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DEPARTMENT OF POLITICAL SCIENCE

WORLD BANK AND CRISES OF DEVELOPMENT
IN NIGERIA (1999 TO 2008)

BY

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To Mum and Dad, for their contribution when I needed them most.
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LIST OF ABBREVIATION

- WB   =   World Bank
- IMF  = International Monetary Fund
- IDA = International Development Assistance
- IFI  = International Financial Institutions
- BWI = Bretton Wood Institutions
- LDC = Less Developed Countries
- GDP = Gross Domestic Product
- BOP = Balance of Payment
- SAP = Structural Adjustment Programmes
- CAS = Country Assistance Strategy
- PFP = Policy Framework Paper
- ESAF = Enhanced Structural Adjustment facility
- ASUU = Academic Staff Union of Universities
- IGO = International Governmental Organizations
- EU = European Union
- UN = United Nations
- IO = International Organisations
- NEEDS = National Economic Empowerment Strategy
- LEEDS = Local Economic Empowerment Development Strategy
- BMPIU = Budget Monitoring and Price Intelligence Unit
- NEITI = Nigerian Executive Industries Transparency Initiative
- FATF = Financial Action Task Force
- EFCC = Economic and Financial Crimes Commission
- ICP = Independent Corrupt Practices
- BPE = Bureau of Public Enterprise
- PFA = Pension Fund Administration
- FDI = Foreign Direct Investment
- PPMC = Pearson Product Moment Correlation
- IBRD = International Bank for Reconstruction and Development
- MDG = Millennium Development Goals
- GATT = General Agreement on Trade and Tariffs
- WTO = World Trade Organizations
- ITO = International Trade organisations
ABSTRACT

The study investigated World Bank and crises of development in Nigeria (1999 to 2008). The criteria for determining the magnitude of development loan assistance from the World Bank approximates with the level of the developmental needs of Nigeria and by extension, other African States. It therefore, contribute to the crisis of development in Nigeria and other African States? Utilizing the theoretical framework of functionalism which is based on the hope that more and more common task will be delegated to such specific functional organizations or agencies of the United Nations like the Bank/IMF; and each of these organizations will become supranational. Relying on secondary source of data, relevant qualitative data were generated for the study. These were analysed using qualitative descriptive analysis. On the basis of this, the study unravelled that there is a positive relationship between the level of loan conditionalities and increase in development loan assistance to Nigeria. Also we noted that there is positive relationship between economic growth and development loan assistance to Nigeria by World Bank. Finally we remarked that there is no significant relationship between Nigeria’s higher ability to service loans and increase in World Bank credit portfolio to Nigeria.
CHAPTER ONE
INTRODUCTION

Development is a universal attribute of man and matter, of society and nature, but the direction and speed of the process in man and society can effectively be controlled, and in nature, considerably influenced, by him. However, development involves areas of economic, political, sociocultural, technological and individual.

Long before the onset of civil rule in 1999, the lack of electricity to power Nigeria’s development has been a much discussed subject. First, the problem was to be solved in six months, then in 18 months, then by the end of 2007, when Nigerians were assured of 10,000 megawatts of electricity. President Umaru Musa Yar’Adua in his inaugural address in 2007 also made the provision of electricity a major priority in his seven-point agenda. He later promised to declare a state of emergency on a project which by his two admission had cost the Nigerian people $10 billion under the Obasanjo administration with nothing to show for it. But a week after, power generation had fallen to an abysmal 860 MW, a quantity not even sufficient for Lagos state. Now, President Yar’Adua has promised Nigerians 6000 MW of electricity before the end of 2009. It is clear that without electricity there can be no industrial development and all those grand visions of becoming one of the World’s leading economies by 2020 cannot be realized.

Nigeria became signatory to World Bank Articles of Agreement in 1961, shortly after her independence in 1960. This is exactly 17 years, after the World Bank came to existence. Since then, the World bank assisted projects in Nigeria amounts to
not less than 120 projects and over 121 International Bank for Reconstruction and Development (IBRD) and International Development Association (IDA) credit (http://www.answers.com/economyofNigeria/2/5/2009).

However, following the militarization and de-democratization of the Nigerian polity in the 1990s coupled with the Nigeria’s inability to service her debts and failure to strictly implement the loan conditionalities (i.e. economic reform programme) the World Bank disengaged from Nigeria. The recent re-engagement with Nigeria since 1999 was not merely as a result of the de-militarization and democratization of the Nigerian polity, but also as a result of the willingness and determination on the part of Obasanjo’s Administration to pursue and fully implement a World Bank Sanctioned and approved economic reform as encapsulated in the National Economic Empowerment and Development Strategies (NEEDS) document.

Already, as of July, 2006, the World Bank assistance to Nigeria involves 20 active (on-going projects with the commitment value of about US $1.9 billion (http://www.WorldBank.org/website/external/countries/africaext/nigeriaext/2/5/2009). These 20 active projects cover all the major sectors of the Nigerian economy including privatization programme; community – based projects; health – care system; educational sector (i.e UBEP); urban development projects and power sector reform. For example, World Bank Supported the privatization programme with the sum of US $100 million, urban development programme (i.e. Lagos metropolitan projects) with US $ 200 million. As of January, 2005, over 800 communities in the first phased states of the community-based development project have successfully
completed 1,017 sub-projects that include 348 school projects, 350 water projects, 90 road projects, 90 health projects, 72 electricity projects and 67 other projects such as environmental protection, training centres and commercial markets. 

(\textcolor{blue}{http://www.WorldBank.org/website/external/countries/africa-ext/nigeriaext/2/5/2009}). But more importantly, one distinctive feature of the World Bank development assistance to Nigeria since 1999 is that under WB emergency facility (EF) arrangement and IDA low interest rate. World Bank loan conditionalities became less stringent. Hence, the World Bank credit facilities to Nigeria as from 1999 come under the IDA with a soft loan window of 0.75 percent interest at 30.35 years repayment period and 10 years maturity.

Consequently, following from this re-engagement and the ongoing world bank assisted projects in Nigeria, it becomes imperative to re-examine the Nigeria – World Bank relations from 1999 – 2008. This study shall thus focus on World Bank operations in Nigeria particularly in the area of development assistance.

\textbf{1.2 Statement of Problem}

African states have since the second quarter of the last century been besieged by development crisis where over 60 percent of its inhabitants are living below poverty line coupled with the crumbling effect of debt burden. At the end of 1983, Nigeria’s total external debt outstanding and disbursed was $ 12 million. Based on a conservative estimate of proven oil reserves and allowing for extraction costs and appropriate revenue sharing with the private sector, the government’s share of oil
wealth was estimated at $75 million, even at the low oil prices of 1985 (pinto 1987). Yet, by 1985-86, Nigeria was having difficulty rescheduling a relatively paltry $2 billion in insured trade credits, with its creditors insisting on a prior IMF – supported programme (http://www.inf.org/external/pubs/fr/fandd/2008/12/okonjo.htm/11/11/2008).

This is despite the huge development assistance granted by the Bank to the majority of the African states of which Nigeria is one. As such, before the turn of 21st century, the Bank has come under serious criticisms, which many believe, crippled the economy of Nigeria and by extension other African states due to its stringent conditionalities.

However, by the turn of the 21st century under the World Bank emergency facilities and especially IDA low interest rate, the conditions and terms attached to these loans were made to become mild with the interest rate of a 0.75 percent. In addition, the Bank has been repositioned and re-strategized to focus on community – based (or driven) development projects and at the same time adopting participatory approach and human development index (as against economic development indicators) in their determination to economically empower the people, and by so doing alleviate poverty in Africa and other developing countries.

But despite these reforms in the bank operations, poverty still ravages the greater percentage of African people and Nigerians, specifically. Previously, many scholars had attributed the failure of the bank projects in Africa and Nigeria, specifically to stringent conditionalities. Yet, not a few blamed it upon the internal and external contradictions of the global economic system (global capitalism) which
breeds corruption, primitive accumulation and exploitation. Although, some moved the argument to a different dimension by questioning the criteria in which the differences in magnitude, terms and conditionalities of development loan assistance is based on. While some attribute these differences to the dominance of some economically powerful member countries within the institutional framework of the Bank, some believe that these criteria that account for the differences are in tandem with the bank policies as it is tied to the quota subscription of member countries.

Furthermore, quite a number of scholars took the argument yet to a different direction entirely by implying that the magnitude of development loan assistance granted to member countries does not necessarily march their level of development needs. Hence, Onuoha (1995:281 – 299) reveals that the terms and conditions under which Nigeria secures her loan from International Finance Institutions (IFIs) particularly the Bank vary with the performance of the economy. The underlying argument being that as Nigeria’s economic crisis worsened in the 1980s, the terms and conditions under which loans are extended to Nigeria worsened.

The point of departure of this study is to investigate within purview of this obvious developmental views in literature, whether the criteria for determining the magnitude of development loan assistance from the Bank approximates with the level of the developmental needs of Nigeria, and by extension, other African states. To put it differently, whether the annual development assistance from the bank to Nigeria meets the corresponding needs of Nigeria, or whether it depends upon other considerations other than marching the developmental needs of member countries. If
not, does it contribute to the crisis of development in Nigeria and other African states?

In connection with the above, would one interpret the recent World Bank’s intention to increase Nigeria’s credit portfolio under the IDA from US $500 million a year to US $ 1 billion a year as from 2006 to 2008? (Financial Standard, November 6, 2006).

So, it is within the context of this situation that we pose the following questions:

- Is there any relationship between the level of implementation of loan conditionalities and increase in development assistance to Nigeria by the World Bank?
- Is there any positive relationship between Nigeria’s economic growth and development assistance to Nigeria by World Bank?
- Is there any significant relationship between Nigeria’s higher ability to service loans and increase in World Bank credit portfolio to Nigeria within the period under review?

1.3 Objectives of Study

The general objective for this study is to investigate World Bank and crises of development in Nigeria from 1999 to 2008. While the specific objectives are as follows:

- To determine whether there is a positive relationship between the level of implementation of loan conditionalities and increase in development loan assistance to Nigeria by World Bank.
- To determine whether there is a positive relationship between Nigeria’s economic growth and development loan assistance to Nigeria by World Bank.
- To determine whether there is any significant relationship between Nigeria’s higher ability to service loans and increase in World Bank credit portfolio to Nigeria within the period under review.

1.4 **Significance of the Study**

The study was motivated by re-engagement of Nigeria by the Bank in 1999, the recent World Bank intention to raise Nigeria’s credit portfolio from US $500 million a year to US $1 billion a year, the recent exceptional cleanse arrangement and the on-going (internal) reforms within the Bank itself which include close monitoring of the loan use, insisting on transparency, good governance and accountability, allowing the people to be directly involve by being part of the counterpart funding and in determining the project of priority (i.e community – based or driven development project). Also, it was as well influenced by the debate surrounding the recent debt relief to Nigeria in 2005.

The significance of this study is in two fold, that is, theoretical and empirical. Theoretically, this study would be of immense benefit to scholars. Indeed, it will serve as a source of materials for related field or provide the needed materials for scholars who are interested in going into further studies. The study shall also make some useful theoretical contributions to knowledge specifically liberal political economy
paradigm in explaining the role of IFIs like World Bank in fostering or facilitating development, and perhaps otherwise, in developing countries such as Nigeria.

Empirically, the study would be of tremendous benefit to policy advisers/makers/executeors, the Nigerian government (both at the federal and the state levels), the politicians and as well as World Bank.

Therefore, the significance of this study stems from, one, the need to avoid or prevent Nigeria from allowing herself into debt crisis of the 1990’s again, which could be avoided through efficient debt management and effective loan negotiation. Two, the need to evolve efficient management of the economy and full implementation of the economic reform thereby avoiding the haphazard economic reform’s implementation of the 1990’s. The alternative is to abandon it, in total rather than partial implementation that causes distortion.

Three, the need for proper evaluation or assessment of the Nigerian economy in the light of the implementation of the development loan assistance from the World Bank, so as to know the impact on the target population (i.e the people) through human development index. This would also enable the government to use polliative measures to cushion the effect of implementation of economic reform programme as the need arises.

Finally, the main rationale for undertaking this study is to concretely explore various ways through which Nigeria can raise her credit portfolio from the bank to be in tandem with her development needs, which would enable her to meet these development needs of the country and for sustainable development.
1.5 Literature Review

The goal of any research study of this nature is to fill the yawning gap in literature for the simple reason that knowledge by its very nature is cumulative. So in a bid to expose this lacuna, we decided to embark upon excessive review of the related literature.

Let us begin by stating that there is no agreement in the literature in whether international organization particularly the Bretton Wood Institutions (BWIs) of which the Bank is one are agent of development or underdevelopment in the less developed countries (LDCs). In other words, some scholars are of the opinion that the Bank is an agent of socio-economic development both for developed and developing countries. The role of the Bank in this case is believed to be of mutual and equal benefit to all its member states and the international economy at large. Hence, for them, the Bank serves the interest of their member states, irrespective of their economic status (Onuoha, 1995: 281 – 299, Ogundipe, 1995, Korner et al, 1989; Ponte, 1995: 539 – 558).

To this end, Ogundipe (1985: 103) believes that BWIs loan is a catalyst for the availability of loan credits to member states like Nigeria, while Korner, et al (1989) points out that the IFIs are actually acting in the overall interest of the creditor member countries through its conditionalities like economic reform programmes.

On the other hand, there are yet many scholars who argue that the international organizations, particularly the BWIs such as the Bank are more instruments of Western imperialism and hence are geared towards monitoring, supervising and
perpetuating Western domination (Onuoha, 1995: 281 – 299, Igwe, 2002: 47; Asuu, 2002). The major thrust of the argument is that international organizations like the Bank conspire with the dominant interest in the centre in the continued exploitation of the periphery.

This view is pessimistic about the intention and ability of the international organizations like the bank to extend development to the developing member countries. So far the international organizations, the benefits of the Bank operation to member states is not mutual and equal, because some countries are on the receiving end. Thus, according to them explains the reason why some member countries (i.e developed countries) dominate and marginalize other member countries (i.e developing countries).

Onuoha (1995: 23 – 299) notes that these international organizations such as the Bank were not established in order to salvage the collapsing economy of the developing countries.

In 1945, when the Bretton Wood twins were born, many of the developing countries were still under colonial domination, and so did not attend the meetings where their aims and objectives were discussed...when the colonial territories achieved flag independence, these organizations were imposed on them (Onuoha, 1995: 281 – 299).

Hence, since these organizations are dominated and controlled by the advance capitalist states they were designed to serve the interest of the rich countries rather

In this regard, while some scholars of this orientation argue that this dominance of developed countries over developing countries in international organization like the Bank is institutional (Aghohowa 2000: 51 – 76; Akpuru – Aja, 1998: 194 – 193; 2001: 83 – 93). There are yet others like Bird (1981) who argue that the marginality of developing countries in international organization, like the Bank is structural, and therefore situate the problems of developing countries outside the institutional framework of the Bank.

For instance, both Aghahowa (2000: 51 – 76) and Akpuru – Aja (2001: 73 – 93) in their separate studies argue that developing states are being marginalized in the IFIs and that this dominance by the developed member states of the West is as a result of their dominance of the institutional framework of the BWIs in the area of quota subscription, organizational and decision making structure or processes.

