critically on the goodwill, cooperation and concrete actions of the rich countries.

On her part, Nigeria needs to take concrete steps to reform the economy and establish a conducive environment for business and the inflow of foreign private investment. Adoption of the following policies and measures is recommended:

- i Improvement in the economy's international competitiveness in order to allow her to benefit fully from trade and the process of globalization;
- ii A quantitative and qualitative increase in the provision of export incentives in order to boost export growth;
- iii Proactive steps to enhance technological capacity and promote human capital development;
- iv Improvement in the legal and regulatory framework so as to encourage domestic and Foreign Direct Investment (FDI);
- v Improvements in economic and social overheads, particularly roads water and electricity, in order to reduce the cost of doing business;
- vi Establishment of a partnership with international creditors and development agencies to find innovative mechanisms for debt relief and increased Official Development Assistance;
- vii Strengthening and deepening strategies for improving governance and transparency;
- viii Intensification of the fight against corruption and rent seeking;
- ix Nurturing democratic governance, political stability and ethnic harmony; and
- x Designing and implementing creative strategies to encourage domestic savings and Foreign Direct Investment (FDI).

1.0 Introduction

A Background of Nigeria

Nigeria's overall economic performance since Independence in 1960 has been decidedly unimpressive. According to World Bank data, the average annual growth rate of Gross Domestic Product (GDP) between 1960 and 2000 was less than 4 percent. Thus, despite the availability and expenditure of colossal amounts of foreign exchange obtained mainly from its oil and gas resources, Nigeria's economic growth has been weak and the incidence of poverty has increased. It is estimated that Nigeria received over US$228 billion from oil export receipts between 1981 and 1999 (Udeh, 2000). Yet the number of Nigerians living in abject poverty- that is, on less than US$1 a day – more than doubled between 1970 and 2000, and the proportion of the population living in poverty rose from 36% in 1970 to 70% in 2000. Nigeria's per capita income of US$260 in 2000 is much less than, indeed it is only one-third of its level, US$780, in 1980. (See World Bank (2003). Meanwhile, the external debt stock has continued to mount and the debt service burden has become unbearable. Obviously, the colossal oil revenues have been tragically misspent and misused. Corruption has been pervasive and there has been a lack of transparency, accountability and good governance. Above all, there have been serious mistakes made in macroeconomic and debt management policies.

The first 30 of the first 40 post-Independence years in Nigeria were spent under the heavy-handed rule of military dictators and despots. Much of the failure of policy and the lack of development have been attributed to the abnormal situation where a country was denied democracy and the rule of law, but rather was forcibly subjected to military misrule. There was therefore much hope and expectation that the restoration of democratic rule under Chief Olusegun Obasanjo in 1999 would bring relief, development and rapid growth to Nigeria. Unfortunately, it was not widely realized that the resumption of rapid economic growth and development would necessarily be contingent on the adoption and implementation of sound macroeconomic and debt management policies. As matters turned out, misguided macroeconomic and debt management policies under civilian rule have meant continued sluggish growth of real GDP, high inflation and deepening poverty.

Thus, the Nigerian economy has continued to report poor economic performance in the new millennium contrary to the hopes and expectations of Nigerians, donor partners, and the entire international community. During President Obasanjo's first term 1999 – 2003, growth in real output has continued to be weak, averaging 3.5% per annum. (See Table 1 below for data on selected indicators of macroeconomic performance during the 1999 – 2003 period). Given a population growth rate estimated to be between 2.8% and 3% per annum, this has meant that average per capita real income has grown by less than 1 percent per annum. Ipso facto, there has been little or no progress in reducing the incidence of poverty. It is widely agreed that a minimum growth rate of real Gross Domestic Product equaling 7.0% per annum is required to significantly reduce poverty and lead to the attainment of the Millennium Development Goal of reducing the number of those in extreme poverty by one-half before the year 2015. See UNDP (2003) and Lal (1999). Using this paradigm, the obvious conclusion is that Nigeria still has a long way to go before poverty reduction begins.

The macroeconomic performance of the Nigerian economy during the period 1999-2004 was uneven and generally unimpressive. The annual average growth of real GDP was approximately 3.5%. In the real sector, the performance of the manufacturing sector was particularly weak. In the monetary and financial sector, the growth of money supply (M2) exceeded the targeted levels and the specter of inflation reappeared. From a level of 6.6% in 1999, the rate of inflation inched up to 6.9% in 2000 and then surged to 18.9% in 2001 before moderating to 12.9% in 2002. Inflation stood at 14% in 2003.

The level of gross external reserves remained relatively buoyant, rising from a low of US$5.4 billion in 1999 to a level of US$9.4 billion in 2000 and a high of US$10.4 billion in 2001. However, it fell to a level of US$7.3 billion in 2002. It is, massive external debt-service payments, however, that have continued to hemorrhage the Nigerian economy.

Table 1: Nigeria: Selected Macroeconomic Indicators, 1999-2003

Year	Real GDP growth rate (%)	Fiscal deficit-GDP ratio (%)	Inflation rate (%)	External debt (US$ billions)
1999	2.8	-8.4	6.6	28.0
2000	3.9	-2.9	6.9	28.2
2001	4.2	-4.0	18.9	28.3
2002	4.0	-5.1	12.9	30.9
2003	3.7	-1.4	14.0	32.9

Sources: (i) CBN; and (ii) World Bank Africa Database.

1.1 Nigeria's Historic Background

Nigeria became an independent nation on October 1, 1960, and a Republic in 1963. Nigeria has the largest population of any country in Africa (about 120 million), and the greatest diversity of cultures, ways of life, cities and terrain. Nigeria shares its international border of 4,470 km (2513 mi.) with four neighbors: Chad, Cameroon, Benin, and Niger. Until 1989 the capital was Lagos, with a population of about 2,500,000, but the government recently moved the capital to Abuja. The country's political structure was increased to twelve states in 1967, to nineteen states in 1976, with Abuja as the new federal capital. Between 1987 and 1991, a total of eleven states were created, and just recently in 1996, six additional states were added, bringing the administrative structure of the federation to thirty-six states. Thus, the country now has 774 local governments spread around 36 states and the Federal Capital Territory, Abuja.

Nigeria had little or no external debt prior to the mid-1980s and 1990s as it undertook limited external borrowing. For example, in 1970, despite just having finished a 30 months civil war, external debt was less than a billion dollars. By 1980, this figure had increased to almost US$9 billion as loans were contracted from both official and private sources. Most of Nigeria's debt were irresponsibly contracted by military dictators who plundered the nation's resources including external loans for selfish ends. From the over-throw of democratic government in 1983 by Major General Buhari (1983 - 1984), through General Ibrahim Babangida's eight year rule to the Late General Sanni Abacha's five year tyranny (1993 - 1998) and General Abdulsalami Abubarkar's regime in (1998 - 1999), the nation was under military siege with serious human rights abuses and widespread corruption. The underlying promise for the borrowings was the belief that the public sector had to provide infrastructure, create jobs[3]. Since May 29, 1999, Nigeria now once again runs a Civilian Federal System of governance with separation of powers between the Executive, the Legislature and the Judiciary.

1.2 Current Development Programs

In the post-SAP period, Nigeria has jettisoned fixed-term Development Plans. In its place, it has adopted a strategy of Perspective Planning. The Perspective Plan as exemplified by vision 2010 is backstopped by a system of 3-year Rolling Plans.

In 2004, the federal government unveiled the National Economic Empowerment and Development Strategy (NEEDS) and its state level Counterpart State Economic and Empowerment Development Strategy (SEEDS). The economic reform process encompasses strategies to achieve the Millennium Development Goals (MDGs).

3 David Ugolor and Leo Atakpu (2002) A Testimonial-Economic Community of West African State Network for Debt and Development (ECONDAD), International People's Tribunal, Porto Alegre, Brazil

The UN has been working to build internal support towards the reform process through the provision of technical advice, sectoral expertise, building national capacity for poverty monitoring and analysis and promoting national dialogue. All the 36 states have begun work on their SEEDS[4].

Accordingly, NEEDS includes interventions and policies aimed at poverty reduction and intended to benefit virtually all segments of the Nigerian society.

The National Economic Empowerment and Development Strategy also encompass important structural reforms designed to enhance the transparency and accountability of public sector policies and institutions. In the process, it is expected that many deep-rooted macroeconomic and structural challenges will be addressed in order to restore macroeconomic stability and promote rapid and sustainable economic growth. The NEEDS document declares that the strategy is to be implemented by creating a conducive environment for business and foreign investment so as to ensure a government sector cum private sector partnership for growth. In particular, government's attention is to be focused on the provision of basic services and empowering the generality of Nigerians to take advantage of new livelihood opportunities while encouraging the private sector to become the engine of growth in the economy. People empowerment will especially focus on the areas of health, education, the environment, integrated rural development, housing, employment, gender mainstreaming, and youth development.

NEEDS is Nigeria's homegrown poverty reduction strategy (PRSP). The State Economic Empowerment and Development Strategy (SEEDS) of each State of the Federation are to be coordinated with NEEDS as a weapon to reduce poverty and underdevelopment in the country. In addition to the State and Local governments, the implementation of NEEDS will be predicated on a close collaboration and coordination between the Federal government and donor agencies, the private sector, civil society and non-governmental organizations (NGOs).

NEEDS has also become an umbrella organization for the various poverty eradication programmes established by the Obasanjo Administration. Chief among these programmes is the National Poverty Eradication Programme (NAPEP) that was established in 1999. The objectives of NAPEP include:

(i) Poverty eradication;

(ii) Economic empowerment of the citizenry, especially women;

(iii) Provision of skill acquisition for youths and reduction of unemployment among youths.

Table 2: Economic Trends

	1998	1999	2000	2001	2002
Growth in Real GDP (%)	2.3	2.8	3.9	4.2	3.3
Overall Fiscal Balance% (GDP)	-4.8	-8.9	-2.1	-4	-5.1
Domestic Debt Stock % (GDP)	18.9	24.9	18.6	18.5	19.7
External Debt Stock % (GDP)	87.2	80.7	64	57.9	64.1
Overall External Balance% (GDP)	-8.4	-9.8	6.3	0.4	-8.9
Inflation Rate	10.3	6.6	6.9	18.9	12.9
Exchange Rate	85.6	96.1	101.7	111.9	120.5
GDP per Capita ₦	1041	1038.8	1046.8	1062.5	1065.4

Source: UNDP (2004) Nigeria Development Profile, UNDP, Nigeria

4 UNDP (2004) Nigeria development Profile, UNDP , Nigeria.

1.3. External Debt Problems

In the 1980s, largely as a result of falling oil export earnings, Nigeria's external debt rapidly escalated. From a position in which Nigeria was "under-borrowed" in the late 1970s (her external debt stock amounted to a mere US$985 million in 1977), Nigeria became one of the most heavily indebted countries in sub-Saharan Africa, with total external debt peaking at over US$30.0 billion in 1991. In 1993, Nigeria's per capita external debt amounted to US$300, which was roughly equal to its income per capita. Accompanying the escalating external debt has been a crushing debt-service burden. Since the 1980s, Nigeria has been involved in numerous debt-rescheduling exercises in order to make the debt service burden bearable and avoid default. After peaking at 42 percent in 1986, the actual debt-service ratio (the ratio of actual debt service payments to export earnings) has since fluctuated between 24% and 29%. A direct consequence of the escalating debt and high debt-service burden is that there is insufficient foreign exchange to finance the importation of raw materials, intermediate goods, and capital goods needed for rapid economic development.

> *"130 million people are being denied their economic and social rights which guarantee access to employment, education, health, water, electricity and employment as a result of Nigeria's debt burden."* **Rachel Ordu, Centre for Economic Growth and Development, Nigeria.**

There is wide agreement that the sharp external debt build-up in the post - 1982 period is attributable to several factors including:

- Continued decline in the terms of trade;
- Uncontrolled fluctuations in export earnings;
- Higher real interest rates;
- Misalignment of exchange rates;
- Uncontrolled and rapid growth in public expenditures; and
- Frequent rescheduling and refinancing of Nigeria's external debt, which have only served to further increase the debt stock.

Because of weaknesses in economic policy and the frequent mismanagement of the borrowed funds, Nigeria has experienced severe debt servicing problems.

The severity of Nigeria's external debt problems is best appreciated by examining the trend of Nigeria's total external debt since Independence and analyzing some key debt indicators. In 2003, the debt-service to export ratio, that is ratio of actual debt service payments to export revenues, was approximately 10 percent. But, then Nigeria paid only slightly more than half of its debt-service payments falling due. This inability to fully service debt has the unintended consequence of increasing the total debt stock as arrears, which attract penalty, are recapitalized and routinely added to the debt stock. Trends in Nigeria's External Debt Burden Indicators, 1971-2003 are seen on Appendix 1

Despite its massive debt burden, Nigeria is not one of the countries included in the creditor initiative for debt reduction for Heavily Indebted Poor Countries (HIPC). It was excluded from the list of HIPC countries in 1998 on the grounds that it was a "blend" country eligible for non-concessional as well as concessional loans.[5]

5 African Institute for Applied Economics

Table 3. Commitment to health: resources, access and services

Public health expenditure (% of GDP), 2002	1.2
Private health expenditure (% of GDP), 2002	3.5
Health expenditure per capita (PPP US$), 2002	43
One-year-olds fully immunized against tuberculosis (%), 2003	48
One-year-olds fully immunized against measles (%), 2003	35
Children with diarrhoea receiving oral dehydration and continued feeding (% under age 5) 1, 1994-2003	28 4
Contraceptive prevalence rate (%), 1995-2003	13
Births attended by skilled health personnel (%), 1995-2003	35

Source: UNDP (2004) Human Development Report

2 .0 Debt and the MDGs

Nigeria is the world's seventh-largest oil exporter but also one of its poorest. About $31bn of Nigeria's debt is owed to members of the 19-nation-strong Paris Club. It has not received any fresh loans since 1992, but has repaid $8bn debt since then.

Despite the well-publicized efforts of President Obasanjo, there has until mid 2005 been little progress in obtaining external debt relief for Nigeria and the problem of external debt overhang has continued to be a burden on the economy. There has been some progress in reconciling Nigeria's external debt with the Paris Club creditor countries.