Hence, in the decision making process, Aghahowa (2000: 51 – 76) notes that members voting power is directly to the amount of its quota and the quota in turn is determined by the relative strength or weakness of the national economy (i.e GDP, external reserves and trade volumes of each member state). The implication being that the richer a country, the higher the quota subscription and the poorer a country, the lower the quota subscription (Akpuru – Aja, 2001: 83 – 93). Consequently, the stronger economies like the developed countries of the West have stronger control and
influence in the management of the BWIs. Conversely, developing countries can do little to change the status quo. According to Aghahowa (2000: 51 – 76)

…seven highly industrialized countries have 49.39% quotas and 47.585 vote alone… implications being that decisions and solutions are determined by these seven highly industrialized and richest countries (i.e G – 7) and not by developing and poor member nations which are numerically in majority.

On the other hand, scholars like Bird (1981) and Asobie (2003) contend that the marginality of the developing countries of Africa in any international organization, the Bank inclusive is more structural than institutional. In other words, the structural argument is primary, while the institutional argument is secondary. To buttress their point, they argue that the international political economy is divided into two sets of countries along the line of international division of labour. Consequently, while some countries specifically the developed countries of the west produce and export manufactured goods to the developing countries; the developing countries produce and export largely primary good of unequal exchange relations between the two sets of countries, developing countries suffer balance of payment (BOP) deficit (Ake, 1981; 1985). The import of the above argument is that due to BOP deficit, the economies of African states, Nigeria inclusive are weak in terms of external reserves and GDP which are used for determining member countries quota subscription in the BWIs (Aniche, 2003; 2006). This according to them explains the reason for dominance of developed countries in international organizations.

Pushing the argument further, some scholars in their dynamic approach to the study of international organizations particularly IFIs contend that in the final analysis,
this dominance in the BWIs is for the benefit of the powerful class (i.e the bourgeoisie in the developed countries of the West (or the center) with the collaboration of their counterpart (i.e the petty bourgeoisie in the developing countries at the periphery (i.e Africa (Asobie, 2002: 2007; Asuu, 2002). Therefore, for them, BWIs are agents of these classes of people who operate behind the scene through their states’ machineries which are under their control.

For example, Martinez (2004: 703 – 704) notes that the Bank has declared itself to be more concerned with the needs of oil companies than the impoverished people it officially serves, by ignoring most of the recommendations of a path-breaking report that the lender itself commissioned over three years ago. After spending millions of dollars having an independent team of experts evaluate the effects of its energy lending, the Bank brushed off most of his final report’s conclusions – one of which was to pull out of oil and coal project by 2008. By doing this, the lender has failed to distinguish its goals and standards from the likes of Halliburton, Exxon Mobil, shell and other profit driven institutions. US tax payers’ contributions to the Bank are supposed to constitute internal development assistance, not corporate handout. According to Martinez (2004: 703 – 705):

Although, the Bank is a taxpayer funded institution whose mission is to help the poorest people on the planet, it is putting the interest of oil companies based in rich countries ahead of the needs of the world’s poor…However, the institute for policy studies research suggests that 82% of the Bank’s oil extraction projects wind up supplying consumers in the United States and Europe. The institute has also calculated that the main beneficiaries of the Bank fossil fuel extractive projects are
Halliburton, Shell, Chevron Texaco, Total and Exxon Mobil. The Bank’s own review of extractive industries was proof enough that oil companies’ profit don’t trickle down to the people the institution is supposed to serve.

Drawing from the above argument, one important of this line of argument is on whether international organizations like the Bank meted out equal and fair treatment to their member countries. Hence, those who disagree with the equal treatment thesis believe that the conditionalities of the Bank loan is favourable to some countries and unfavourable to many countries, especially developing countries of the world (Igwe, 2002: 81, Akpuru – Aja, 2001: 83 – 93, Ninsin, 2000: 3 – 20; Lumumba – Kasongo, 2001: 1 – 25). Secondly, whether development loan assistance from the Bank is attached to the level of developmental needs of developing countries (like African states) or to other economic variables and conditionalities other than developmental needs (Onuoha, 1995: 281 – 299).

Most writers in Africa like Akpuru – Aja (2001: 83 – 93) and Igwe (2002: 81) posit that BWIs conditionalities are not favourable or sympathetic to the LDCs like African states. Particularly, Igwe (2001: 81) contends that conditionalities are the mechanism for achieving long-term neo-colonial world order through subsidization of the Western economies by the third world countries. According to him:

…These conditions are often so harshly formulated beginning with the destruction of exchange value and the purchasing power of local currency; that instead of rescuing the country’s economy, it not only activates its final ruination but also exacerbates the people’s poverty (Igwe, 2002: 81).
In this regard, Ninsin (2000: 3 – 20) and Lumumba – Kasongo (2001:1 – 25) avert that the economic reform programme prescribed by BWIs deepens economic crisis, widens social inequality, creates mass unemployment, causes hyper – inflation, brings about massive capital flight, causes huge external debts and increases poverty. For example, Lumumba – Kasongo (2001: 1 – 25) in his own assessment notes that many people have lost their jobs in Africa because of privatization of state agencies, and that, costs of social service have become unbearable due to removal of subsidies (Asuu, 2002).

Even as Hanlon (2000: 29 – 36) notes that Country Assistance Strategy (CAS) is predicated on the Bank’s conditionality. Conditionality, thus, makes CAS essential, because all aids and loans to poor countries are conditional on recipient countries having Structural Adjustment Programmes (SAPs) with the international Monetary Fund (IMF) and the Bank. This requires a World Bank’s CAS and IMF’s Policy Framework Paper (PFP) and Enhanced Structural Adjustment Facility (ESAF) agreement. This gives IMF and the Bank dictatorial power which they often used. Hence, just like Ponte (1995)), Honlon (2000: 29) queried whether the Bank can be the sole judge of the success of its policies.

Similarly, Hammouda (1999) posits that Africa is the region with the highest number of SAPs implemented since early 1980’s. In fact, 35 sub- Saharan Africa countries implemented 162 World Bank/IMF adjustment programmes, since 1981. Over the same period, only 126 SAPs were implemented in the rest of the world. Several African countries implemented several SAPs. Also, state disengagement and
economic liberation as recommended by the SAPs resulted in the emergence in the countries of Politico-Financial Mafia groups trying to control the economy. The weakening of the state and its extinction has led to the emergence of private interest endowed with armed militia to defend their interests. In this context, violence, chaos and insecurity have become the characteristics of the vast areas of the continent. Thus, putting into question the theoretical foundations of neo-liberal development choices of the Washington consensus. As a matter of fact, a new era has been opened in the field of development economy in Africa since the mid – 1990’s with the increasing challenges of the neo-liberal discourses and practices of the BWIs. The present period is characterized by a decline in SAPs, even if institutions such as the Bank and IMF still cling to them, desperately in their practices. Thus, adjustment and the neo-liberal consensus that dominated reflection on development all along the 1980’s are no longer in fashion.

Ramsamy (2006: 519) in assessing the so-called “home grown” Economic Structural Adjustment Programme (ESAP) adopted by Zimbabwe in 1991, states that it mirrored the programmes of the Bank and IMF in that it included devaluation of currency, export promotion, trade liberalization, privatization of government enterprises and parastatals, and reduction of expenditure in the social service sectors such as education, health and housing. ESAP was far from successful, its target for growth and development were missed by huge margins and real wages failed by about 30 percent since its implementation in the early 1990’s the exclusive focus on exporting primary products to an increasingly hostile international economy which
was bogged down in recession, did not generate internal economic growth in Zimbabwe. Furthermore, this was coupled with the fact that Zimbabwe had very little control over the international prices of the primary commodities, which plunged to historic lows during the 1990’s. Consequently, formal sector employment declined and public services in health education and housing were cut deeply, thereby worsening the plight of the urban people, and making it extremely difficult for them to meet their basic needs.

Holton (2005: 558) in tracing the discursive change within the Bank reiterates that the Bank under President Mr. McNamara supported a broadly mixed economy in line with the post-war Keynesian settlement. Although broadly, skeptical of large scale government intervention, in practice, when faced with the enthusiasm for national economic planning, the Bank acquiesced and in some cases even advocated comprehensive state-led planning and industrialization. This was to later change by the end of the 1920s as the limitation of Mr. McNamara’s ambitions rural development programme became increasingly clear and the basic needs agenda stalled. According to Holton (2005: 559):

The consequent ‘sea change’ in political and economic discourses among the Bank’s Masters would effectively kill off Mr. McNamara’s Basic Needs agenda. The Bank’s conversion to the new political and discursive order epitomized in the ‘Berg report’, Polloried the interventionist rural development pioneered by McNamara, and heralded the neo-liberal onslaught. It advocated rolling back of the state and structural Adjustment’ at the expense of the interventionist rural development previously promoted by the Bank and implemented by Tanzania.
In the same vein, Academic Staff Union of Universities, ASUU (2002) publications noted that the net effect of the IMF/World Bank inspired economic policy is the continuing pauperization of the Nigerian Masses. For instance, privatization has meant the transfer of public wealth to a few individual especially foreigners and their local agents for less than their net worth. The trade liberalization has translated to restriction of Nigeria to primary production when prices of these commodities are externally determined. Deregulation and removal of price control means that Nigeria has to pay substantially more, even for what is produced domestically, in a situation of wage freeze. According to ASUU, (2002:17):

…to contend with, the worsening poverty level resulting from the economic policy, there is a resort to foreign loan facilities… the condition for such loan facilities worsens economic crisis and is important tool for the recolonization of Nigeria.

Furthermore, Umoren (2001: 93 – 123) highlights the three major impact of IMF and World Bank conditionalities as encapsulated in the implementation of SAP in Nigeria from 1986 – 1991. According to her, the three impacts are economic, political and social impacts. In the case of political impacts, Umoren (2001:110) notes that most dominant political impact of SAP was a substantial loss of sovereignty to the IMF and the Bank. The state’s capacity to take decisions which would be internally implemented for internal development and overall domestic well-being was curtailed by the need for continuous approval of policies and their implementation by the Washington Institutions on which new financing and progress in debt negotiations
had become more dependent than ever before. Also, it created political crises in Nigeria coupled with dwindling state ability to deal with it.

In case of its economic impact, Umoren (2001: 93 – 109) assess the economic impacts of SAP in Nigeria in the four aspects, namely: manufacturing performance, agricultural production, sectoral linkages and revenue base. As for the manufacturing performance, she notes that industrial capacity utilization did not show any remarkable increase as the manufacturing share of GDP decreased from 9.42% in 1986 to 8.3% in 1991. There was also slow increase in backward integration when the value of imported inputs was still high at 63.4% while the value of locally source inputs rose to 31.1%. On the whole, the manufacturing sector according to Umoren (2001: 95) remained beset with the same problem it faced at the outset of the programme in 1986 like high production costs, rising costs of capital (due to interest rate), continuing weak demand (due to inflation) and continued high dependence on imported inputs. As for agricultural production, the output and share to GDP did not show any clear improvement. The revenue base was still dependent on oil sector.

In the case of social impact, Umoren (2001: 112 – 109) observes that SAP created mass unemployment, lack of job security, social vices or insecurity (like armed robbery, etc), disappearance of the middle class, malnutrition, braidrain, poor health and education, low literacy and poor access to infrastructure and social amenities.

Similarly, D’Silva and Raza (1980: 282) criticize the Bank’s approach to rural development in the third world countries for assuming that mere transfer of external
reserves will bring about economic development. As such, it has made the Bank to preoccupy itself with the development of favourable climate for foreign Banks and corporations at the expense of other important factors like equity and overall improved standard of living.

But it was Rourke (1999: 481 – 483) who best encapsulates the critique of the Bank by LDCs. So, according to him, from the perspective of the LDCs the leaders of the Bank Group and many other financial agencies do not truly understand the development needs of the south. A more direct interpretation of this dominance of the financial international government organizations (IGOs) by the North is that they are vehicles for neo-imperialist control of the LDCs by the EDCs.

A second complaint about the Bank Rourke (1999), continues; is that it provides too little funding to LDCs, and therefore their development assistance to LDCs. whilst, the third complaint is the harsh terms of the loans. Therefore, the Bank is caught between the North’s concentration on business like” interest – bearing loans and the south’s demand that more loans be unconditionally granted to the poorest countries at low rates or with no interest at all. But the above seems to have been taken care of by emergence of IDA which advance low interest bearing loans to world poorest countries. The Bank also demands that recipients take sometimes – painful measures to correct what the Bank judges to be economically damaging policies. Many in the LDCs charge that such policies violate their sovereignty and hurt more than help (Rourke, 1999: 482).
The fourth complaint Rourke (1999:482) proceeds is that it has paid too little attention to human and environmental impacts of the projects it has funded. Such negative impacts on the environment have led the Bank to impose stricter environmental provisions on projects. The Bank also now gives loans to support environmental projects. Whilst, the fifth complaint is that the Bank Group and other financial IGOs have all allied themselves further with the United States desire to promote market economies, foreign direct investment and other aspects of capitalism. The crux of the matter Rourke (1999: 483) notes, therefore, is whether the interests of foreign investors, who hope to make profit, can be balanced with those of host countries. Ponte (1995: 554) on his own avers that the success of SAPs in Africa as claimed by the Bank is not compatible with empirical evidences. Some of the improvement in the economies of African countries that implemented SAPs cannot be attributed to SAP itself, but to the particular type of classification used by the Bank such as the inclusion of Nigeria in the Group of large improvers, and the choice of Gross Domestic Product (GDP) indicator and time periods.

Ponte (1995) states further that SAP is not the only factor in shaping of the changes in economic performance, there is need to consider the time dynamics of growth before and during SAP. This is because some of the recovery that the Bank attributed to SAPs may have already taken place before SAPs could affect economic performance.

African countries according to him therefore, need debt relief and investment in human capital, infrastructure, institutional capacity building and good governance.
But the curious question remains why do these conditionalities seem to work for some countries, even some developing countries, and refuse to work for some developing countries like Nigeria to lack of political will and corruption on the part of her leaders (i.e international contradictions). While some scholars attribute it to failure to fully implement the conditionalities or economic reform programme (probably too, as a result of lack of political will) Soludo, 1995: 59 – 84; Onuoha, 1995: 281 – 299).

For instance, Soludo (1995: 59 – 84) states that the faster growth of low income countries in other regions (especially, south East Asia) that have faced similar external conditions as African economies and better performance in Africa in earlier periods (with similar external shocks) point to the potential dominant impacts of domestic policies. The economic success of the four “Asian Tigers” which pursued “market and outward-oriented” policies was presented as evidence per excellence that domestic policy distortions are to blame for poor performance. Soludo (1995: 80 – 81) further notes that the minimal performance of the SAP is often adduced to implementation failures or distortionary implantation, which is often blamed on the leadership. Thus, he remarked as follows:

The blame of the leadership is couched in terms of the absence of strong, development-oriented, visionary leadership fully committed to economic reforms. The process is easily overtaken by considerations of political and administrative expediency. The Nigerian government seemed to be eager to accommodate the pressures from several interest group whose easy means of income were threatened by the reform process… Thus, did everything to sabotage the new policy regimes…may have pressured the government into “populist” programme that negated the SAP regime.
As regard to the determinants of the development loan assistance from the Bank, Scholars like Onuoha (1995: 281 – 299) imply that the magnitude of development loan assistance given to member countries does not necessarily march their level of developmental needs. Onuoha (1995: 281 – 299) in his study for example, was able to reveal that the terms and conditions under which Nigeria secures her loans from the IFIs particularly the Bank vary with the nature or performance of the economy. The underlying argument being that as Nigeria’s economic crisis worsened, the term and condition under which loans are extended to Nigeria worsened.

But with the recent World Bank’s EF and specifically IDA low interest rate loan facility, one wonders whether the above assertion is still relevant or whether it has been overtaken by events. In any case, this study is an attempt to fill the gap on literature by trying to draw attention to the possible influence of certain economic variables or indicators like GDP growth rate, external reserves, etc, and the extent of implementation of economic reform programme have on the level of development loan assistance granted by the Bank to member nations, particularly Nigeria since 1999 to 2008. The possibility of these connections is the fundamental point of departure of this study.