The country has been struggling to repay the outstanding $31 billion for decades. The Paris Club has agreed to write off $18 billion of the debt, leaving Nigeria with $13 billion to pay. The initial debt relief terms will be based on the so-called "Naples Terms" - which are equivalent to a 67% reduction on the face value of debt and are applied to debts of poorest nations. Given that there has been no debt relief under the HIPC initiative, heavy debt-service payments have continued to be a burden on the economy, exacerbating the problem of development finance.

2.1 Nigeria and Debt Relief Mechanisms

Results obtained in empirical studies (see Iyoha 2000) confirm that an excessively high stock of external debt depresses investment and lowers the rate of economic growth in developing countries. Thus, a heavily-indebted country like Nigeria needs to articulate creative strategies for bringing about debt reduction so that the high debt stock and associated crushing debt-service burden would not impact too negatively on economic growth. The debt reduction techniques currently being used by Nigeria include debt restructuring, debt rescheduling, reduced debt servicing, debt buy-backs, interest rate options, and various debt conversion schemes like the debt- equity swap. Overall, the effectiveness of these techniques in significantly reducing the debt stock has been rather limited (Ogbe, 1992).

For many years, the Paris Club creditors were adamantly opposed to debt relief. All they offered are debt rescheduling which are not helpful in the long run and do not constitute true debt relief because re-scheduled debt is routinely recapitalized and added to the debt stock — thus keeping debtors in perpetual bondage. This changed in 2005 when they accepted to negotiate a 60% debt reduction subject to some conditionalities.

New steps that could be taken to effectively reduce Nigeria's external debt stock include, *inter alia*:

- Adoption and implementation of macroeconomic policies which would encourage repa triation of flight capital estimated at nearly US$100 billion;
- Adoption of a Medium Term Economic Programme approved by the IMF/IBRD in order to qualify for debt reduction under the enhanced Toronto terms, the Naples terms, and the IDA Reduction Facility; and
- Pressing for debt relief or cancellation through diplomatic action.

Given the potential beneficial effects of debt reduction on investment and GDP in Nigeria, it is recommended that the international community should make a greater effort to provide debt reduction, preferably through debt cancellation, as a matter of priority. It seems clear that, provided appropriate domestic macro-economic policies are adopted and implemented *pari passu* with debt reduction packages, debt reduction would provide a much needed stimulus to investment recovery and growth in Nigeria in the years ahead.

The potential benefit of debt relief to low-income countries has recently been highlighted by two IMF Economists, Rina Bhattacharya and Benedict Clements. (See Bhattacharya and Clements 2004). Using econometric analysis, these Economists showed that the debt relief offered by the Highly Indebted Poor Countries (HIPC) initiative could boost the annual per capita income growth of the HIPC countries by as much as 2.8 percentage points a year. These results by IMF Economists should finally convince advanced countries, especially the Paris Club countries, of the immense potential benefits of debt relief and debt forgiveness to developing countries like Nigeria.

2.2 Domestic Public Debt

Nigeria's domestic debt has also been rising, fuelled primarily by escalating fiscal deficits. At the end of 2002, total federal government domestic debt outstanding amounted to N1,166.0 billion. This compares with a total domestic debt of a mere N404.1 billion in 1998. Table 4a shows data on Nigeria's domestic debt from 1998 to 2002. Also, see Table 4b which provides more data on Nigeria's domestic debt. An examination of the data in Table 4a shows that total domestic debt has increased steadily under Obasanjo's Administration; it increased by almost 50% between 2000 and 2002. It is easily confirmed from an analysis of the data that, during the entire period, a majority of the domestic debt was held in short-term instruments, the 91-day Treasury Bills constituted over 57% of total domestic debt and approximately 63 percent in 2002. The rest of the public domestic debt stock has been generally held in treasury bonds and development stocks. As regards the holders of domestic debt, it can be ascertained that the CBN has been the leading holder. In 1999, the CBN held 65.8% of total domestic debt; in 2000, its percentage share was 57.9 while in 2001, its share rose to 66.9%. However, its share fell to 46% in 2002. Note that because of the short-term nature of the domestic debt, an amount equivalent to 20% of the GDP comes due for payment every three months. The government strategy has been to borrow the same amount to pay off the maturing debt and interest due. As the underwriter of government securities, the CBN has stood ready to absorb the undersubscribed amount of securities in the weekly primary auctions.

Table 4a: Nigeria: Federal Government Domestic Debt Outstanding, 1998 – 2002 (In billions of Naira)

	1998	1999	2000	2001	2002
Total	404.1	794.8	898.3	1,017.0	1,166.0
By instrument					
Treasury Bills	221.8	361.7	465.5	584.5	733.7
Treasury Bonds	179.6	430.6	430.6	430.6	430.6
Treasury Certificates	0	0	0	0	0
Development stock	2.7	2.4	2.1	1.8	1.6
Other	0	0	0	0	0
By holders					
Banking sector	355.9	765.1	808.2	879.4	992.7
Central Bank	301.8	522.8	520.0	680.1	532.5
Commercial Bank	49.5	226.1	275.0	199.3	460.2
Merchants Banks	4.6	16.2	12.4	0	0
Non-bank sector	48.2	29.7	90.1	137.6	173.3

Sources: Central Bank of Nigeria, Annual Reports and Statistical Bulletin

According to Jubilee Campaign-UK, the vast majority of Nigeria's huge debt was built up through penalties and compound interest on loans which rich countries made to former military dictators during the 1970s and 1980s. In 1985, Nigeria owed Paris Club governments $8 billion.

By the end of 2004, it owed them $31 billion (out of a total debt of $36 billion) despite having had almost no new loans. That is, Nigeria's debt to the Paris Club ballooned by around $23 billion dollars because of arrears, fines and compound interest. Nigeria's people did not see any of this money, but have been repaying it anyway.[6] Currently, it is placed at about $30 billion dollars, or about 70% of its 1999 estimated Gross Domestic Product, and of which about $14 billion is payment on arrears. During this period it has, at an official level, tried everything to manage the debt: debt rescheduling, debt conversion, debt-buy back and curtailed new borrowing, yet it has seen little or no relief. The strategy is just not working and cannot work[7].

Table 4b: Nigeria: Key Domestic Debt Related Data, 2001

Macroeconomic Aggregates	Value in year 2001
GDP	N3,614 b
Total Domestic Debt	N1,017 b
Total External Debt	N3,276 b
Total Debt (both domestic and external)	N4,293 b
Domestic Debt Service	N128 b
Deficit	N119 b
Retained Revenues	N597 b
Total Revenue	N1,906 b
Domestic Debt/ Total debt	24%
Domestic Debt/ GDP	28%
Deficit/GDP	3.3%
Debt Service/Retained Revenue	18.3%
Debt Service (2001)/Total Revenue	6.7%

Source: DMO (2002, p. 45)

2.3 Debt Management Office

An important initiative that has been adopted in order to better manage the external debt problem and enhance external debt sustainability was the establishment of the Debt Management Office (DMO) in October 2000. The Debt Management Office is now responsible for both domestic and external debt management. The main objective of DMO is to assist the country "in achieving a sustainable debt profile which is consistent with economic growth and development". Debt Management Office (2002, P. 22).

The creation of the DMO consolidates debt management functions in a single agency, ensuring proper coordination. [8] Prior to its establishment, Debt data recording system was inadequate. Loan records were incomplete, making it difficult to reconcile statements with creditors. Other deficiencies in the system include complicated and inefficient debt service/payment arrangements, which resulted in protracted delays payment delays and incurring of penalties; low quality human resources; and a lack of a well-defined debt strategy, among others.