1.6 Theoretical Framework

Most studies on international organizations and institutions (specifically international finance institutions) by scholars of the third world countries are
generally predicated on Marxist Political economy paradigm. This is understandable because of the historical context of international relations in which most developing countries found themselves at the receiving end of history.

However, Marxist political economy paradigm is said to be rooted in materialistic foundation of the substructure (i.e economy or relations of production) as it conditions the superstructure (Marx, 1970; 20 – 22). It thus assumes the primacy of material conditions of existence, and claims (a) relatedness interconnectedness of social phenomena. (b) the dynamic nature of social reality (c) the conflictual character of social forces (i.e. dialectical materialism).

Hence, this study is essentially anchored on functionalism. Functionalism as international relations theory was formulated and developed by David Mitrany in the aftermath of World War II. David Mitrany is thus the proponent and chief exponent of functional theory of international relations.

Conventionally, the theory of functionalism in international relations is thus based on the hope that more and more common task will be delegated to such specific functional organizations or agencies of United Nations (UN) like the Bank IMF, etc, and each of these organizations will become supranational that is superior to its member governments in power and authority. In this way, the World’s nation will gradually become integrated into a single community within which war will be impossible (Mitrany, 1948; 1966).

Classic functionalism as formulated by David Mitrany envisaged the treatment of these international or supernatural functions and services as technical matters, non-
political in nature and well removed from the clamour and pressures of interest
groups, nations and the masses of the population.

Classic functionalists like David Miltrany hoped that highly specific functional
agencies would enter into direct contact with the people they serve in each country.
Their services would somehow remain non-political, but they would win through their
performance both increasing elite acceptance and popular support (Deutch, 1988: 22 –

Deutch (1988: 223) however notes that this hope seems rather uncertain as all
those organizations are limited mainly to the exchange of views and of knowledge,
the making of studies the drafting of recommendations and the rendering of technical
assistance to governments requesting it. They cannot legislate as government. As such
classic functionalists are functionalist idealists.

Similarly, Nweke (2000: 25 – 26) posits that functionalism is not just a
theoretical formulation but a practical policy action as well, which is concerned with
how best the world could be organized so as to eliminate violent conflicts and wars,
thereby enable great powers and small states alike to focus on trade and development
co-operation rather than engage in divisive political and ideological issues that evoke
aggressive policies of intervention, imperialism, neo-colonialism, and domination in
international relations. The fact remains he continues, that within the several versions
of the theory are to be found the essential Kernel of Mitrany’s new world model,
namely that a progressive economic integration would gradually eliminate sources of
conflict and build the foundation for political unification.
Rourke (1999: 219 – 225) on his own describes functional cooperation in the light of classical functional theory as composed of the specialized agencies that deal with specific economic and social problems. He further pointed out that there is expanding roles of IGOs both in number and on scope of activity. According to him, this is as a result of at least three major reasons; (a) more and more common governmental functions are being dealt with by IGOs (b) some of these expanding roles are dealt with by creating new IGOs (c) the increasing need for IGOs activity is leading existing IGOs to take on a new functions beyond their initial roles. For example, the scope of European Union (EU) activities is expanding beyond its original economic focus to a wider range of political and social concerns as well as developing an increasingly important organizational structures.

In the same vein, other functionalists like Keohane and Nye (Burchill and Linklateer, 2001) have demonstrated how through membership of international organizations, states can significantly broaden their conceptions of self-interest (i.e national interest) in order to widen the scope of co-operation and compliance. Hence, compliance with the rules of these organizations not only discourages the narrow pursuit of national interests, it also weakens the meaning and appeal of state sovereignty.

Similarly, Williams (1989: 210 – 211) states that there has been a growing quest for greater structure as a result of the fact that increasing political activity in the global system has been channeled into international organizations. International organizations have come to play a growing role in formulating international policy.
IGOs, therefore, provide the framework within which government(s) can achieve agreement about the elements of international public policy.

Whilst, according to Okolie (2005: 202 – 216) “Functionalism in international relations is used to denote an approach to the building of a supra-national community through economic integration”, hence it is closely associated with integration theory.

With the end of cold war, functional theory of international relations has staged a come back, though not in its orthodox or classical form as it has been re-interpreted and refined since it was originally formulated by David Mitrany (Nweke, 2000: 25). Functional idealism whether in its orthodox form or modern version (i.e. neo-functionalism) by focusing on issue of elimination conflict and war is embedded in liberal internationalism (Burchill and Linklater, 2001). International institutions according to this functional formulation make, implement, interpret and enforce rules (or resolutions in the international system in order to facilitate international peace and harmony on the basis of justice and fair play.

On the other hand, functional realism of international relations proceeds from the notion that the world is composed of international institutions which constitute structures of the international system. In this regard, there is tendency of states in the international system to compose themselves into or to form IOs for their mutual benefits. So, the raison d’etre of international institutions as an international structure is to perform functions of which mutual benefits of their members is primary (Okolie, 2005: 202 – 216).
Thus, international institutions are evaluated on the extent to which they are able to perform these functions of ensuring mutual benefits for their members as embodied in their stated objectives part of which could be social economic and political integration. However, these mutual benefits must not necessarily be equal for it depends on how member states position themselves to enjoy these benefits. This notion of functionalism is rooted in political realism, and economic realism.

Functionalist realist remind us that membership of international institutions is voluntary, not by force, and nations have option of dismembering themselves, though this option could be suicidal. This explains the reason why nations despite unequal benefits continue to maintain their membership with hope of boosting their relative benefits and influence. The role of international organizations, the functionalist realists posit is to smoulder, aggregate and harmonize national interest. In other words, international organizations and institutions are instruments for harmonization or reconciliation of national interest. Conceived in this manner, thus, international institutions and organizations are theatres or arenas of contests or struggles among principally nation – states. Functionalists, therefore, conceive international organizations and institutions as for projection or realization of foreign policy objectives of nations. For example, functionalist realists like Abbot & Snidal (1998: 29) conclude that by taking advantage of IOs states are able to achieve goals that they cannot accomplish alone.

Following from the above, it becomes obvious that there are two major views of functionalism, that is, functionalist idealists and functionalist realists. While
functional idealism is predicated on liberal internationalism of Kantian philosophical tradition, functional realism is anchored on political realism of Machiavellian/Morganthan tradition. It is on this latter version of the theory; we are going to learn more on the realist wing of functionalism (i.e. functional realism) is however embedded in liberal institutionalism (Burchill & Linklater, 2001).

Therefore, the theory will enable us in this study to identify the problems and place of Africa (Nigeria included) in the World Bank, so as to proffer viable solutions that will enable Africa (particularly Nigeria) to reposition herself not only to play prominent role, but also to derive greater benefits from the international organization. Functional theory, especially its realist version portrays the fact that international organizations, where member states can appeal to pity, but organizations, where members strive to derive benefits from their functions or poor of resources. World Bank like other international institutions therefore, was set up to perform certain functions and ditch out certain benefits to its members according to its policy. It cannot discharge these functions without some certain criteria; otherwise, it could be well jeopardized its very existence. Hence, the discharge of these benefits is not fundamentally on the basis of sympathy, less the organization would atrophy. So, the logic or reality of the present global economic system (i.e. global capitalism) is that benefits could be mutual, but never equal.
1.7 Hypotheses

The understated hypotheses guided the study:

1. There is a positive relationship between the level of implementation of loan conditionalities and increase in development loan assistance to Nigeria.

2. There is a positive relationship between economic growth and development loan assistance to Nigeria by the World Bank.

3. There is no significant relationship between Nigeria’s higher ability to service loans and increase in World Bank credit portfolio to Nigeria within the period under review.

1.8 Method of Data Collection/Analysis

In this study, we relied on secondary source of data collection like documentary evidence from statistical bulletin from the Bureau of statistics; Federal Ministry of Finance, where we shall get actual information on how Nigeria secures loan from the IFIs and the Bank and the level of implementation; Central Bank of Nigeria, which will enable us know how government provides ways to head off higher inflation leading to the implementation of stronger monetary policies; World Bank, that is, the inflow of development loan assistance and conditionalities of such loans to Nigeria; Development Management Office (DMO), where we shall see whether there is transparency and accountability in the utilization of the funds borrowed from the Bank and IFIs. On text books, we shall use relevant books that treat World Bank/IMF development strategies to Nigeria and IFIs; on journals, we shall consult relevant
articles on World Bank/IMF development strategies to Nigeria and IFIs. Others include periodicals, newspapers, magazines and internet sources. We also intend to use Nnamdi Azikiwe’s Library, University of Nigeria, Nsukka, and Centre for American Studies, University of Nigeria, Nsukka. Secondary source of data is therefore our method of gathering data, which refers to a set of data gathered or authored by another person, usually data from the available data, archives, either in the form of document or survey results and quote books collected for a purpose other than the present one (White, 1983: 233; Ikeagwu, 1998: 211; Asika, 2006: 271). As articulated by Seltiz et al, (1977: 317), the advantages sources of data lie in the obvious fact that information of this sort is collected periodically. This makes the establishment of trends and consistent patterns over time possible again, the gathering of information from such sources does not require the corporation or assistance of the individual about whom information is being sought. We as well undertake a documentary study of World Bank’s Article of Agreement and mode of operation (i.e. content analysis).

In the method of data analysis we adopted qualitative descriptive analysis. Asika (2006: 118) defines qualitative descriptive analysis to mean summarizing the information gathered in the research verbally so as to further discover relationships among variables. The adoption of the foregoing analytical method becomes necessary since the study will rely principally on secondary source of data.

More so, in the presentation of data, we adopted mainly tabular presentation as our method of presentation of data, which are arranged in columns and rows. Others include graphical presentation of data like bar charts, line graphs, and also geometrical presentation of data such as pie charts.
CHAPTER TWO
LOAN CONDITIONALITIES AND DEVELOPMENT ASSISTANCE TO NIGERIA

In this chapter, we explored our first hypothesis which states that there is a positive relationship between the level of implementation of loan conditionalities and increase in development loan assistance to Nigeria between 1999 and 2008. Thus, we articulated World Bank/IMF loan conditionalities and the obligations of recipient states. We looked at Nigeria’s commitment in implementing these loan conditionalities. Finally, we examined World Bank/IMF increased development loan assistance to Nigeria.

2.1 World Bank/IMF Loan Conditionalities and the Obligations of Recipient States

The Bank’s loan conditionalities to Nigeria are encapsulated in the economic reform programme such as SAP and NEEDS. Aid to developing countries, such as Nigeria, nearly always comes with conditions attached; and they must adhere to these conditions in order to receive their funding. Hanlon (2000) was perhaps, right to state that all Country Assistance Strategy (CAS) is predicated on the Bank’s conditionality and conditionality which makes (AS essential, because all loans and aids to poor countries are conditional).

Let us for example, begin with SAP first, before moving to NEEDS. The SAP drawn for Nigeria in 1986 embodies the following conditionalities of the BWIs:

(a) Devaluation of the national currency
(b) Wage freeze/retrenchment of workers that is downsizing

(c) Reduction in government’s social and welfare expenditure such as removal of subsidies and deregulation of any sectoral control by government (like oil industry in Nigeria).

(d) Trade liberalization or liberalization of trade

(e) Privatization and commercialization of the economic realms of public enterprise

(f) Reviewing of interest rate, periodically


However, following the continued militarization and democratization of the Nigerian polity in the 1990s coupled with the Nigeria’s inability to service her debts and failure to strictly implement the loan conditionalities (i.e economic reform programme), the Bank disengaged from the Nigeria. In fact, the SAP was abandoned half way.

Subsequently, as a result of the Willingness and determination on the part of Obasanjo’s Civilian administration to pursue and fully implement a World Bank sanctioned and approved economic reform, the Bank re-engaged Nigeria in 1999. The Obasanjo’s civilian administration reform programme is however anchored on the NEEDS. The NEEDS took a mark of departure from other economic reforms implemented in Nigeria by combining reforms both in the public and private sectors in order to facilitate effective public private sector partnership. Part of the public
sector reforms was also to ensure good governance and Zero tolerance to corruption in a bid to eliminate all leakages in the economy. Another point of departure between NEEDS and other economic reforms in Nigeria is that for the first time, it included a co-ordinated implementation in the federal (i.e. NEEDS), states (i.e. SEEDS) and local government (i.e LEEDS). This is to reflect the federal character of the Nigerian state and also to ensure that efforts are not frustrated at the state and local government levels, unlike other economic reform programmes which were restricted at the federal level.

The next mark of departure of NEEDS is that it reiterated the need for value re-orientation. Another is that it includes participatory process in order to be inclusive, consultative and contributory.

Let us therefore, begin with public sector reforms:

(a) Rightsizing the sector and elimination of ghost workers

(b) Good governance which include transparency, due process and Zero tolerance for corruption.

(c) Privatization and concessioning

(d) Deregulation such as deregulation of downstream oil sector.

(e) Removal of subsidies (in oil sector, education sector etc).

(f) Floating exchange rate (to be determined by the market forces or to be market-driven or deregulated financial system.

(g) Pension reforms both in the public and private sectors that is a contributory pension scheme.
(h) Monetization policy, that is, monetization of fringe benefits.

(i) Value re-orientation

(j) Fiscal decentralization, that is, between the federal and state governments.

(k) Institutional reforms (i.e security, administration of justice and legislature like strengthening of the oversight function of the National Assembly.

(l) Prison reforms (decongestion)

(m) Tax reforms

(n) Service delivery

The next is private sector reforms such as the following:

(a) Banking sector reforms which include other financial sectors like insurance, etc. consolidation and agglomeration of the Banking sector.

(b) Agglomeration of the industrial sector of economy of scale

(c) Promotion of Small and Medium Scale Enterprise (SMEs)

(d) Technology transfer and promotion of indigenous technology

(e) Local content policy \export incentives (NEEDS, 2003).

IDA has two major concessionary development (i.e credit portfolio) which include loans and grants. IDA is the World’s largest source of “interest-free” loans constituting about 40% World Bank lending. IDA grants concessionary assistance to the poorest countries of the world at a very low interest rate of 10 years grace period and 35-40 years maturity period (http://www.worldbank.org/3/10/09).

There are two types of IDA loans and credits, which include (a) investment loans and (b) development policy loans. Investment loans are made to countries for
goods, works and services in support of economic and social development, while the
development policy loans (formally, adjustment policy loans) provide quick
disbursing financing to support countries policy and institutional reforms. In the case
of Nigeria for example, IDA granted the loans of US$ 114.29 millions on June
14, 2001; US$140 millions on December 14, 2004; and US$18.1 millions on June 27,
2005 for Nigeria’s privatization support programme, economic reforms and
Governance project and state governance and capacity building project, respectively
(table 2.1).

Table 2.1: IDA Development Policy Loans in Nigeria

<table>
<thead>
<tr>
<th>Date</th>
<th>IDA credit (in US$ million)</th>
<th>Project</th>
<th>Terms (Years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 14, 2004</td>
<td>114.29</td>
<td>Nigeria privatization support programme</td>
<td>10</td>
</tr>
<tr>
<td>December 14, 2004</td>
<td>140</td>
<td>Economic reforms and governance project</td>
<td>10</td>
</tr>
<tr>
<td>June 27, 2005</td>
<td>18.1</td>
<td>State governance and capacity building project</td>
<td></td>
</tr>
</tbody>
</table>

(http://www.worldbank.org/03/10/09)

2.2 Nigeria’s Commitment in Implementing these Loan Conditionalities

1999 marked the transition programme of Abubakar’s short military regime,
Nigeria, once again transited to civilian rule, the Bank resolved to stage a third come
back, after disengaging Nigeria for lack of its commitment in implementing these loan
conditionalities. This was coupled with Obasanjo’s resolve and readiness to implement the Bank/IMF approved or sanctioned economic reform programme. It appears that the Bank equates democratic regime to good governance, after all, it is often said that the worst civilian regime is better than the best military regime.

Despite Obasanjo’s serious and spirited effort at implementing the reform programme both in public and private sectors, his Administration once again represented a typical example of bad governance. To begin with his fight against corruption, was generally flawed for being selective and vindictive. Although, there is legislative arm of the government, his administration has a penchant for by-passing legislature. The oversight function of the legislature consequently suffered a serious set back.

Perhaps, the only semblance of democratic elements in Obasanjo’s administration was that elections were held periodically but were blatantly rigged. Despite the fact that there are as well, other arms of government like the legislature and the judiciary. The legislature (i.e. national Assembly) was often or usually by-passed. The judiciary was discredit as court rulings were blatantly disobeyed with impunity. The fight against corruption was played on the ground that it was selective, vindictive and politicized. Obasanjo’s administration consequently, failed on its mission of stopping political corruption or blocking the economic leakages that were present in other economic reforms of other regimes.

Yet, just like SAP under Babangida’s regime, NEEDS was not given any chance of succeeding or providing itself. Many analysts, consequently started
criticizing the programme, and were harping on the need to reform the reform, under several options like, “NEEDS reform” (Ali, 2007: 1 – 3).

But a good assessment of NEEDS would show that it was not really a failed programme as various economic indicators suggest. However, it is germane to point out that although Obasanjo’s administration made some spirited effort at implementing the NEEDS, in certain cases, due process was not followed, especially as regards to privatization programme. Yet, the NEEDS was not a failure in all entirely, although, it is still early to start assessing the programme.

The implementation of economic reform programme is all about implementation of the Bank’s loan conditionalities. It encompasses both the public and private sectors.

On public sector reforms however, good governance as defined in the NEEDS document is beyond mere democratic governance. It is meant to be facilitated through transparency, due process and zero tolerance for corruption. In this wise, the Budget Monitoring and Price Intelligence Unit (BMPIU) was set up to commence a process of contract award review, oversight and certification of public funding. Similarly, to complement BMPIU or due process mechanism government is initiating a public procurement Commission Bill (ACT). Others include Nigerian Executive Industries Transparency Initiative (NEITI), Financial Action Task Force (FATF) Fiscal Responsibility Bill (Act) in order to encourage or ensure transparency, Zero tolerance for corruption, due process and good governance.
In order to achieve the above tasks, a number of institutions were established by law, such as Economic and Financial Crimes Commission (EFCC) and Independent Corrupt Practices and other Related Crimes Commission (ICPC).

As regards privatization between 1999 and 2008, about 81 public enterprises were privatized and Bureau of Public Enterprise (BPE) raked over N500 billion between 2005 and 2006, in which 61 public enterprises were Privatized. Also, about 18 ports terminal including Apapa. Tin can Island and Calabar Ports were concession. In the same vein, some wings at the nation’s International Airport, particularly Nnamdi Azikiwe Airport Abuja and Murtala Muhammed Airport, Lagos were concession or leased out. This, however, saved the nation a whopping sum of money spent in setting up and maintaining these facilities, which accounts for most of the external debts and half of the oil revenue. (Daily Sun Mar, 2007, Vol. 3, No. 926). It is in this exercise that the Nigerian Telecommunication (NITEL) and Nicon Hilton Hotel were sold to Transcorp. The Power Holding Company of Nigeria (PHCN) formally National Electric Power Authority (NEPA) is undergoing the same process through unbundling of the enterprise into Generation, Transmission and Distribution Stages.

According to NEEDS (2003) document, the power distribution and power generation would be sold to private firms. However, the Nigerian government would continue to maintain monopoly over power transmission through the national grid and a power regulatory authority would be set up to regulate the activities of the firms.
Another aspect of the economic reform programme as encapsulated in the NEEDS document is deregulation of downstream oil sector, in which the nation’s four refineries have been slated for bidding, and some other private firms like Orient Petroleum Refinery, etc, are setting up their own refineries.

In the case of pension reforms, Pension Fund Administration (PFA) was set up to oversee efficient and effective pension regime with pension asset of over N600 billion. The pension reform covers both private and public sectors. Whilst, tax reform is being undertaken to remove multiple taxation, reduce evasion, strengthen the machinery for tax collection and ensure appropriate tax system that will not be regressive.

Part of the NEEDS document is the Banking sector. The Banking sector reform (i.e. Bank consolidation) by the Central Bank of Nigeria (CBN), through merger and acquisition, reduced the number of Banks in Nigeria from 89 to 25. The N25 billion capitalization benchmark has increase confidence in Banking sector in Nigeria, attracted massive Foreign Direct Investment (FDI) to Nigeria at the tune of US$2.3 billion by 2005. It also ensures that Nigerian Banks are among the top Banks in Africa, in which at least, 16 of them are among the top 100 in the world (Saturday Independent Newspaper, May 26, 2007, vol. 2, No. 102).

Banking consolidation has also made it possible for Nigerian Banks to fund capital intensive projects extend long-term loans, solve the problem of incessant distress in the sector and put some of them in the position to manage external reserves. Other private sector reforms include agglomeration of the industrial sector to
derive the benefit of economy of scale or large scale production, promotion SME and implementation or observance of local content policy by foreign and indigenous firms.

Surprisingly, the first set of credit from the Bank to Nigeria was to facilitate effective and transparent implementation of the Federal Government of Nigeria’s privatization Programme. The credit termed Nigerian Privatization Support was granted to Nigeria on June 14, 2001 in the tune of US$ 114.29 million at a grace period of 10 years and maturity stage of 35 years.

In the same Vein, the Bank under IDA soft loan window, granted the federal Government of Nigeria on December 14, 2004, shortly after the launch of NEEDS, a total credit of US$140 million of 10 years grace period of maturity stage of 40 years to support and encourage economic reforms and governance programmes in Nigeria.

In addition to this, the Bank, on June 28, 2005, granted the Federal Government of Nigeria an IDA credit US$18.1 million for state governance and capacity building project. For detail, see table 2.2 for the summary of the Bank’s credit to Nigeria from 2001 to 2006. See also figures 2.1 and 2.2 for graphical (i.e bar chart) and geometrical (i.e pie chart) representations of the IDA credit to Nigeria.
Table 2.2: A summary of the Bank’s Credit to Nigeria 2001 – 2006

<table>
<thead>
<tr>
<th>Year</th>
<th>IDA Credit in US$ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>304.29</td>
</tr>
<tr>
<td>2002</td>
<td>438</td>
</tr>
<tr>
<td>2003</td>
<td>238.7</td>
</tr>
<tr>
<td>2004</td>
<td>350</td>
</tr>
<tr>
<td>2005</td>
<td>441.8</td>
</tr>
<tr>
<td>2006</td>
<td>440</td>
</tr>
</tbody>
</table>

(http://www.worldbank.org/3/3/07)

Figure 2.1: Geometrical Representation of GDP Growth Rate (i.e Pie Chart) from 2001 - 2008
To test our hypothesis which states that there is a positive relationship between the level of implementation of loan conditionalities and increase in development loan assistance to Nigeria between 1999 and 2008, we used percentage (%) that is a relative measure and descriptive analysis. We discovered that the total World Bank Credit to Nigeria which increased from US$304.29 million in 2001 to US$440 million in 2006, represent a percentage increase of approximately 44.60%.

Figure 2.2 Graphical Representation (i.e. Bar Chart)
The point being made above is that, as Nigeria began to fully implement the Bank’s sanctioned and approved economic reform programme (i.e NEEDS) by 2001, the Bank increased its credit portfolio to Nigeria by 44.60% in 2006. The above findings is in line with the Bank’s development policy Loans facility for supporting its member countries in their policy and institutional reforms: (http://www.worldbank.org/3/3/07)

Hence, we accept our hypothesis that states, there is positive relationship between the level of implementation of loan conditionalities and increase in development loan assistance to Nigeria between 1999 and 2008.

2.3 World Bank/IMF Increased Development Loan Assistance to Nigeria

It was in 1999, when Nigeria successfully transited from military rule to civilian rule coupled with the willingness and determination on the part of Obansanjo’s Civilian Administration to Pursue and fully implement a Bank sanctioned and approved economic reform, that the Bank decided to re-engaged Nigeria in 1999.

Even at that, the Bank development Loan assistance did not tickle in, until 2001. Such that as of July 2001, the Bank assistance to Nigeria involves 20 active (on-going) project with the commitment value of about US$1.9 billion. (http://www.Worldbank.org/website/external/countries/Africa/Nigeria/11/11/09)

These 20 active projects Cover the major sectors of the Nigerian economy including privatization programme community – based projects, healthcare system, education
sector (i.e UBEP), urban development projects and power sector reform (Financial Standard, November 6, 2006, vol.8, No. 8). For details about the Bank’s development assistance to Nigeria both on-going and proposed since 2001 (Tables 2.3 and 2.4).

Table 2.3: The Bank’s Credit to Nigeria, project by project, from 2001 to 2006
(The Bank’s Assisted project)

<table>
<thead>
<tr>
<th>Date</th>
<th>IDA Credit (in US$ million)</th>
<th>Project</th>
<th>Terms (years)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Grace period</td>
</tr>
<tr>
<td>June 14, 2001</td>
<td>US$114.29</td>
<td>Nigerian privatization support programme</td>
<td>10</td>
</tr>
<tr>
<td>July 6, 2001</td>
<td>US$90.3</td>
<td>HIV/AIDS Programme Development</td>
<td>10</td>
</tr>
<tr>
<td>July 31, 2001</td>
<td>US$100</td>
<td>Transmission Development Project (Power Sector)</td>
<td>10</td>
</tr>
<tr>
<td>June 6, 2002</td>
<td>US$127</td>
<td>Health Systems Development Project</td>
<td>10</td>
</tr>
<tr>
<td>June 6, 2002</td>
<td>US$100</td>
<td>Community-Based Urban Development Project</td>
<td>10</td>
</tr>
<tr>
<td>September 12, 2002</td>
<td>US$101</td>
<td>Universal Basic Education Programme</td>
<td>10</td>
</tr>
<tr>
<td>November 21, 2002</td>
<td>US$100</td>
<td>Lagos Urban Transport Project</td>
<td>10</td>
</tr>
<tr>
<td>April 29, 2003</td>
<td>US$28.7</td>
<td>Partnership for Polio Eradication Project</td>
<td>10</td>
</tr>
<tr>
<td>August 1, 2003</td>
<td>US$70 with additional US$ 8 million from GEF</td>
<td>Local Empowerment and Environmental Management Project (LEEM)</td>
<td>10</td>
</tr>
<tr>
<td>December 16, 2003</td>
<td>US$100</td>
<td>Second National Fadama Development Project (Fadama II)</td>
<td>10</td>
</tr>
<tr>
<td>December 16, 2003</td>
<td>US$32</td>
<td>Micro Small and Medium Enterprises Project</td>
<td>10</td>
</tr>
<tr>
<td>June 15, 2004</td>
<td>US$120</td>
<td>National Urban Water Sector Reform Project</td>
<td></td>
</tr>
<tr>
<td>Date</td>
<td>Amount</td>
<td>Project Description</td>
<td></td>
</tr>
<tr>
<td>---------------------</td>
<td>---------</td>
<td>--------------------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>December 14, 2004</td>
<td>US$120</td>
<td>Sustainable Management of Mineral Resources Project</td>
<td></td>
</tr>
<tr>
<td>December 14, 2004</td>
<td>US$140</td>
<td>Economic Reforms And Governance Project</td>
<td></td>
</tr>
<tr>
<td>March 24, 2005</td>
<td>US$51.7</td>
<td>Partnership for Polio Eradication Project (Supplementary Credit)</td>
<td></td>
</tr>
<tr>
<td>June 27, 2005</td>
<td>US$200</td>
<td>State Governance and Capacity Building Project</td>
<td></td>
</tr>
<tr>
<td>June 28, 2005</td>
<td>US$200</td>
<td>Second National Urban Water Sector Reform Project</td>
<td></td>
</tr>
<tr>
<td>June 28, 2005</td>
<td>US$172</td>
<td>National Energy Development Project</td>
<td></td>
</tr>
<tr>
<td>March 29, 2006</td>
<td>US$50</td>
<td>Avian Influenza Control and Human Response Project</td>
<td></td>
</tr>
<tr>
<td>April 11, 2006</td>
<td>US$10</td>
<td>Second National Fadama Development Project Ecosystems Management</td>
<td></td>
</tr>
<tr>
<td>July 6, 2006</td>
<td>US$200</td>
<td>Lagos Metropolitan Development and Governance Project</td>
<td></td>
</tr>
<tr>
<td>December 12, 2006</td>
<td>US$180</td>
<td>Malaria Control Boaster Project</td>
<td></td>
</tr>
</tbody>
</table>


*The GEF Contribution to Finance biodiversity management and ecosystem service

**The GEF grant

***Universal Basic education closed
Table 2.4: Proposed World Bank Development Assistance to Nigeria (Project by Project)

<table>
<thead>
<tr>
<th>S/No</th>
<th>Project Name</th>
<th>IBRD/IDA</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Community Social Development Project</td>
<td>US$200</td>
<td>Pipeline N/A</td>
</tr>
<tr>
<td>2</td>
<td>Enhancing Commercial Agriculture in Nigeria Lead States</td>
<td>US$40</td>
<td>Pipeline N/A</td>
</tr>
<tr>
<td>3</td>
<td>Federal Roads Development Project</td>
<td>US$500</td>
<td>Pipeline N/A</td>
</tr>
<tr>
<td>4</td>
<td>NGCF Aba Cogeneration (FY 06)</td>
<td>0</td>
<td>Pipeline N/A</td>
</tr>
<tr>
<td>5</td>
<td>Nigeria Federal Science and Technical Education at Post – Basic Level (STEPB)</td>
<td>US$180</td>
<td>Pipeline N/A</td>
</tr>
<tr>
<td>6</td>
<td>Nigeria Lagos Urban Transport Project</td>
<td>US$50</td>
<td>Pipeline N/A</td>
</tr>
<tr>
<td>7</td>
<td>Nigeria National Energy Development Project Carbon</td>
<td>0</td>
<td>Pipeline N/A</td>
</tr>
<tr>
<td>8</td>
<td>Rural Access and Mobility Project (RAMP)</td>
<td>US$50</td>
<td>Pipeline N/A</td>
</tr>
<tr>
<td>9</td>
<td>Third national Fadama Development Project (Fadama III)</td>
<td>US$200</td>
<td>Pipeline N/A</td>
</tr>
</tbody>
</table>


The Bank have equally assisted Nigeria with loans at state levels. Some who have benefited are as follows:

About 11 communities in Ondo State are to benefit from the states community base urban development project a World Bank assisted programme worth N14 billion. The projects span water supply, electricity services, public toilets and road construction. (*Nigerian Bulletin on Foreign Affairs*, Vol. 24, No 1: 4). Also, The Anambra State government has received N42 million from the Bank to execute projects in the state. The commissioner for information and culture, Prof. Stella
Okunna disclosed that the Money would be used to support projects in Onitsha, especially in the health sector. Part of the money will also be used in beautifying the commercial city Onitsha. The Anambra State government had already drawn out plans on how to intensity cleaning of the city. The Bank is Collaborating with the state government to executive multi-million dollar projects in the state in the areas of urban management and sanitation to clean up the state and create a viable investment climate. The Bank was also promoting a programme to empower small scale farmers, while assisting industries to grow in order to create more employment opportunities. The Bank’s Country Director, Mr. Onno Ruhl Commended the State Government for active participation in the Bank’s programmes. (The Nigerian Bulletin on Foreign Affairs, vol. 24, No. 1: 5).