The office has been playing a major role in facilitating debt-rescheduling negotiations between Nigeria and the London and Paris Club of creditors, and in securing debt relief. These negotiations have resulted in agreement with the Paris Club on the rescheduling of the country's external debts owed to this group of creditors.

In particular, DMO was established to rationalize and streamline the management of both the external and domestic debt of the country. The first major assignment undertaken by DMO was the reconciliation of Nigeria's debts with the Paris Club of Creditors.

6 Jubilee Campaign , UK at http://www.jubileedebtcampaign.org.uk/?lid=938

7 Mobolaji E. Aluko (2000) Testimony Before the US Congressional Subcommittee on Domestic and International Monetary Policy, Committee on Banking and Financial Services, May 25, 2000, Washington.

8 http://www.dmonigeria.com/about.html

Establishment of the Debt Management Office has demonstrated in a concrete manner Nigeria's strong commitment to work in collaboration and partnership with all categories of creditors. In addition, it shows the country's commitment to be more prudent with domestic borrowing. The initiative to establish DMO is particularly commendable as good debt management practices affect growth and development, and have implications for the achievement of the MDGs. According to DMO (2002, p.22),

"A high outflow of resources for debt servicing erodes the capacity of government to alleviate poverty whereas a well-engaged debt negotiation scheme would secure debt reduction and the savings could be directed to poverty alleviation".

The establishment of an effective and efficient debt management system is now widely recognized as a major element of a sound economic management strategy, because of the crucial link with fiscal and monetary policies as well as overall macroeconomic economic management. The office was put in place in order to address major shortcomings including the diffusion of responsibilities across a multitude of agencies in debt management and loan procurement.

3.0 Aid and the MDGs

Nigerians have been paying out in debt repayments nearly six times the amount they receive in aid. The level of development assistance to Nigeria is low. In 2001, Nigeria received a total of USD 185 million as ODA, which accounts for only 0.4% of GDP and USD 0.9 per capita. It has been argued that the long-term initiatives to halve hunger and poverty will not materialize without a fundamental restructuring of the global economic relationship especially on commodity trade including dismantling of agricultural subsidies by the developed countries, lowered tariffs, debt relief, debt servicing, political will, Overseas Development Assistance (ODA), repatriation of stolen funds in foreign banks to the country of origin and inclemency terms of the international financial system. A new and more generous funding base is needed if Nigeria is to achieve the millennium development goals by 2015[9].

Table 5. Flows of aid, private capital and debt	
Official development assistance (ODA) received (net disbursements) Total (US$ millions), 2003	317.6
Official development assistance (ODA) received (net disbursements) Per capita (US$), 2003	2.3
Official development assistance (ODA) received (net disbursements) (as % of GDP), 1990	0.9
Official development assistance (ODA) received (net disbursements) (as % of GDP), 2003	0.5
Net foreign direct investment inflows (% of GDP), 1990	2.1
Net foreign direct investment inflows (% of GDP), 2003	2.1
Other private flows (% of GDP), 1990	- 0.4
Other private flows (% of GDP), 2003	- 0.4
Total debt service (As % of GDP), 1990	11.7
Total debt service (As % of GDP), 2003	2.8
Total debt service (As % exports of goods, services and net income from abroad), 1990	22.3

Given that ODA has declined markedly during the last decade, Nigeria has taken steps to ensure better and more effective aid delivery. In the main, Nigeria has attempted to encourage increased aid delivery by reducing corruption and rent seeking, improving transparency and accountability, and nurturing democracy. During the last few years of military rule, especially during the heavy-handed despotic rule of General Abacha, Nigeria virtually became a pariah nation and many aid agencies left Nigeria. One of the objectives of the democratic administration of President Obasanjo has been to lure back the aid agencies, bilateral donors, and multilateral donor organizations. In addition to establishing a conducive environment for increased aid allocations, the Nigerian government has engaged in active advocacy under the aegis of the Commonwealth, NEPAD and AU.

As a low-income country, Nigeria qualifies for Official Development Assistance (ODA).

Official Development Assistance, which comes mainly from OECD countries, consists of net disbursements of grants and loans on concessional terms (loans must have at least a 25% grant element). Such assistance is designed to promote economic development in the low-income countries. As a result of the oil boom, Nigeria's per capita income increased sharply from US$250 in 1973 to US$1,000 in 1980. This caused Nigeria to be classified as a middle-income country and ODA assistance naturally declined. The end of the oil boom and the economic crisis of the mid - 1980s led to a drastic fall in per capita income, causing Nigeria to be re-classified as a low-income country in 1989. ODA flows then increased.

9 National Millennium Development Goals Report (2004); Nigeria.

The table below shows data on ODA flows to Nigeria between 1960 and 2003. In 1991, per capita ODA flows to Nigeria amounted to only US$2.6, which fell far short of the average per capita ODA flows to low-income countries (excluding India and China), which was US$25.1. Similarly, in 1991, ODA flows to Nigeria amounted to 0.8% of GNP, which, again fell short of the 7.0% average for all low-income countries (excluding India and China). ODA as a percentage of GNP has further fallen to 0.4% in 2001 and 2002.

Table 6: Nigeria: Official Development Assistance and Official Aid Per Capita, 1960-2003

Year	ODA (current US$ million)	Aid Per capita
1960	32.2	0.788
1961	29.6	0.708
1962	29.3	0.683
1963	18.1	0.411
1964	42.0	0.927
1965	71.9	1.546
1966	63.2	1.324
1967	67.7	1.380
1968	68.8	1.365
1969	85.5	1.651
1970	108.0	2.026
1971	107.0	1.964
1972	83.2	1.479
1973	76.9	1.330
1974	73.4	1.234
1975	82.1	1.340
1976	53.4	0.848
1977	42.8	0.660
1978	42.7	0.639
1979	26.8	0.388
1980	35.7	0.502
1981	40.7	0.555

Year	ODA (current US$ million)	Aid Per capita
1982	36.8	0.486
1983	47.6	0.609
1984	33.0	0.409
1985	32.3	0.388
1986	59.2	0.691
1987	69.3	0.786
1988	120.0	1.322
1989	347.0	3.713
1990	258.0	2.684
1991	262.0	2.643
1992	262.0	2.571
1993	290.0	2.763
1994	190.0	1.760
1995	212.0	1.904
1996	190.0	1.661
1997	200.0	1.702
1998	204.0	1.685
1999	152.0	1.227
2000	185.0	1.456
2001	185.0	1.423
2002	314.0	2.360
2003	318.0	2.330

Source: UNDP (2004) and World Bank Africa Database 2005.

A detailed examination of the above table shows that in the early years after Independence, ODA levels were low, averaging US$27.3 million between 1960 and 1963. Thereafter, aid flows increased, peaking at US$108 million in 1970. Between 1972 and 1975, aid flows averaged US$78.9 million before falling to a low of US$26.8 million in 1979. ODA flows begin to rise slowly thereafter, peaking at US$347 million in 1989. Between 1990 and 1998, ODA flows averaged US$229.8 million before falling to US$152 million in 1999. Aid flows thereafter recovered, rising to US$318 million in 2003. Generally, ODA per capita to Nigeria has been very low.

At Independence in 1960, ODA per capita was less than US$1. It rose more or less steadily to US$2 in 1970. Thereafter, aid per capita fell steadily, reaching a low of US$0.388 in 1979. It then began to rise, reaching a peak of US$3.7 in 1989. Thereafter, it began to fall, and reached a low of US$1.2 in 1999. Aid per capita began to rise in the new millennium and amounted to US$2.33 in 2003.

Nigeria has received foreign aid from a wide array of agencies and countries. Between 1960 and today, Nigeria has received development assistance bilateral from donors (mainly OECD member countries), multilateral donors (mainly UN agencies) and private foundations.

3.1 The nature, type and method of aid allocation to various sectors of the economy

Since the return to democracy in Nigeria in 1999, donors who had previously abandoned the country have returned. In 1999, total external assistance to Nigeria amounted to US$156.0 million. This total could have been higher but for Nigeria's weak capacity to absorb aid and the rather cumbersome method used to disburse development assistance by some donors. Investment Project Assistance (with a TC component) has remained the major component of external assistance in recent years. In 1999, Investment Project Assistance (IPA) accounted for 58.2% of total aid to the country while freestanding technical assistance accounted for 42.1% of the total. For more, see Table 7, which provides data on the trends in the percentage distribution of development assistance to Nigeria between 1996 and 2000.

Table 7: Type of Assistance - Percentage Distribution

Sector/Subsector	1996	1997	1998	1999	Average 1996-99	(Planned) 2000
Emergency and Relief Assistance			0.0	0.3	0.1	0.0
Free-Standing Technical Co-operation	100.0	100.0	42.1	40.2	70.6	64.1
Investment-Related Technical Co-operation			0.0	0.6	0.2	16.6
Investment Project Assistance						
Investment Project Assistance (including a TC component)			56.5	58.2	28.7	18.1
Programme/Budgetary Aid or Balance of Payment Support			1.4	0.7	0.5	1.2
Grand Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: UNDP. 2001

In order to minimize duplication, there is some amount of co-ordination among donors in Nigeria. At the highest level, the coordination takes place under the Chairmanship of the UNDP Resident Representative who is also the UN Resident Coordinator. Technical coordination is also undertaken along sectoral/ thematic lines. The sectoral/thematic groups and the lead agencies in Nigeria are:

((1)	Agriculture and Food Security	WB/FAO
(2)	Capacity Building for Economic Management	WB/IMF
(3)	Education	UNESCO/USAID
(4)	Environment and Natural Resources	CIDA/UNDP
(5)	Health	WHO/DFID
(6)	Gender and Women Promotion	UNIFEM
(7)	Governance	UNDP/USAID
(8)	Micro-Finance and Private Sector Promotion	IFC
(9)	Poverty Alleviation and Job Creation	UNDP/EU
(10)	Regional/Special Development Issues	UNDP/EU

Source: UNDP, DCR, 1998/99

Clearly, there is room for improvement here. It is imperative for donors to raise their level of assistance to Nigeria in order to ensure the attainment of the MDGs by 2015. Besides, many of the donors are yet to meet the target of 0.7% of their GDP as has been agreed for years.

4.0 Trade and the MDGS

The unfair global trading system, global economic injustice and the lack of diversity in economic production and the heavy dependence on agriculture for most African countries makes them vul nerable to climatic changes, notably floods and droughts, with some regions being particularly drought prone. The market access opportunities can only be effective if LDCs are assisted to build their capacities to produce tradable goods of higher value and acceptable quality at competitive cost. MDGs will be difficult to attain for debt-sustaining countries surviving on exports of raw cashew nuts, coffee, tea, cotton, while importing everything else in the form of industrial goods from abroad, using the foreign exchange earned from primary exports.

Subsidies for agricultural products in developed countries pose an impossible challenge to most developing countries' efforts to export farm produce to European markets. And, yet it is in this area where they have comparative advantage that would enable them to attain MDGs if given an opportunity for fair competition.

It is fairly clear that our efforts to enter effectively into the globalized market have not benefited the poor in the country-Anonymous, Nigeria.

In order to ensure fair trade, Nigeria has actively participated in WTO negotiations and, in concert with other developing countries, Nigeria has pressed for a solution to the long-standing issues of agricultural protection and export subsidies in industrialized countries, and the stubborn problem of lack of access to the markets of the advanced countries. Nigeria is a prime mover and co-initiator of the New Economic Partnership for Africa's Development (NEPAD). Nigeria's President is also the current President of the African Union (AU). Through NEPAD and AU, Nigeria has strongly advocated the reduction of agricultural export subsidies in the advanced industrialized countries, and canvassed debt forgiveness.

Nigeria has adopted and implemented measures to restructure and reform the economy in order to improve its competitiveness. Clearly, only by improving its competitiveness can the country expect to penetrate foreign markets and benefit from the U.S. initiated Africa Growth and Opportunities Act (AGOA) and the WTO provisions and opportunities. In addition, domestic incentives have been put in place by the authorities as a way of encouraging the exportation of non-oil products. According to UNDP (2004, p. 62), these incentives:

"include huge reduction of customs duty rates on all raw materials (inputs) needed to stimulate capacity utilization and output in all sectors of the economy..."

Nigeria, since its return to civilian rule in 1999, has committed itself to trade liberalization for economic growth; and, has also been involved in the consistent application of sound macroeconomic policies which are believed to being capable of yielding positive dividends.

4.1 Regional Links

Nigeria, as a member, plays a pivotal role in the region's Economic Community of West African States (ECOWAS). In addition to implementing the free trade zones agreements, and the process of creating a single currency, the government plays a leading role in promoting regional security through ECOWAS military observation group (ECOMOG)[10]. ECOWAS is a 15-member regional organization of West African nations formed in 1975. The main objective of forming ECOWAS was to achieve economic integration and shared development so as to form a unified economic zone in West Africa. However, Nigeria has experienced negative and slow growth and is one of the weakest growing economies in the world on a per capita basis, especially for the period 1981 to 2000.

10 UNDP (2004) Nigeria Development Profile, UNDP , Nigeria

Since independence the economy has never had a growth rate of 7% or more for more than three consecutive years.

The Members of ECOWAS are; Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, and Togo. The revised African Economic Community (AEC) treaty of 1993, which was to extend economic and political co-operation among ECOWAS member states, designates the achievement of a common market and a single currency as economic objectives. However, it has not been easy to work towards all these objectives. Although all ECOWAS member states have rich natural resources, most of them are still struggling to meet their operating government expenditure without external financial aid. Due to problems associated with civil conflict, embezzlement of public funds and corruption, for most of their public expenditure, most of these countries depend entirely on foreign aid from multilateral institutions such as the World Bank, the Fund and the Paris Club. Since September 2002, a military rebellion in Côte d'Ivoire has drawn ECOWAS into peacekeeping duties in that country.