At the federal government level, The Executive Director and Chief executive officer of National primary Healthcare Development Agency (NPHCDA) Dr. Mohammed Ali Pate, has said, the $30 million World Bank loan taken by the federal government to fight polio was a credit with Zero interest repayable within 40 years. The loan would enable the federal government commence the immunization rounds on time without depending on the passage of the budget. Eradication of polio, which had affected hundreds of children in the country could achieved through the commitment of stakeholders especially parents, community, religious leaders as well as healthcare providers (The Nigerian Bulletin on Foreign Affairs, vol. 24, No 1: 5).

The Federal government of Nigeria has processed a $180 million World Bank facility to support development of science and technology education in the country.
The facility is to be used for the development of science and technology education in the country. The facility is to be used for the development of science and technology education in post basic level. The Executive Secretary National Board for Technical Education (NBTE) Dr. Nuru Yakubu said that the process of the facility has been a long journey that started in 2005 with a study conducted by the Bank (*The Nigerian Bulletin on foreign Affairs*, vol. 24, No. 1: 5).

Nigeria has obtained a $90 million from the Bank thus bringing the total loans from the Bank to the country to $3.2 billion. The latest loan of $90 million will be spent on the provision of health facilities in the country named Second Health Systems Development Project (HSDP II). The Minister of finance, Dr. Mansur Muhtar said the latest Bank’s intervention in Nigeria was an avenue to address the issue of access to quality health care in the rural areas. The fund would also be used to complete ongoing projects under the Bank’s assisted health System development projects. (*The Nigerian Bulletin on foreign Affairs*, Vol. 24, No.1: 6).

The Bank has approved as well, $400 million (about 60 billion) for the Implementation of the Fadama III Project and the Commercial Development Programme (CADP) in Nigeria. Dr. Karen Brooks, the Sector Manager, Agriculture and Rural Development Unit (African Region) of the Bank disclosed that $250 million (about N36 billion) would be for Fadama III, while $150 million (about N22 billion) would be committed toward the commercial agriculture project that would be implemented over four years. Brooks, however, commended the efforts of the federal government in charting a new course for the development of agriculture in the

The Bank has said that Fadama III project is expected to cost $440 million which would be beneficial to most small-scale industries, including poultry and fish farmers. The programme will empower communities in Nigeria by giving them resources that will enhance their productivity. University graduates are to serve as facilitators in various communities across the country while the project is meant to boost agricultural production. (*The Nigerian Bulletin on Foreign Affairs*, Vol. 24, No. 1:6).

From the foregoing it could be seen that there is a positive relationship between the level of implementation of loan conditionalities and increase in development loan assistance to Nigeria between 1999 and 2008. This conclusion which was drawn from the available data from related documents thus validates our hypothesis which states that there is a positive relationship between the level of implementation of loan conditionalities and increase in development loan assistance to Nigeria between 1999 and 2008.
CHAPTER THREE

DEVELOPMENT LOAN ASSISTANCE AND ECONOMIC GROWTH

In this chapter, we explored our second hypothesis which states that there is positive relationship between economic growth and development loan assistance to Nigeria by World Bank between 1999 and 2008. Hence, we attempted an overview of Nigeria’s economic growth between 1999 – 2008. We evaluated the World Bank/IMF development loan packages between 1999 – 2008. We equally assessed the effects of World Bank/IMF development loans on Nigeria’s economic growth. Again, we x-rayed the Millennium Development Goals and Nigeria’s economic growth, and as well examined Vision 2020: Nigeria’s Drive to economic development and maturity.

3.1 Overview of Nigeria’s Economic Growth between 1999 – 2008

Nigeria’s economy is struggling to leverage the country’s vast wealth in fossil fuels in order to displace the crushing poverty that affects about 75 percent of its population. Economists refer to the coexistence of vast wealth in natural resources and extreme personal poverty in developing countries like Nigeria as the “resource curse”. Nigeria’s export of oil and natural gas – at a time of a peak prices have enabled the country to post merchandise trade and current account surpluses in recent years. Reportedly, 80 percent of Nigeria’s energy revenues flows to the government, 16 percent cover operational costs, and the remaining 4 percent go to investors.

However, the Bank has estimated that as a result of corruption, 80% of energy revenues benefit only 1% of the population. During 2005, Nigeria achieved a
milestone agreement with the Paris Club of lending nations to eliminate all of its bilateral external debt. Under the agreement, the lenders will forgive most of the debt, and Nigeria will pay off the remainder with a portion of its energy revenues. Outside of the energy sector, Nigeria’s economy is highly inefficient. Moreover, human capital is underdeveloped – Nigeria ranked 151 out of 177 countries in the United Nations Development Index in 2004, and non-energy related infrastructure is inadequate (http://www.en.wikipedia.org/wiki/economy_of_Nigeria/3/3/2010).

A longer term economic development program is the UN’s sponsored National Millennium Goals for Nigeria. Under the programme which covers the years from 2000 to 2015, Nigeria is committed to achieve a wide range of ambitious objectives involving poverty reduction, education, gender equality, health, the environment and international development cooperation. In an update released in 2004, the UN found that Nigeria was making progress toward achieving several goals but was falling short on others. Specifically, Nigeria had advanced efforts to provide Universal Primary Education, protect the environment, and develop a global development partnership. However, the country lagged behind on the goals of eliminating extreme poverty and hunger, reducing child and maternal mortality, and combating diseases, such as Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome (HIV/AIDS) and malaria.

A prerequisite for achieving many of these worldwide objectives is curtailing endemic corruption, which stymies development and taints Nigeria’s business environment. President Olusegun Obasanjo’s campaign against corruption which
includes the arrest of officials accused of misdeeds and recovering stolen funds, has
won praise from the Bank. In September 2005, Nigeria, with the assistance of the
Bank, began to recover US $458 million of illicit funds that had been deposited in
Swiss Banks by the late military dictator Sani Abacha, who ruled Nigeria from 1993
to 1998. However, while broad-based progress has been slow, these efforts have
begun to become evident in international surveys of corruption. In fact, Nigeria’s
ranking has consistently improved since 2001 ranking 147 out of 180 countries in
Transparency International’s 2007 Corruption Perception Index and placed 108 out of

On agriculture, Nigeria ranks 25th worldwide and first in Africa in farm output,
while in industry, Nigeria ranks 44th worldwide and third in Africa in factory output,
again on services, Nigeria ranks 63rd worldwide and fifth in Africa in services’ output.
Low power and telecom density has crippled the growth of this sector.

3.2 World Bank/IMF Development Loan Packages between 1999 - 2008

As of October 2005, the Bank’s assistance to Nigeria involved 19 active
projects with a total commitment value of about US $1.87 billion. Since Nigeria joined
the Bank in 1961, the Bank assisted it on 120 projects. In October 2005, the IMF
approved a two year “policy support instrument designed to promote the growth of
the non-oil sector and to reduce poverty (http://www.en.wikipedia.org/
Here, we used GDP growth rate (%) as an economic indicator for Nigeria’s economic performance from 1999 to 2006. But before that, it is pertinent to show that it was before the years under review. For example, GDP growth rate as of the time the Bank disengaged Nigeria in 1999 depreciated from 4.8 percent to 3.8 production in 2000 (FOS, 2001). See table 3.1 for details:

**Table 3.1: Gross Domestic Product (1999 – 2000)**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP (%)</td>
<td>4.8</td>
<td>3.0</td>
<td>2.7</td>
<td>1.3</td>
<td>2.2</td>
<td>3.4</td>
<td>3.2</td>
<td>2.4</td>
<td>2.8</td>
<td>3.8</td>
</tr>
</tbody>
</table>

Source: Federal Office of Statistics (FOS), Lagos, 2001

However, as from 1999, the Nigeria’s GDP began to show some significant increase again. This represent the period when the Bank decided to re-engage Nigeria. For example, as Nigeria’s GDP shows a percentage difference of 5.43 percent between 1999 and 2006, the Bank’s Development assistance to Nigeria under IDA credit portfolio indicates an increase of 44.60% between 2001 and 2006. This suggests that there could be connection between the two as both of them are on the increase, that is, they are moving in the same direction. For details, see Table 3.2, and figures 3.1 and 3.2:
Table 3.2: GDP Growth Rate at Constant Basic Prices

<table>
<thead>
<tr>
<th>YEAR</th>
<th>GDP GROWTH RATE (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>2.80</td>
</tr>
<tr>
<td>2000</td>
<td>3.80</td>
</tr>
<tr>
<td>2001</td>
<td>4.59</td>
</tr>
<tr>
<td>2002</td>
<td>3.49</td>
</tr>
<tr>
<td>2003</td>
<td>10.23</td>
</tr>
<tr>
<td>2004</td>
<td>6.09</td>
</tr>
<tr>
<td>*2005</td>
<td>6.23</td>
</tr>
<tr>
<td>**2006</td>
<td>8.23</td>
</tr>
</tbody>
</table>

Sources: National Bureau of Statistics, June 2005

* Federal Ministry of Finance,

** Federal Ministry of Finance,

Figure 3.1: A Graphical Representation of GDP Growth Rate at constant basic prices (i.e. Bar Chart) from 1999 to 2006.
Although, percentage suggests a positive relationship between the two, but we are going to use a more sophisticated or deeper statistical analysis like Pearson Product Moment Correlation (PPMC) to find out the nature of relationship between the two. This is because Pearson Product Moment Correlation (PPMC) takes into consideration all the values, whereas percentage relies on the two extreme values, which can be misleading. Percentage like other descriptive statistical analysis could, to this extent be superficial, and therefore inferior to inferential statistical analysis like correlation analysis (i.e. PPCM).
It is on this ground that we decide to use Pearson Product Moment Correlation (PPMC) for the purpose of testing hypothesis II which states that there is a positive relationship between economic growth and development loan assistance to Nigeria by the Bank between 1999 and 2008. see Table 3.3 for GDP growth rate and the Bank’s credit portfolio to Nigeria.

**Table 3.3: GDP Growth Rate % (X) and the Bank’s IDA Credit Portfolio to Nigeria in US $ million (Y) from 2001 to 2006.**

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP Growth Rate % X</th>
<th>IDA Credit in US $ Million Y</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>4.59</td>
<td>304.29</td>
</tr>
<tr>
<td>2002</td>
<td>3.49</td>
<td>438</td>
</tr>
<tr>
<td>2003</td>
<td>10.23</td>
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<td>380</td>
</tr>
<tr>
<td>*2005</td>
<td>6.23</td>
<td>441.8</td>
</tr>
<tr>
<td>**2006</td>
<td>8.23</td>
<td>440</td>
</tr>
</tbody>
</table>

In table 3.3 above, the GDP growth rate (%) is the independent variable (X) while the Bank’s IDA credit portfolio to Nigeria is the dependent variable (Y).
Figure 3.3: GDP Growth Rate and World Bank (IDA), 2001 – 2006 (i.e. Line Graph)

GDP Growth Rate and IDA Credit Portfolio

Decision Rule: Relationship is usually between -1 and 1. So, when it is 1, it is a perfect relationship, when it is 0 it means there is no relationship. When it is negative, it is a negative relationship when it is positive, it is a positive relationship.

From Table 3.3, the GDP growth rate (%) is the independent variable (X) while the Bank’s IDA credit portfolio to Nigeria is the dependent variable (Y).
So, with the use of Microsoft Excel Package, we are able to calculate the Pearson Product Moment Correlation (PPMC), r, and obtained $r = 0.4526$. By decision rule, r is a negative relationship.

Therefore, the reverse is the case as from the above finding there is a negative relationship between economic growth and development loan assistance from the Bank to Nigeria between 1999 and 2008. The point being made is that despite the growth in Nigerian economy, there is no corresponding increase in development loan assistance extended to Nigeria by the Bank, since 2001. Hence, we reject hypothesis II which states that there is a positive relationship between economic growth and development loan assistance from the Bank to Nigeria between 1999 and 2008.

Based on this finding, therefore, it may then appear that Nigerian situation is not consistent with the Bank’s policy on lending to member countries, which is stated to be based on borrowers’ policy performance and institutional capacity (http://www.ida.org/4/6/2000). But the truth is that the World Bank hinges policy performance more on policy implementation and robust or increasing external reserves than on mere Gross Domestic Product (GDP) growth.

Hence, there is need for us to correlate Nigeria’s external reserve and the Bank’s IDA credit portfolio. It is on this ground that we decide to answer the next poser in order to establish a possible relationship.
3.3 Effects of World Bank/IMF Development Loans on Nigeria’s Economic Growth

Many observers have wondered why Nigeria has failed to develop despite its oil wealth. The problem with Nigeria and its economic reform efforts seems to lie on its willingness to allow the influence of the BWIs on the major national economic policies. This is as a result of the harsh policy prescriptions of the multi-lateral organizations and the disruptive internal sociopolitical dynamics that are hindering the growth and development of the Nigerian economy.

The world’s economy was in shambles after World War I (1914 -1918) and the political landscape of the world was altered. The impacts of the war culminated in the Great Depression of the 1930s, but neither the United State nor Great Britain had the resources to single-handedly prevent the worldwide depression. The search for ways to rebuild the World’s War-tone economy prompted the Bretton Woods Conference in New Hampshire in July 1944 that produced the multilateral organizations (IMF, the IBRD later the Bank and the International Trade Organization), which were collectively named after the city of Bretton Woods. The ITO issue was not completely settled at the conference and thus the GATT was set up to control international trade. However, the ratification of the GATT agreement led to the formation of the World Trade Organization (WTO) in 1995 to formally regulate international trade.

Historically, the IMF provides short-term financial assistance, while the Bank gives out long-term development loans to needy countries. Unfortunately, Nigeria is among the nations that have depended on the IMF and the Bank for development
cash. The harsh economic policies foist on nations by these organizations as conditions for loans, have derailed and destroyed their economic destiny. For instance, the IMF austerity measure imposed on Nigeria in the 1980s led to the rising inflation and unemployment, which cut the workers’ purchasing power in half. And class conflicts boiled prompting massive ‘Capital Flight’ and ‘Brain Drain’. The Nigerian economy has since been shambles. Nigeria is not alone; according Chossudousky (April 9, 2000) the IMF and the Bank used its economic medicine to undermine the economy of the former Soviet block and dismantle its system of state enterprises. And the harsh policies imposed on Eastern Europe, Yugoslavia and the former Soviet Union since the late 1980s, have devastating economic and social consequences.

However, when Obasanjo took office in 1999, many thought of him as the saviour, but he is today one of the controversial leaders in Nigerian history. The unending fuel prize, increases – a policy prescription of the BWIs, which is also the hallmark of this administration, has caused more crises in the society than during the years of military misrule. This has particularly overburdened the poor, as the middle class has virtually withered. Nigerians are working harder and paying more to feed their families and for transportation. Despite the administration’s claims that its reform programs are making economic miracles, the Nigerian economy remains comatose. The hardship currently in Nigeria gets one so depressing you want to scream.
Ineffective and inefficient utilization of the abundant resources and the inefficient social institutions are seriously hampering growth. And the prospects for economy recovery are bleak because the nation still depends on the policy prescriptions of the IMF. As Girling (1985) quoted in Dike’s article, points out “when a country is dependent, it is likely at least to listen politely, if not attentively”. Nigeria has not only been listening, it has compromised its sovereignty. Recent newspaper report indicates that the IMF has an office in the Finance Ministry at Abuja apparently to direct its affairs; also it is remotely controlling the operation of the Central Bank. Despite the funds “economic medicines”, the citizens are still poverty-stricken because the economy is barely limping.