Currently, the level of Foreign Direct Investment (FDI) inflows into Nigeria is quite low. Table 6 provides data on foreign direct investment inflows to Nigeria from 1970 through 2003. In the Table, there is data both on the level of FDI inflows (in US dollars) and FDI inflows as a percentage of Nigeria's GDP. An examination of the data in Table 6 shows that FDI as a percentage of GDP has been very low. FDI as a percent of GDP exceeded 3% for only 2 years between 1970 and 1992. Although the ratio shot up to 8% in 1994, it had collapsed to 2% by 2003. Between 2000 and 2003, the ratio of FDI to GDP averaged a mere 2.3%. The low level of FDI flows into Nigeria compares quite unfavorably with the high inflows into Asian countries, especially China. Analysts believe that high FDI flows have contributed significantly to China's rapid economic growth since the 1980s. Hence, Nigeria should take more proactive measures to induce substantial flows of FDI into the country in the years ahead so as to enhance the chances of attaining the Millennium Development Goals by 2015.

Table 8: Nigeria: Foreign Direct Investment, 1970-2003

Year	FDI, net inflows (US$ million)	FDI, net inflows (% of GDP)
1970	205.0	1.63
1971	286.0	3.11
1972	305.0	2.48
1973	373.0	2.46
1974	257.0	1.03
1975	418.0	1.50
1976	339.0	0.93
1977	440.5	1.22
1978	210.9	0.58
1979	309.6	0.66
1980	-738.9	-1.15
1981	542.3	0.91
1982	430.6	0.87
1983	364.4	1.04
1984	189.2	0.67
1985	485.6	1.71
1986	193.2	0.96
1987	610.6	2.60
1988	378.7	1.66
1989	1884.3	7.90
1990	587.9	2.06
1991	712.4	2.61
1992	896.7	2.74
1993	1345.4	6.30
1994	1959.2	8.28
1995	1079.3	3.84
1996	1593.5	4.51
1997	1539.6	4.25
1998	1051.3	3.27
1999	1004.8	2.89
2000	9	2.21
2001	1104.4	2.30
2002	1281.1	2.74
2003	1200.0	2.06

Source: World Bank 22005. *World Bank Africa Database CD-ROM.*

With an average annual investment rate of barely 16% of GDP, Nigeria is far behind the minimum investment rate of about 30% of GDP required to reach a growth rate of at least 7-8% per cent per annum required to achieve the *Millennium Development Goals by 2015*. Most of the foreign direct investment into the country is geared to the oil and extractive sectors. Thus, the economic structure remains undiversified and oil exports account for 95% of total export earnings, while the manufacturing sector accounts for less than one percent[11].

It is unfortunate and regrettable to note that potential investors are cognizant of the fact that caution must be exercised when considering any kind of business transaction connected with Nigeria. Business scams are not always easy to identify because con artists are highly organized and very well informed. Any unsolicited business proposition from Nigeria or concerning Nigerians must be carefully examined before paying out money, providing goods or services, or undertaking a trip.

A scenario in which a developing country like Nigeria is required to open up their markets without meaningful access opportunities into the markets of developed countries, inevitably leads to de-industrialization in developing countries. This has debilitating consequences in terms of growth, employment and the whole fight against poverty to attain the MDGs. As long as developing countries do not have a say in the pricing of primary commodities, they will not be able to determine how much they can get from their exports but will remain at the mercy of international global markets.

11 UNDP (2004) National Human Development Report, UNDP, Nigeria

5.0 The Role of Stakeholders in Nigeria

5.1 The Role of Parliament

In Nigeria, the Federal Government under President Obasanjo is the coordinator of programmes designed to ensure the attainment of the Millennium Development Goals. The Special Adviser to the President coordinates the National Economic Empowerment and Development Strategy (NEEDS), which is the overall framework for attaining the MDGs. Also, the Debt Management Office (DMO), which is charged with ensuring external and domestic debt sustainability, is under the Presidency. The President himself, as AU President and NEPAD initiator, has been in the forefront of advocacy for increased aid, debt forgiveness and a better deal in trade for African countries.

The National Assembly or Parliament has also been quite committed to programmes and policies designed to ensure the attainment of the MDGs. Recently, the National Assembly raised an alarm at the enormous resources being expended on debt servicing and members have begun to canvass for debt relief and debt forgiveness. However, given that Nigeria has been under military rule for decades and that the newest attempt at installing democracy is barely five years old, Parliament is still trying to find its feet and play a visible role. The executive is still all powerful and will probably remain dominant for many more years. Currently, the National Assembly plays only a minor role in debt management, which is under the purview of the Debt Management Office (DMO), which itself reports directly to the President. Similarly, the National Assembly currently plays only a minor role in trade negotiations, an activity which is under the Presidency. Nevertheless, any needed legislation has to be presented to the National Assembly for passage. Finally, the National Economic Empowerment and Development Strategy (NEEDS), the umbrella organization coordinating programmes of economic reform, poverty alleviation, and achieving the Millennium Development Goals, is directly under the President. However, any legislation needed for implementing these programmes is sent to the National Assembly for passage as and when needed.

5.2 The Role of the Private Sector

Nigeria is currently intensifying its privatization programme. The main objective is to reduce government ownership of companies in the power and telecommunication areas and leave the Private sector to run them. The deregulation of the economy has continued and key sectors like telecommunications have now been effectively privatized. The private sector is also heavily involved in the efforts to improve Nigeria's competitiveness so that it can fully participate in world trade and reap the benefits of WTO provisions and globalization. It is well known that improved competitiveness is a prerequisite for benefiting from the ongoing globalization process especially in the areas of trade, finance and investment. Both the Private and Public sectors are currently engaged in efforts to ensure the existence of a conducive environment for the increased inflow of foreign direct investment.

In Nigeria, the private sector is too heavily dependent on government patronage. Private sector activity depends heavily on government contracts and the yearly release of capital allocation. Thus, currently, the private sector is an appendage of government and is not yet acting as an engine of growth in the economy. By extension, the private sector is not yet contributing in any significant way to the achievement of the Millennium Development Goals. Unfortunately, the capacity of the private sector to contribute to economic growth has been constrained by large debts owed to it by the three tiers of government, but most importantly in quantitative terms, the debt owed to contractors by the federal government. The sum total of the unsettled obligations to contractors by the three tiers of government is estimated to be in the hundreds of billions of naira. Clearly, these debts reduce the ability of the private sector to increase employment and the rate of growth of the economy and contribute meaningfully to attainment of the Millennium Development Goals.

5.3 The Role of Civil Society

Without the active role of advocacy activists, scholars and some NGOs, the overall debate over development especially on matters of trade, debt and aid would have been more one sided than it has been. Both development orientated NGOs (those providing related services and interventions in health, education and social welfare) and the advocacy orientated NGOs ((those putting pressure on the government on issues related to democracy, human rights, trade justice, debt cancellation and better aid management) have had varying influences by presenting varying views, implementing certain projects and improving the status of the citizenry.

Civil Society, including the non-governmental organizations (NGOs), has been in the vanguard of the struggle to establish democracy, good governance, transparency and accountability — as a means of ensuring the achievement of the MDGs in Nigeria. Many NGOs have been in the forefront of the fight for debt forgiveness, a reduction in the importation of frivolous and fake products, and advocacy of increased aid. It seems clear that continued pressure from NGOs would enhance the chances of attainment of the MDGs in Nigeria.