It seems that the nation is yet to learn from its history or it has failed to implement what it has learned. The leaders of Nigeria should know that the welfare of the citizens should come first in its economic reform programs and should not try to satisfy the insatiable BWIs at the detriment of the people’s welfare. The removal of subsidies, the unending hikes in the price of petroleum products, and the controversy over its appropriate pricing, which often provokes riots in the society, has negatively impacted the already weak economy and eroded the people’s living standard (www.nigeriavillagesquare.com/...why-has-nigeria-failed-to-develop.htm 4/3/2010).
3.3.1 The Millennium Development Goals and Nigeria’s Economic Growth

In order to address the problem of poverty and promote sustainable development, the United Nations Millennium Declaration (NMD) was adopted in September 2000 at the largest ever gathering of heads of States, committing countries both rich and poor to do all they can to eradicate poverty, promote human dignity and equality and achieve peace, democracy and environmental stability. The goals include those dedicated to eradicating poverty, achieving Universal primary Education, promoting gender equality and empowering women, reducing child mortality, improving maternal health, combating HIV/AIDS, malaria and other diseases, ensuring environmental sustainability and developing a global partners for development (Shatty, 2005, 11).

Although, Nigeria is rich in human and natural resources, it is currently ranked among the 13 poorest countries in the world. With per capital income falling to about $300 (below the sub-Sahara average of $450) approximately 90 million of Nigeria’s 133 million people (about 66 percent) are living in absolute poverty that is in less than one dollar a day.

Thus, Africa’s attainment of the Millennium Development Goals (MDGs) depends to a large extent on Nigeria’s commitments to poverty, following the return of democracy in 1999. The Nigerian government has shown remarkable commitment to the attainment of the MDGs through various reform programs/initiatives. Of utmost significance is the formulation of a home-grown NEEDS which has been described as Nigeria’s version of the MDGs. NEEDS has been replicated into the SEEDS and
LEEDS at the state and local government levels respectively. It is important to note that at the policy level, Nigeria has recently expressed a profound appreciation of the inextricable linkage between population and sustainable development as succinctly expounded at the International Conference on Population and Development ICPD ’94 vide the launching of a New National Population Policy which is significantly tagged “National Policy on Population for Sustainable Development”.

While these reform programs and policies are indeed landmark developments that have began to point some positive signs on the nation’s economy, at least, at macro economic level, Nigeria’s report card following a review of the MDGs + 5 is a clear picture of poor performance, with little or no prospect of meeting the goals. Unfortunately, while several factors have been identified to be responsible for Nigeria’s poor performance MDG-wise, the population factor is treated as a non-issue. It is however; obvious Nigeria’s population growth rate is clearing unsustainably and has direct bearing on the nation’s socio-economic development (Millennium Development Goals Report, 2004 Nigeria).

It is clear that the situation in Nigeria indicates that there are challenges in meeting the goals by 2015. For Nigeria to meet the goals in 2015, there is the need to formulate and implement policies that will promote transparency and accountability; overcome institutional constraints; promote pro-poor growth; bring about structural change; enhance distributive equity; engender social and cultural re-orientation; engineer political transformation; promote human development; practice inclusive urban development; generate employment and transform power relations.
3.3.2 The Vision 2020: Nigeria’s Drive to Economic Development and Maturity

This government is clearly charting the path we should all follow through the development agenda tagged vision 20/2020, which is specifically designed to leapfrog our country into the rank of the twenty biggest economies in the world by year 2020. As part of the measure, government is raising its GDP from the current $294.8 billion to $900 billion (about 30% growth rate) by year 2020, and it hopes to move from its current 40th position in the world’s economy and the third in Africa to be among the top 20 economies and the first in Africa respectively.

According to government, the nation’s education sector must be improved and healthcare delivery systems strengthened in order to build an effective human capital to drive development. Technologically, the Nigerian system of production and innovation will have to change radically to stimulate growth in key sectors of the economy. President Yar’Adua stated this while inaugurating the Business Support Group (BSG) for the Nigerian Vision 2020 in Abuja, saying the plan to move Nigeria’s economy to be among the top 20 economies in the world “requires a significant improvement on the current state, supported by a clear and realistic path to its relation”. He stressed that the group’s commitment as well as building synergy among the various sectors was crucial at this time of economic diversification and recovery. The BSG’s terms of reference include, to become the platform through which the private sector is expected to contribute actively to the envisioning process for Nigeria’s future. The group will be guided by three objectives, to mobilize the
private sector, stakeholder involvement and input in the development of the vision document. Secondly, it is expected to mobilize public opinion and support for the implementation process of vision 2020. And thirdly, it would assist in the mobilization of necessary resources including funding for the process.

Although, progress has been made in some key areas of the economy, there remain daunting challenges that we must address. Nigeria is at a critical juncture where policy choices over the next few years will determine the sustainability or otherwise of the progress achieved. We are also, faced with the herculean challenge of meeting the MDGs by the year 2015. Achieving these necessitate that Nigeria have a clear mental picture of where it is going and how she intends to get there. The vision 20: 2020 will outline broad policies and strategies to be pursued to accelerate economic growth and development of the nation (http://www.allafrica.com/stories/200904020193.htm/3/3/2010).

The President (Yar’Adua) urged Nigerians not to be under any illusion that actualizing our aspiration of joining the league of the 20 largest economies in the world is going to be easy. As Dr. Sp Gupta (India Vision 2020) aptly puts it:

A vision statement is neither a prediction of what will actually happen, nor simply a wish-list of desirable, but unattainable ends. Rather, it is a statement of what we believe is possible for our nation to achieve, provided we are able to fully mobilize all the available resources, human, organizational, technological and financial ....

The previous administration had declared the intention to pursue the vision 2020 and the current administration is committed to the attainment of this vision by
setting up high powered committees in this regard. This is in addition to the identification of critical national priority areas referred to as the seven-point Agenda by the Yar’Adua administration. These areas cover critical infrastructure, food security, human capital development, wealth creation, national security and intelligence, land tenure changes and the Niger Delta. In making this a reality, science and technology must equally play a vital role. This has been shown in the economies of the Newly Industrialized Countries.

From the foregoing, it could be seen that there is a negative relationship between economic growth and development loan assistance to Nigeria by World Bank between 1999 and 2008. This conclusion which was drawn from the available data above invalidates our hypothesis which states that there is a positive relationship between economic growth and development loan assistance to Nigeria by World Bank between 1999 and 2008.
CHAPTER FOUR

NIGERIA’S LOAN SERVICING ABILITY AND WORLD BANK’S CREDIT PORTFOLIO

In this chapter, we investigated our third hypothesis which states that there is no significant relationship between Nigeria’s higher ability to service loans and increase in World Bank credit portfolio to Nigeria between 1999 and 2008. In order to do this, we articulated Nigeria’s ability and commitment to debt servicing. We also assessed World Bank’s increment of credit portfolio to Nigeria. Finally, we examined Nigeria’s debt servicing policy vis-à-vis World Bank’s credit policy: An interface analysis.

4.1 Nigeria’s Ability and Commitment to Debt Servicing

Debt is created by the act of borrowing. It is defined according to Oyejide, et al (1985: 21) as the resource or money in use in an organization which is not contributed by its owner and does not in any other way belong to them. It is an ability represented by a financial instrument or other formal equivalent. In modern law, debt has no precisely fixed meaning and may be regarded essentially as that which one person legally own to another or an obligation that is enforceable by legal action to make payment of money.

So when a government borrows, the debt is a public debt. Public debts can be either internal or external and they can be incurred by the government through borrowing in the domestic as international markets so as to finance domestic
investment (Obayelu, 2000: 103). Debts are classified into two, that is, reproductive debt and dead weight debt and when a loan is obtained to enable the state or nation to purchase some sort of assets, the debt is said to be reproductive e.g. money borrowed for acquiring factories, electricity refineries etc. However, debt undertaken to finance wars and expenses on current expenditures are dead weight debts. When a country obtains a loan from abroad, it means that the country can import from abroad goods and services to the value of the loan without at the same time having to export anything for exchange. When capital and interest have to be re-paid, the same country will have to get the burden of exporting goods and services without receiving any imports in exchange. Internal loans do not have the type of burden associated with external loans (Oyejide, 1985). These two types of debt, however, require that the borrower future savings must cover the interest and principal payment (i.e. Debt Servicing). Therefore, debt financed investment need to be productive and well managed enough to earn a rate of return higher than the cost of debt servicing.

Any economy that experiences debt entrapment has many symptoms, all of which reinforce one another. Rising interest servicing charges, increasing diversion of export earnings to foreign nationals and companies, wastage of substantial portions of industrial and manufacturing capacity, the affluence of the creditors relative to the abject poverty of debtor nations, among others, are symptomatic of countries entrapped in foreign debt (Ajayi, 1990: 23). These symptoms, according to Ajayi, are however confirmed when the representatives of the creditors settled in strategic location within the country’s institutions to monitor and ensure that no resources are
diverted to any thing other than servicing the external loans. The Nigerian past predicament appears not to be different from the above situation when we consider the billions of dollars expended annually on debt servicing under close supervision of the personnel and institutions of the IMF and the Bank while the condition of social amenities deteriorates and the general standard of living declines. The policy implication is that Nigeria has very high debt service obligation which competes with essential development and antipoverty programmes in a manner Jhingan (1992: 478) states is “disjointed, ill-conceived and ill-planned”.

The above position is given credence by the fact that, Nigeria can not in her indebted status take independent action as she always refers to her creditors or at least, must anticipate their reaction to any course of action being contemplated, and incorporate their interests. Riley (1993: 189) writes that some third world political leaders, (Nigeria inclusive) pass on the costs of independence in the form of “structural adjustments”, to their poorer citizens while engaging in their own preferred forms of ‘recycling’ in what the IMF and the Bank diplomatically call ‘capital flight to Western Bank’. It is in this light that Dibiazue (2005: 16) views foreign debts as a “violent rape of debtor nation and her people through a glue of financial entrapment that holds down the process of development” with the increase servicing of foreign debt as teleguided by creditor in situations, the Nigerian economy was debt-trapped or as Ajayi (1990: 23) calls it, ‘an enslaved economy’.

During the period of debt enslavement, the country was under the increasing onerous burden of debt service. To give a picture of what Nigeria has lost and still
looses through these debts, it is imperative to consider the fact that Nigeria serviced its debt with about $3 billion per year. It is estimated that Nigeria paid 128 billion naira as debt service in 2001, while in the same year, all the 774 local governments in Nigeria received about 120 billion naira (Ubani 2005: 64). In 2002, the country paid 168 billion naira to its creditors as against 124 billion naira to all its local government, leaving a huge difference of 44 billion naira (Imisim 2005: 44). This implies that Nigeria has been putting more into foreign debt servicing than what the third-tier of government in the country gets for human and infrastructural development. Therefore, without these debts, or the volume used to service it, more resources would have been readily available for social and physical infrastructural development.

While stating the problem of debt burden, Rahman (2005: 15) quoted former vice president Abubakar at a round table on Nigeria’s foreign debt problems tagged ‘Debt, Development and Democracy: Challenges for Nigeria’. As having said that, Nigeria has continued to groan under an ‘unsustainable’ external debt burden. In a picture that clearly illustrates Nigerian's debt unsustainability, Atiku Abubakar states that:

In 2004, actual debt service payment to all external creditors amounted to about $1.8 billion translated to about eleven times the recurrent budgetary allocation to education. Similarly, the $1 billion paid to Paris Club alone represents over 85 percent of the total federal government recurrent. Plus capital budgets in sectors.

He even admitted that the actual debt service payments of $1.8 billion made to all categories of external creditors was much less than what was budgeted for debt
servicing for the year, which was $2.95 billion. The implication of this exposition is that debt service payments deprive Nigeria of resources needed for poverty reduction, improved health service, quality education and provision of portable water. Rahman (2005: 21) divides the trend in a remark that it is simply unacceptable that the amount allocated to debt servicing yearly during Nigerians indebted years in the national budget should surpass the vote on education or health or environmental protection.

Debt sustainability can be measured in two ways; one is by the ability of the debtor to maintain debt service. Yet, another is that a debt becomes unsustainable if it adversely impacts on economic growth and other programmes aimed at poverty reduction and social welfare (Okoroafor, 2005: 53). On both scores, Nigerians foreign debt became unsustainable. Huge but scares resources were directed to debt servicing over the years. Debt service during this period, continued to take precedence over and above spending in infrastructure and social services meant to fight poverty.

It has always been argued that, borrowing by an African country, such as Nigeria, during the 1970s and 1980s was warranted, given the conditions of the time and the use made of the borrowed funds in the sustenance of growth rates and in maintaining the capacity to grow. Evidence, however, show that the best use was not made of borrowed funds over the years. It is an incontestable fact that in a number of cases, policies were pursued that led to large capital flight, with the borrowed funds being immediately re-exported abroad, leaving the country with the debt and no assets to show for it (Adams, 1993: 151). For instance, Kaufonann (2005: 46), director of Global programmes at the World Bank Institute, Washington D.C., wrote that in
1997, the former minister of finance, Anthonie Arie revealed that of the $13.7 billion external loan procured by Nigeria to service various projects, $836.2 million was lost to non existent (ghost) projects.

The above revelation was corroborated by Blair (2004) in Ndibe (2005) when he said that, Nigeria’s past leader stole or misuses 220 billion pounds. The stolen amount according to Blair is ‘as much as all the Western aid given to Africa in almost four decades’ which amounted to a sum equivalent to 300 years of British aid for the continent of Africa. The stolen fortune according to Blair “tallies almost exactly with the 200 billion pounds of Western aid given to Africa between 1960 and 1997. That amounted to six times the American help given to post war Europe under the Marshall plan”. In fact, treasury plundering has for decades and still is a ‘culture’ of the Nigerian political elite. It is estimated that some of her leaders have been stolen monies, much more than the $30 billion she owed the Paris Club (Ndibe, 2005: 14). Not a few, including this study, would fail to grasp the larger implication of the above revelation nor the logic dictated by the report on the issues of capital flight associated with foreign loans. This is because after this large-scale share and misappropriation, Ndibe notes that two thirds of Nigeria’s 130 million people live in abject poverty, a third is illiterate and 40 percent have no safe water.

As presented above, most Nigerian leaders who obtained foreign loans misappropriated or simply looted them, instead of using them for the intended developmental purposes. The result is that the loans incurred by Nigeria did not
generate sufficient economic growth to supply the nation with means to repay them, thereby ploughing the economy into its complete deterioration.

Though so many scholars have pointed to the bad effects which the external debts incurred by our past leaders has crippled the economy of the nation, there still exists some arguments to some good effects of external debt on the economy. Though the effects of the debt and its financing continue to generate debate on the Nigerian economic scene, people tend to concentrate on the negative effects of the debt in their discussions; there are positive consequences as well. Some important effects of external debt incurred on the Nigerian economy include the following;

- **External debt has made the financing of certain projects possible**

  Whatever may be said about external debt effects on the economy there can be no doubt that the funds from most of the loans granted made, it possible for certain infrastructural facilities to be in Nigeria today. Many examples abound. The Kainji Dam, the fertilizer plant at Onne, NEPA facilities were all partly financed with loans obtained from external creditors, abroad.

- **The debt helped in balance of payments support**

  In years when Nigeria experienced deficits in the balance of payments, IMF loans and loans from others (Paris Club, London Club, ADB, IBRD) were used in adjusting the balance of payments equilibrium.

  In a paper he presented at a Central Bank of Nigeria seminar on the present economic situation of Nigeria, after her exist from the Paris Club and other creditor institutions, Abiodun (2007) provided a dossier on the implication of debt relief on development
and economic growth in Nigeria. He noted that the relief would enhance confidence and encourage export credit, guarantee agencies to provide insurance cover for export of goods and services as well as investment capital to the Nigerian private sector.

This will further improve the competitiveness of the Nigerian private enterprises as they need not provide 100 percent cash cover for their imported inputs and machineries as was the case before its exit from the league of debtor nations. Today with the final exit from the club of debtor nations, the Nigerian authorities has taken Nigerian destiny in its hand and have done well in reducing the countries total external debt to an expected 7% of its current receipts in 2007 from 65% at year end 2005. According to Viveka (2008), outstandingly, Nigeria has succeeded in writing off its Paris Club debt through a deal in 2005 and has repaid US $500 million dollars of its London Club debt in May 2006 bringing down its central government debt of GDP to an estimates 10.4% of GDP in 2007 which is well below the average of 40.5% of GDP among its peers. Translated differently, repayment of debt burdens has in effect provided tremendous U.S relief to fiscal flexibility as interest payment obligations, as it has been significantly reduced by about 6.8% of revenues in 2005 to an estimated 3.6% of revenues in 2007. The full scale effect of Nigerians actions could leave them with a projected external public debt of 2% of GDP every year if it continues to uphold its current economic revitalizations.

In a paper given by former education minister under the Obasanjo administration, Ezekwesili in 2007, on the home grown economic initiative of the Nigerian government highlighted the progress in implementing the NEEDS. She
highlighted key accomplishments and shortcomings as well as outstanding issues during the period under review, (i.e. 1999 – 2007). The former minister pointed out that the Nigerian economy achieved macro-economic stability and sustained a broad-based high growth underpinned by a range of deep structural reforms in most sectors of the economy.

Arguing further, Ezekwesili pointed out that the home grown NEEDS has been an effective guide to the authorities, broad and ambitions reform agenda. According to her, policies pursued have been in line with its priorities in strategies while some adjustments were made along the way. The macroeconomic policies which was elaborated under the Policy Support Instrument (PSI) with the funds derived from debt relief has gone a long way in making sure that the government pursue a sustainable growth in the economy.

State level SEEDS for all 36 states now complement NEEDS, which strengthens the potential for inter-government policy coordination with a view to enhancing the monitoring of SEEDS Implementation and Stimulating Competition among states, a second round of SEEDS benchmarking is also being planned by the present administration of Yar’Adua. DMO has dismissed apprehensions over the nation’s mounting debt stock, saying, borrowing is critical for development. “There is nothing bad in borrowing. The most important thing is that there should be transparency and accountability in the utilization of the funds borrowed,” said Dr. Abraham Nwankwo, Director General (DMO). Many infrastructural projects across the country were funded through borrowed funds, he said, during a media interactive
session in Lagos. He said, for example, the federal government used funds raised from issuance of sovereign bonds to finance some critical developmental projects such as N200 billion commercial agriculture projects; the Nigerian cotton textile and government scheme; the revitalization of railway transportation through the purchase of locomotives; and the development of new districts as well as access roads and infrastructure in Abuja.

He went further to say; the nation’s total debt stock as at the end of December 2009 stands at $25,743 million comprising $21.796 million of domestic debt owed local contractors and $3.947 million of external debt. He said that with the external debt stock consisting 15.3% of the total debt stock, the nation is insulated from the vagaries of international debt burden.

He said that the federal government of Nigerian bonds have been increasing awareness and confidence in federal government of Nigerian bonds issued by the DMO and this has translated to increased demands for sovereign bonds. This he said has enabled the DMO to increase/raise funds from the local economy through bonds to fund part of the yearly budget of the government (Vanguard Newspaper, Monday February 15, 2001:21).

4.2 World Bank’s Increment of Credit Portfolio to Nigeria

Like we pointed out before, Obasanjo’s reform programme (i.e. NEEDS) unlike economic reform programme under SAP in Nigeria, incorporated a serious reform in the public sector such as strengthening of oversight function of the
legislature (i.e. National Assembly); prison reforms; judicial service reforms; security and administration of justice, public-private sector partnership; instructional reforms; e-governance and strengthening of National Statistical System (NEEDS, 2003). All these were sanctioned and approved by the Bank and are therefore in consonance with the Bank’s conditionalities. It is on this regard, that Hanlon (2000) state that all Country Assistance Strategy (CAS) is predicted on the Bank’s conditionality, and conditionality makes CAS essential, because all aid and loans to poor countries are conditional.

However, we have in chapter three demonstrate the link between implementation of reform programme and the Bank’s development loan assistance to Nigeria. This chapter, we are going to investigate the connection between loan performance and the Bank’s credit portfolio to Nigeria, since 2001. The Bank is a vital source of finance and technical assistance to developing member countries around the world including Nigeria. Thus, its financial and technical assistance constitute the development assistance which include social sector lending projects, poverty alleviation and comprehensive development framework. Each of its institution plays a different, but supportive role in its mission of global poverty reduction and the people (http://www.worldbank.org/10/5/06). For this reason, the Bank has since 1999 been assisting Nigeria in the goal of alleviating poverty through extending development loan assistance. For example, in a bid to increase access to infrastructure, and social amenities, the Bank has been engaged in community-based poverty reduction project, which became effective by September 2001.
Consequently, six states namely Abia, Cross Rivers, Ekiti, Kebbi, Kogi and Yobe states have benefited in the first phase. While, six other states namely Delta, Ebonyi, Gombe, Kwara, Osun and Zamfara states joined in the second phase of the project which uses supported or assisted by Africa Development Bank (ADB) in counterpart funding.

As at January, 2005 over 800 communities in the first-phased states have successfully implemented and completed 1,017 sub-projects that include 348 school projects, 350 water projects, 90 road projects, 90 health projects, 72 electricity projects and 67 other projects such as environmental protection training centres and commercial markets (http://www.worldbank.org/website/external/countries/africa/nigeria/ext/18/11/06). See tables 4.1 and 4.2 and figures 4.1 and 4.2 for accurate and easy description or representation of the above information.

Table 4.1: World Bank Community-Based Projects Completed by First-Phased States

<table>
<thead>
<tr>
<th>S/No</th>
<th>Project Name</th>
<th>Numbers of Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>School Projects</td>
<td>348</td>
</tr>
<tr>
<td>2</td>
<td>Road Projects</td>
<td>90</td>
</tr>
<tr>
<td>3</td>
<td>Water Projects</td>
<td>350</td>
</tr>
<tr>
<td>4</td>
<td>Health Projects</td>
<td>90</td>
</tr>
<tr>
<td>5</td>
<td>Electricity Projects</td>
<td>72</td>
</tr>
<tr>
<td>6</td>
<td>Others</td>
<td>67</td>
</tr>
</tbody>
</table>

Source: (http://www.worldbank.org/website/external/countries/africaext/nigeria/ext/18/11/06)
Figure 4.1: The Graphical Representation (i.e. Bar Charts)

World Bank Community-based projects Completed by First-Phased States

- School projects
- Road projects
- Water projects
- Health projects
- Electricity projects
- Others

Figure 4.2: The Geometrical Representation (i.e. Pie Chart)

World Bank Community-based Project Completed by First-Phased State
Table 4.2: Average construction costs and period by sector (all states combined)

<table>
<thead>
<tr>
<th>S/No</th>
<th>Project Name</th>
<th>Average Cost</th>
<th>Periods</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>School Construction (six classroom blocks)</td>
<td>US $28,119</td>
<td>15.5 months</td>
</tr>
<tr>
<td>2</td>
<td>Water Project (borehole)</td>
<td>US $16,983</td>
<td>14 months</td>
</tr>
<tr>
<td>3</td>
<td>Health Centre (comprehensive)</td>
<td>US $27,859</td>
<td>10 months</td>
</tr>
<tr>
<td>4</td>
<td>Road Construction (Feeder road)</td>
<td>US $32,475</td>
<td>11 months</td>
</tr>
<tr>
<td>5</td>
<td>Electricity (33Kv transformer)</td>
<td>US $31,841</td>
<td>12 months</td>
</tr>
<tr>
<td>6</td>
<td>Others (environmental, agro-processing, market construction, etc)</td>
<td>US $60,423</td>
<td></td>
</tr>
</tbody>
</table>

Source: (http://www.worldbank.org/website/external/countries/africaext/nigeria/ext/18/11/06)

In the case of Local Empowerment Environmental Management Project (LEEMP), nine states benefited from the first phase projects. The states are Adamawa, Bauchi, Bayelsa, Benue, Enugu, Imo, Katsina, Niger, and Oyo states. In Enugu State specifically, by June 2006, the LEEMP, which was launched on July 27, 2004 had so far received a total of US $1,529,880 from the Bank, while a total of 34 projects are currently being implemented, with majority of them at various stages of completion. Apart from initial 31 communities of first 3 entrant local governments, the Bank assisted LEEMP in Enugu State, has again selected 60 new communities from 6 local governments for project’s execution that same year. This brings it to a total of 91 communities of nine local governments and some of the projects include, medical health centre, rural electrification, water boreholes, bridge construction, road
rehabilitation, school rehabilitation and building of classroom blocks (Enugu-LEEMP News, June 2006 Vol. 2 No. 7). See Table 4.3 for details.

**Table 4.3: List of Communities Benefiting from LEEMP in Enugu State.**

<table>
<thead>
<tr>
<th>Local Governments</th>
<th>Estimated Total Project Cost (N)</th>
<th>Total IDA Release (N)</th>
<th>Community Contribution (cash/kind) N</th>
<th>Percentage Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nkanu</td>
<td>61,379,125.80</td>
<td>39,969,504.20</td>
<td>4,944,256.00</td>
<td>77.50%</td>
</tr>
<tr>
<td>Ezeagu</td>
<td>57,274,761.60</td>
<td>45,634,027.73</td>
<td>5,423,135.00</td>
<td>83%</td>
</tr>
<tr>
<td>Uzo-Uwani</td>
<td>60,661,750.20</td>
<td>45,292,328.78</td>
<td>4,985,710.00</td>
<td>89.50%</td>
</tr>
<tr>
<td>Total (3 LGAs)</td>
<td>177,315,637.60</td>
<td>130,895,860.71</td>
<td>15,353,101.00</td>
<td>83.33%</td>
</tr>
</tbody>
</table>

**Source: Enugu-LEEMP News, June 2006, Vol. 2, No.2.**

The other new local government areas selected waiting for the Bank’s approval are Igbo-Eze North, Nsukka, Nkanu-East, Isiuzo, Oji-River and Awgu (Enugu-LEEMP News, June 2006, Vol. 2 No. 2).

Another pro-poor project being supported by the Bank in Nigeria is Second National Fadama Development Project (Fadama II) in 18 states, and proposed Third National Fadama Development Project (Fadama III) to cover the whole of the 36 states.

Although, it is still too early to begin to assess the impacts of these on-going pro-poor programmes on Nigerians in the area of poverty reduction; in spite of this, it is significant to underscore the point that there has been a significant reduction in
poverty from 65.6 percent to 54.4 percent poverty incidence. See Table 4.4 and figure 4.3 for details.

Table 4.4: Trends in poverty levels in Nigeria, 1980 – 2004

<table>
<thead>
<tr>
<th>Year</th>
<th>Poverty incidence (%)</th>
<th>Estimated total population</th>
<th>Population in poverty</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>28.1</td>
<td>65 million</td>
<td>18.26 million</td>
</tr>
<tr>
<td>1985</td>
<td>46.3</td>
<td>75 million</td>
<td>34.73 million</td>
</tr>
<tr>
<td>1992</td>
<td>42.7</td>
<td>91.5 million</td>
<td>39.07 million</td>
</tr>
<tr>
<td>1996</td>
<td>65.6</td>
<td>102.3 million</td>
<td>67.11 million</td>
</tr>
<tr>
<td>2004</td>
<td>54.4</td>
<td>126.3 million</td>
<td>68.70 million</td>
</tr>
</tbody>
</table>


Figure 4.3: Trends in poverty levels in Nigeria, 1980 – 2004 (i.e. Line Graph)
IDA allocates resources among eligible borrowing countries on the basis of borrower’s policy performance and institutional capacity in order to concentrate resources where they are likely to be most helpful in reducing poverty. The allocation of IDA’s resources is therefore determined primarily by each borrower’s rating in the annual country performance and institutional assessment. IDA management monitors actual lending to each country in relation to the planning allocation, actual lending to per capital terms is robustly correlated with performance levels. The strong link between lending and performance has resulted in an increasing concentration of lending to countries where policy performance is most conducive for effective resource use (http://www.ida.org/6/12/2007).

So, with Nigeria’s high performance rating occasioned by economic growth, full scale implementation, it is no surprise that Nigeria is rapidly joining those countries in which there is increasing concentration of IDA lending as collaborated by the above findings; or is she really?

Let us leave that poser open until we answer the last question on whether there is any significant relationship between Nigeria's higher ability to service/repay loans and increase in the World Bank credit portfolio to Nigeria between 1999 and 2008. In order to answer this question, we subject it to further statistical manipulation, that is, test of significance or hypothesis.
**Decision Rule:** The decision rule for test of significance (t) states that, to accept the Null hypothesis, $H_0$, and reject the Alternative Hypothesis, $H_1$, if the calculated value is less than the critical value, and vice versa.

Test of Significance/Hypothesis

$$ t = \frac{\sqrt{\frac{n-2}{1-r^2}}}{\sqrt{\frac{v}{n-2}}} $$

degree of freedom (df)

$$ v = n - 2 $$

$$ v = s - 2 $$

$$ v = 3 $$

$r = 0.5534$

Level of Significance, Alpha ($\alpha$) = 0.05, therefore, 3 vs 0.05 = 2.35

Critical (Table) value = 2.35

Using Microsoft Excel Package calculated value (t) = 1.15

Calculated value (t) = 1.15, critical value = 2.35 at Alpha ($\alpha$) 0.05 level of significance.

Since, the calculated value (t) is less than the critical value, by the decision rule of test of significance/hypothesis; we reject $H_1$, and accept $H_0$, which states that there is no statistical significant relationship between Nigeria's higher ability to service/repay loans and increase in World Bank credit portfolio to Nigeria between 1999 and 2008.

The importance of the above findings is that although there is a positive relationship between Nigeria's ability to service/repay loans and increase in the World
Bank credit portfolio to Nigeria from 1999, this relationship or connection is marginal and insignificant. This is because the increase in World Bank credit portfolio to Nigeria does not commensurate with the rate at which Nigeria's external reserve and economy as a whole grow. In other words, the Bank credit portfolio is increasing at a slower pace to the growth in Nigeria's external reserve and economic performance.

It then means that the Bank is not actually abiding by its policy of concentrating on lending where policy performance is most conducive for effective resources use, if we use Nigeria as a case in point. In other words, in the case of Nigeria, the link between lending and performance is actually weak as the above finding has demonstrated.

It also takes us to the issue of Bank development assistance not being able to march the development needs. For example, as Umoren (2001: 80), states that as at 1983, Nigeria was estimated by the Bank to need US $11 billion in external financing annually. But this need was never met by the Bank as the total loans provided by all the three arms of the Bank, that is, IBRD, IDA and IFC between 1986 and 1991 totaled US $4.126 billion. This is a far cry from US $11 billion every year projected to be needed by Nigeria.

The situation has not changed today, and Nigeria's effort at attracting more development loan assistance from the Bank, so as to meet her developmental needs, seems not to be bearing fruits as it should even with her rapid growth in economy and policy performance. This is because in spite of the increase in the Banks’ credit
portfolio, it has not been able to march Nigeria’s developmental need for this increase is marginal and statistically insignificant.