Many Civil Society Organizations are active in the fields of aid, debt, and poverty alleviation. These include the African Network for Environment and Economic Justice (ANEEJ), LAPO, and the International Centre for Solar, Environmental and Economic Development (ICSEED). ANEEJ is a leading CSO in fighting for debt cancellation and against environmental degradation in the Niger Delta. LAPO is a leading CSO in poverty alleviation through the provision of micro finance, especially to women. ICSEED has also staked out a position in canvassing for debt relief and promoting environmental sustainability *inter alia* through the use of solar and other renewable energy sources. The CSOs are committed to working with the government to achieve the Millennium Development Goals as soon as practicable. True enough; the CSOs sometimes have problems in getting through to high government officials and ensuring that their views are reflected in policy. However, they are determined to achieve their goals of helping the poor and needy, and in ensuring that policies that would enhance the attainment of the MDGs by improving the general welfare of citizens are adopted and properly implemented.

ANEEJ has in the past few years, championed the call for the repatriation of stolen wealth stashed in vaults of foreign banks and offshore countries. It is believed that over US$55 billion belonging to Nigerians are kept in these vaults by ex-dictators and their accomplices who also include foreigners. The campaign had made little progress given the Western conspiracy against moves by the new Nigerian Government to repatriate illicit wealth to develop the country.

5.4 The Donor Community

Currently there are many development partners or donors active in Nigeria. These include bilateral and multilateral donors. Basically, the multilateral agencies are members of the United Nations System, the European Union and the World Bank Group (IBRD). The list of donors currently active in Nigeria is presented in Annexure I.

Since the level of ODA in Nigeria is low and has been declining during the past decade, there is a lot that the donors can do in order to assist the country to achieve the MDGs. A more encouraging response from development partners is imperative since, according to UNDP, "this low level inflow of ODA is a constraint to the achievement of the MDGs" UNDP (2004, P.59). The development partners also have an important role to play in ensuring a better environment for trade and facilitating debt forgiveness. These would in no small way contribute to the ability of Nigeria to achieve the MDGs by 2015.

There has been a significant improvement in the perception of Nigeria and its citizens by donors and development partners since the return to democratic governance in May 1999. The government of President Obasanjo has been trying to install democratic norms, reduce corruption, and increase transparency in governance.

These achievements have received applause from the donor community and increased their willingness to assist the country to development rapidly and attain the Millennium Development Goals. This change in perception and attitude to Nigeria was recently demonstrated in concrete terms by the decision of the G-8 countries to consider debt reduction for Nigeria that is not a HIPC country. It is true that the G-8 countries ruled out 100% debt cancellation but the 60% debt reduction agreed upon in principle is a giant step forward. Unfortunately, not much progress has been achieved in the area of reducing tariff and non-tariff barriers to trade. Thus, rapid economic growth and development will still be impeded. Yet, with a reduction in the previously crushing debt burden, it is clear that there has been a significant improvement in Nigeria's chances of attaining some or all of the Millennium Development Goals by 2015.

6.0 Recommendations

Nigeria should pursue vigorously all the options for debt relief, including outright cancellation especially with the Paris Club, although unilateral repudiation of the debt is an option.

6.1 Government

- Government should vigorously pursue economic policy reforms, not just as an attempt to meet the requirements of donors for debt reduction, but as a fundamental national imperative. Such reforms should address issues such as the prohibitive cost of doing business, transparency and accountability, macroeconomic stability, efficiency and competition. The reforms should also address the poor state of infrastructure, enforce the rule of law and minimize the risks and uncertainties associated with the business environment.
- There is need to strengthen or reform the institutional/legal and administrative framework for public resource management. This is to ensure effective and efficient utilization of present and future public resources so as to prevent the waste and inefficiencies of the past. Among other things, this institutional re-engineering would ensure due process and due diligence, transparency, accountability and sanctions.
- Appropriate mechanisms should be put in place to check the ballooning of domestic debt, especially with the seeming reckless borrowing and spending of states and local governments. Such domestic borrowing has implications for the ability of the Federal government to maintain macroeconomic stability and should be checked.
- A legislation should be enacted by the National Assembly. Such legislation should stipulate when to borrow, from where, for what purpose, evaluation and due process requirements, accountability and sanctions for failure, involvement of Parliament and civil society in oversight functions, etc. Currently, there is no such law, except the constitutional provision defining who has the power to borrow.
- Government should take steps to domesticate technical assistance. Much of the debt and ODA came with technical assistance, but these merely funded expatriate consultants and with hardly any domestic capacity built.

6.2 Civil Society Organizations

- Participation of civil society in formulating community development plans needs to be enhanced in order to create more people-centered development. Strategies must be put in place so as to create space for people's struggles for re-instating social justice, recognizing the specific and different contexts of marginalized groups.
- There is need for social activists to persuade/pressurize the government to undertake an audit (review) of each of the projects/programmes for which the loans were incurred. Two reasons warrant such an audit. First, it would enable the government to truly verify the genuineness or otherwise of the debts that we are servicing. Second, the responsible officers who contracted the odious loans and/or those who expended them should be prosecuted. This action would help to signal the seriousness of the government about accountability as well as heal the country's battered image.

6.3 The Donor Community

- A combination of debt cancellation and Official Development Assistance would result in increased resources for development in Nigeria. The increasing debt burden has meant that more of the current resources are being deployed to finance past consumption. If sustainable development is to be achieved, the extrication from crippling foreign debt and the economic and political conditionality would offer new opportunities for the reconstruction of the ailing economy.
- International Financial institutions and donors should work towards international conventions against stolen wealth and reform of the global financial architecture to ensure that looted funds are not safe anywhere in the world and also ensure that such looting by Nigerians is speedily returned to the Nigerian people. Also, there is a need for an international law stipulating adequate penalties for looters and their foreign collaborators.
- Democratizing the WTO to give poor countries like Nigeria a stronger voice is important[12]. Good international trade rules can create an enabling environment for poverty reduction. Bad rules have the opposite effect. Key to this is the need for donor countries to work towards improving market access for poor countries and ending the cycle of subsidized agricultural over production and export dumping by rich countries.
- Ending the use of conditions attached to donor programmes which force poor countries to open their markets regardless of the impact on the poor people.

12 Democracy is failed as long as the Executive Directors representing France, Germany, Japan., Russia, Saudi Arabia, the UK and USA as leading economic powers with 46% of the World Bank voting rights and 48% in IMF make key decisions for all WTO members in "green room" meetings.

7.0 Conclusion

In understanding Nigeria's challenges to meeting the MDGs one can easily conclude that there is need for global level changes on economic and political power relationships that should impact on regaining people's right to better and effective aid delivery, fairer trade and market opportunities and a lasting solution to the debt that is tearing down schools, clinics and hospitals that they need most if attaining MDGs are to be a reality in their lives. Without these there are no ways MDGs can be attained among Nigerians, and neither shall poverty be made history in their lives.

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9.0 Appendices

AP 1: Nigeria: Trends in external debt burden indicators, 1971-2003

Year	External Debt	Debt per Capita	Debt/GDP Ratio	Debt Service Ratio
	US$ million	US$	Percentage	percentage
1971	309	6.4	2.7	2.3
1972	401	8.0	3.7	1.8
1973	421	8.2	2.5	1.8
1974	523	9.8	1.8	1.3
1975	559	10.2	1.6	0.5
1976	594	10.5	1.4	0.7
1977	763	13.1	1.1	0.3
1978	2164	36.1	3.5	2.7
1979	2825	45.6	3.7	1.7
1980	3444	53.2	3.7	0.8
1981	3668	54.9	4.6	5.0
1982	13124	191.9	17.1	8.9
1983	17765	251.3	18.5	17.8
1984	17347	237.6	23.3	29.1
1985	18904	250.4	23.9	31.7
1986	25574	328.3	56.7	28.0
1987	28316	351.8	92.6	11.9
1988	30693	368.9	92.2	24.2
1989	31589	372.1	106.9	25.3
1990	33099	381.8	114.6	23.9
1991	33730	381.1	101.4	25.7
1992	27565	302.9	99.0	18.2
1993	28718	305.2	90.8	16.2
1994	29429	304.0	71.1	18.8
1995	32585	327.5	36.7	15.2
1996	28060	274.6	22.5	13.4
1997	27087	258.0	21.0	10.9
1998	28773	265.4	22.9	16.1
1999	28039	179.3	77.2	9.0
2000	28274	245.4	86.4	9.0
2001	28347	236.6	57.9	11.9
2002	30990	253.7	62.3	7.5
2003*	32917	261.3	64.4	9.8

Source: Debt Management Office Nigeria. 2004. Annual Report and Statement of Accounts for the Year ended December 31st, 2003.

Appendix (AP 2)

Economic performance

GDP (US$ billions), 2003	58.4
GDP (PPP US$ billions), 2003	143.3
GDP per capita (US$), 2003	428
GDP per capita (PPP US$), 2003	1,050
GDP per capita annual growth rate (%), 1975-2003	- 0.5
GDP per capita, highest value (PPP US$), 1975-2003	1,086
GDP per capita, year of highest value	1977
Average annual change in consumer price index (%), 1990-2003	26.0
Average annual change in consumer price index (%), 2002-03	14.

Demographic trends

Total population (millions), 1975	58.9
Total population (millions), 2003	125.9
Total population (millions), 2015	160.9
Annual population growth rate (%), 1975-2003	2.7
Annual population growth rate (%), 2003-2015	2.0
Urban population (% of total), 1975	23.4
Urban population (% of total), 2003	46.6
Urban population (% of total), 2015	55.5
Population under age 15 (% of total), 2003	44.7
Population under age 15 (% of total), 2015	41.3
Population age 65 and above (% of total), 2003	2.4
Population age 65 and above (% of total), 2015	3.2
Total fertility rate (births per woman), 1970-75	6.9
Total fertility rate (births per woman), 2000-05	5.8

Commitment to health: resources, access and services

Public health expenditure (% of GDP), 2002	1.2
Private health expenditure (% of GDP), 2002	3.5
Health expenditure per capita (PPP US$), 2002	43
One-year-olds fully immunized against tuberculosis (%), 2003	48
One-year-olds fully immunized against measles (%), 2003	35
Children with diarrhoea receiving oral rehydration and continued feeding (% under age 5) 1, 1994-2003	28.4
Contraceptive prevalence rate (%), 1995-2003	13
Births attended by skilled health personnel (%), 1995-2003	35
Physicians (per 100,000 people), 1990-2004	

Source: htt//hdr.undp.org/statistics/data/city/indicators.cfm?x

Notes:

1 - Estimate produced by UNESCO Institute for Statistics in July 2002.

2 - Preliminary UNESCO Institute for Statistics estimate, subject to further revision.

3 - Estimate produced by UNESCO Institute for Statistics in July 2002.

4 -

5 - Data refer to a year or period other than that specified, differ from the standard definition or refer to only part of the country.

6 - Estimate produced by UNESCO Institute for Statistics in July 2002.

7 - Preliminary UNESCO Institute for Statistics estimate, subject to further revision.

8 - Survey based on consumption.

9 - Estimate produced by UNESCO Institute for Statistics in July 2002.

10 - Preliminary UNESCO Institute for Statistics estimate, subject to further revision.

11 - Estimate produced by UNESCO Institute for Statistics in July 2002.

12 - Preliminary UNESCO Institute for Statistics estimate, subject to further revision

Appendix 3

MDG 8 Targets and Indicators on ODA, Debt and Trade

Targets	Indicators*
Target 12: Develop further an open, rule-based, predictable,non-discriminatory trading system	Official Development Assistance indicators: **Indicator 33:** Net ODA, total and to LDCs, as percentage of OECD/DAC donors'gross national income **Indicator 34:** Proportion of total bilateral, sector-allocable ODA of OECD/DAC donors to basic social services (basic education, primary health care, nutrition, safe water and sanitation) **Indicator 35:** Proportion of bilateral ODA of OECD/DAC donors that is untied
Target 13: Address the special needs of LCDs. Includes: tariff and quota free access for LDC exports	**Indicator 38:** Proportion of developed country imports (by value and excluding arms) admitted free of duties and quotas from developing countries and LDCs **Indicator 39:** Average tariffs on agricultural products and textiles and clothing from developing countries **Indicator 40:** Agricultural support estimates for OECD countries as a percentage of their GDP **Indicator 41:** Proportion of ODA provided to help build trade capacity
Target 14: Address the special needs of land-locked Countries and small island developing states through The Programme of Action for the Sustainable Development of Small Island Developing States and 22nd General Assembly provisions	**Indicator 36:** ODA received in landlocked countries as Proportion of their GNIs **Indicator 37:** ODA received in small island developing states as proportion of their GNIs
Target 15: Deal comprehensively with the debt Problems of developing countries through national and international measures in order to make debt sustainable in the long term	**Indicator 42:** Total number of countries that have reached their HIPC decision points and number that have reached their HIPC completion points (cumulative) **Indicator 43:** Debt relief committed under HIPC initiative, US$ **Indicator 44:** Debt service as a percentage of exports of goods and services

NB the numbering and the description of the indicators has changed over time. These are taken from UN2004 and are not exhaustive.

Source: Commonwealth Foundation (2005) Breaking with Business as Usual : Perspectives from Civil Society in the Commonwealth on the Millennium Development Goals, Commonweealth Foundation, London.

About AFRODAD

AFRODAD Vision

AFRODAD aspires for an equitable and sustainable development process leading to a prosperous Africa.

AFRODAD Mission

To secure policies that will redress the African debt crisis based on a human rights value system.

AFRODAD Objectives include the following:

1 To enhance efficient and effective management and use of resources by African governments;

2 To secure a paradigm shift in the international socio-economic and political world order to a development process that addresses the needs and aspirations of the majority of the people in the world.

3 To facilitate dialogue between civil society and governments on issues related to Debt and development in Africa and elsewhere.

From the vision and the mission statements and from our objectives, it is clear that the Debt crisis, apart from being a political, economic and structural issue, has an intrinsic link to human rights. This forms the guiding philosophy for our work on Debt and the need to have African external debts cancelled to enable poverty eradication and attainment of social and economic justice. Furthermore, the principle of equity must of necessity apply and in this regard, responsibility of creditors and debtors in the debt crisis should be acknowledged and assumed by the parties. When this is not done, it is a reflection of failure of governance mechanisms at the global level to protect the interests of the weaker nations.

AFRODAD aspires for an African and global society that is just (equal access to and fair distribution of resources), respects human rights and promotes popular participation as a fundamental right of citizens (Arusha Declaration of 1980). In this light, African society should have the space in the global development arena to generate its own solutions, uphold good values that ensure that its development process is owned and driven by its people and not dominated by markets/profits and international financial institutions.