4.3 Nigeria’s Debt Servicing Policy Vis-à-vis World Bank’s Credit Policy: An Interface Analysis

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 macro economic management. It is also supportive of the overall efforts to strengthen governance by improving transparency and accountability. Additionally, it is an important comfort to creditors seeking to extend new credit lines or reschedule debts.

In outlining the recent progress made in strengthening the debt management arrangements in Nigeria, which have been characterized by major short comings. One area of weakness was the diffusion of responsibilities across a multitude of agencies. At the beginning of 2000, responsibilities for debt servicing were split across seven different agencies or government departments, viz, External Finance Department of the Ministry of Finance; Multilateral Institutions Department of the Ministry of Finance; African and Bilateral Economic Relations Department of the Ministry of Finance, Home Finance Department of the Ministry of Finance; Treasury Department of the Accountant Generals Office; Debt Management Department of the Central Bank, Debt conversion Committee secretariat of the Central Bank; and Public Debt
Office of the Central Bank Cooperation and collaboration among these different agencies were weak and information flow poor.

In addition to the coordination problem above, debt data recording system was inadequate. In some cases, this was manually carried out, 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 payment delays and incurring of penalties; low quality human resources, and a lack of a well-defined debt strategy, among others.

The Federal Government of Nigeria took a major step in addressing these problems recently by establishing an autonomous Debt Management Office (DMO). The creation of the DMO consolidates debt management functions in a single agency thereby ensuring proper coordination. The DMO centralizes and coordinates the country’s debt recording and management activities, including debt service forecasts; dept service payment; and advising on debt negotiations as well as new borrowings.

The board objectives of establishing the DMO are to rationalize and streamline the management of the countries debt with a view to sharpening strategies focus and achieving operational efficiency. The DMOs specific functions include:

- Maintaining a comprehensive inventory of loans together with forecast of debt service;
- Provision of timely and accurate information on the country’s debt to assist policy makers.
• Publishing up to date debt statistics so as to improve transparency in debt management.

• Effecting debt service payments accurately and on time managing the country’s debt portfolio so as to minimize cost with an acceptable risk profile;

• Conducting debt sustainability analysis to assess optimal borrowing levels;

• Assessing lending terms from various sources and negotiating best possible terms for future borrowing;

• Helping to inform and craft the country’s debt management strategy with appropriate linkage to fiscal and monetary policies and overall macroeconomic management.

The policy aims of debt management strategies of government during and after Nigerians exit from the club of debtor nations, are three fold starting with:

Policies designed to regulate monetary variables

The government bonds and treasury bills are of paramount importance to financial institutions in the country. This is because with respect to treasury bills in particular, banks purchase or dispose them in line with them meeting their liquid asset ratio as well as using them as hedge for their liquidity position. In a deregulated economy (as is being gradually introduced in the Nigerian financial system after its consolidation exercise).

The Nigerian experience in using this type of debt management strategy is limited. This is because it was generally held prior to the gradual deregulation of the financial markets that this debt management strategy wouldn’t be effective in Nigeria
as of then. The basis for this argument according to Arkin (2007) was that the financial markets (money and capital markets) were not yet well developed to permit the use of this strategy in the way it is used in advanced countries. However, with the auctioning system recently introduced in the sale of treasury bills, it is hoped that this would become relevant as a tool for determining or changing the interest rate structure in the Nigerian economy.

Finally, while the focus of the Nigerian government activities has been on external debt management, it is also expected to assume responsibilities for domestic debt management.

A number of policies have been put in place to take future external debt problems in Nigeria, due to the country’s last experience with its creditor institutions. Apart from policies already in place to tackle the past debt crisis, others have been suggested by local experts as well as international experts, who foresee future occurrence of the country’s past experience if measures are not taken to ensure that the country does not make another mistake in the future. The policies and strategies put in place include:

**Debt Rescheduling Strategy**

Under this strategy, Nigeria negotiates with its external creditors over the postponement of the repayment of a part of the principal and interest of maturing debts so as to enable the country to have enough time to generate resources to meet the debt obligations (Akin, 2007).
Debt rescheduling as a strategy, has its benefits in terms of the relief it provides for the debtor nation. At least, it allows for additional time for the repayment of maturing debts. However, this strategy, according to some experts only postpones the ‘evil’ day since the debts and service charges would still have to be paid in addition, it is argued that the conditions usually imposed on the debtor nations by creditors before agreeing to reschedule debts, may sometimes compromise the sovereignty of the debtor nation.

**Debt Conversion Strategy**

There are various forms of this strategy. There are debt for debt scheme, debt for cash or the more popular form, debt for equity scheme. The one Nigeria embraced during its negotiation with the Bank was the last one (debt equity swap). According to Okonjo-Iweala (2005), this arrangement enables Nigeria to offer for sale in a sale in a secondary market some parts of its debts. Printers of the debt instruments purchase them at a discount, and later convert them into local currency for the purpose of equity or direct investment in the debtor country’s economy. The Central Bank of Nigeria, after changing transaction cost (about 1 percent of the purchase value of the debt instrument), then ensured that the naira amount converted, is not used round tripping (round tripping is said to occur when, after converting the debt instrument into naira through the Central Bank. The buyer reconverts back to foreign currency at the black market. It is then set for another round of purchase of the foreign currency
denominated debt instrument at the secondary market. This enables the buyer to make a fortune without real benefits to the debtor naira).

Nigeria recorded a number of benefits during its use of the swap method to exit the London Club of creditor institutions, in 2005. A number of benefits which was claimed as a result of the debt-equity swap arrangement was;

- The DMO office claimed that this strategy, helped in the reduction of the debt servicing of the nations debt in the short run.
- That the strategy bestowed on the economy the opportunity to use the funds for the second time. This time around, the debtor nation (Nigeria) had the opportunity to plan the investment of the funds so as to ensure the optimum benefits of the nation.
- The strategy indirectly increased the volume of foreign investment in the country which may not come willingly.

Although this strategy was hailed as a good one due to the fact that it helped the country convert much of its debts, but some negative effects of the debt-equity swap are: in the first place, it was argued that the debt for equity strategy did not necessarily remove external payment problem in the long run. This is because what may be saved in the short run in terms of reduced debt servicing would be paid in terms of dividend reparation over the long run.

Secondly, some experts have expressed fears likely inflationary effects of the debt-equity arrangement. This is because the scheme involves the conversion of foreign debts into local currency debts which would necessitate putting more money
into circulation since the supply of naira would have to increase with every debt converted; it is argued that this might fuel new rounds of inflation.

Thirdly, the debt-equity swap might compromise the indigenization scheme. In Nigeria, this has already occurred with the amendments of the indigenization decree to allow foreign participation in areas originally reserved for Nigerians. Therefore, it is argued that the return of the so-called ‘technical partners’ which the debt-equity scheme encourages, would divert the governments attention from the pursuit of self-reliant policies which the indigenization scheme favoured.

Finally, it is argued that the debt-equity scheme employed by Nigerian as a strategy during its exit from the club of debtor nations prevented some amount of foreign investments which would have taken place on their own without the debt-equity conversion.

**A Lid on External Borrowing**

Another strategy which has been advocated by the DMO is for the government to ban further contraction of loans. In practice this is a very difficult policy to implement.

With resources for financing development projects dwindling, it is difficult to see how this can be implemented successfully. In the case of Nigeria, during this period states and local government were banned from collecting or negotiating new loans without the consent of the federal executive and the National Legislative House of Assembly.
Economic Restructuring

When the administration of past president Obasanjo came to power after his election from the military in 1999, he battled with the economic reforms of this country before he finally came out with the popular IMF supported economic reforms, known as the NEEDS. In her 2006 address, the then minister of finance, Mrs. Ngozi Okonjo Iweala, presented some progress report made during that period in the implementation of the NEEDS programme thus;

We have been implementing our own home grown reform programme NEEDS and the results for last year have been quite positive. GDP growth was 60% compared to a 5% target. Average annual inflation came down during that period to a 22% to 15% while point to point inflation rate came down from 23% to 10%. The fiscal deficit at $25 a barrel was 1.9% of GDP, then the 21% we targeted and the reserves recorded healthy growth again from $7 billion to $19 billion thus – ensuring that our exchange rate remained fairly stable.

On the anti-corruption and transparency front, our development partners openly acknowledged that we have been demonstrating willingness and resolve to be more transparency as to deal with corruption, we are publishing the revenues which all tiers of government get each month. We are running a due process; we launched the Nigerian Exchange Industries Transparency Initiative (NEITI). We have the acclaimed efforts of the EFCC; we have intensified efforts to find our looted funds at roads and bring the funds home (see Address by the World Bank Director, 2006).
All these and more, Iweala recited to the credit of the past administration of Obasanjo with a firm report that they are all achieving their economic reforms purposes.

In the year 2006, Nigeria excited the Paris Club, by successfully negotiating a debt relief of 18 million dollars out of 30 million dollar debt, 6 billion dollars down payment was made, while another 6 billion dollars debt has to be adopted and repaid through strategies that were adopted by the government. Later that same year the government of Olusegun Obasanjo finally paid back the last sum owed the London Club of Creditor Institution thereby offsetting all the debt owed these International Institutions.

In all, the major lesson for the Nigerian government is that it is possible for any country to pull back from the precipice of heavy debt burden and as well, develop its economy once there is vision and strong commitment on the part of its leadership. Using a significant of its resources which has been made available since its exit from huge debt burden, it is left for the government to utilize these resources by building up International reserves in a special fund. Additionally, windfall revenue from the buoyancy of crude oil prices should also be used to develop the tradable sectors of the economy, such as manufacturing and agriculture, which are vital for sustaining economic growth and generating long-term employment opportunities. Another lesson is that governments should use the window of opportunity provided in better times rather than in leaner times to make such critical, politically sensitive decisions that redound to the benefit of its citizens, even for generations to come.
Despite rhetoric to the contrary, the Bank’s energy portfolio still fails to reap the double dividend of renewable energy technologies that would tackle both energy, poverty and climate change. Nigerian economic policies shaped by the Bank/IMF recommendations, policy agreements and conditionality have so far lead to a dysfunctional electricity privatization process, a heavy and as yet unfulfilled reliance on reform of the gas sector, and the failure to make any widespread practical progress on pro-poor, decentralized renewable energy.

It would be simplistic to lay the disaster and inequity of Nigeria's energy and power sector at the feet of the IMF, the Bank and other international donors. However, their influence cannot be disconnected from the corruption carried out by the country’s elites that has exacerbated poverty and failed to provide power to the nation. Nor can it be separated from the decades of egregious violations committed in the interests of international oil companies and their subsidiaries. Nigeria is the region’s largest oil producers and holds approximately one third of the proven gas reserves of Africa. Yet at least 60% of its population lack access to electricity for their basic needs, with only a fifth of rural households covered.

Nigeria's epileptic energy supply is one of the key factors hampering its development. In 2005, the Bank estimated that no increase access to 75% would require over $10 billion in investments. Under the tutelage of the IFIs, a major neo-liberal economic reform programme was undertaken by former President Obasanjo from 1999 to 2007, which found him heavily in favour with Washington. Though he promised to reform the energy sector, investments of up to $16 billion made by the
Federal government during his eight years in office did not lead to any tangible improvement. In March 2008, this expenditure was the subject of a corruption investigation by the House of Representatives. For former Finance Minister, Ngozi Okonjo-Iweala, and former Minister of Solid Minerals Oby Ezekwesili, appeared before the investigative panel. Both played crucial roles in power sector reform during Obansanjo’s administration.

Core elements of the Bank/IMF policy in relation to the power sector include:

- unbundling and privatization of the state electricity company;
- a power bill to accelerate transformation of the electricity sector;
- legislation and technical assistance to promote domestic gas sector reform;
- liberalization of the downstream petroleum sector;
- funding to address key infrastructure constraints; and
- legislation for bills on fiscal responsibility, procurement and the extractive industries transparency initiative.

Nigeria was the first country to “benefit” from the IMF’s policy support instrument (PSI) (a non-lending instrument which began in mid-2005, to which reform of the power sector is central. The PSI was central to the cancellation of Nigeria's foreign debt with the Paris Club in 2005, which needed IMF endorsement for the deal to go ahead. Ngozi Okonjo-Iweala, played a key role in the agreement. Considered a triumph by some, for many people, such debt ‘forgiveness’ came at a heavy price in view of the IMF policy advice and conditionalities that accompanied it.
A number of key ingredients of the IMF’s PSI were controversially passed during Obasanjo’s last few days in office, leading to a national strike in June 2007. These included the sale of the Kaduna and Port Harcourt oil refineries; the sale of the Egbin power station and other national assets; an increase in the cost of petroleum products; an increase in value added tax; and the non-implementation of the 15% increase in civil service salaries.

At a policy level, the Bank/IMF are highly influential in the Nigeria's macro-economy. The overall Bank’s assistance to Nigeria is based on joint World Bank Country Partnership Strategy (CPS), approved by the UK government and the Bank in June 2005 for assistance to the country from 2006 to 2009. The CPS is based on the priorities of the “home grown” poverty reduction framework, the NEEDS which began in 2002. Since 2005, the Bank has given approximately $300 million to support the reform and privatization of Nigeria's energy sector, through three IDA credits:

- Privatization support project, May 2001, $114.29 million,
- The transmission development project, August 2001, $100 million, and
- The National Energy Development project (NEDP), May 2005, $172 million.

The ongoing NEDP which began in 2005 is almost entirely Bank-funded. It consists of five components; transmission; distribution; access expansion and renewable energy; technical assistance for gas pipeline and gas to power projects; and technical assistance for reforms and private participation (http://www.en.wikipedia.org/wiki/IMF/3/3/2010).
From the foregoing, we demonstrated that there is no significant relationship between Nigeria’s higher ability to service loans and increase in World Bank credit portfolio to Nigeria between 1999 and 2008. This therefore validates our hypothesis which states that there is no significant relationship between Nigeria’s higher ability to service loans and increase in World Bank credit portfolio to Nigeria between 1999 and 2008.
CHAPTER FIVE

SUMMARY AND CONCLUSION

The study examined World Bank and Crises of development in Nigeria (1999 to 2008). After reviewing the relevant and related literature, we were able to raise three principal questions, as following:

1. Is there any relationship between the level of implementation of loan conditionalities and increase in development assistance to Nigeria by the World Bank?

2. Is there positive relationship between Nigeria's economic growth and development assistance to Nigeria by World Bank?

3. Is there any significant relationship between Nigeria's higher ability to service loans and increase in World Bank credit portfolio to Nigeria within the period under review?

To answer the above questions we were guided by functionalism as our theoretical construct. As such, we were able to arrive at the following hypotheses:

1. There is a positive relationship between the level of implementation of loan conditionalities and increase in development assistance to Nigeria.

2. There is a negative relationship between Nigeria's economic growth and development loan assistance to Nigeria.
3. There is no significant relationship between Nigeria’s higher ability to service/repay loans and increase in World Bank credit portfolio to Nigeria within the period under review.

The above enabled us to divide the study into five chapters viz: in chapter one, we looked at the introduction, statement of problem, objectives of study, significance of the study, literature review, theoretical framework, hypotheses and method of data collection/analysis.

In chapter two, we looked at loan conditionalities and development assistance to Nigeria. Chapter three, assessed Development Loan assistance and economic growth; and chapter four evaluated Nigeria’s Loan servicing ability and World Bank’s credit portfolio. Finally, chapter five dealt with summary and conclusion.

Moreover, secondary source of data collection was used; and qualitative descriptive analysis was adopted as method of data analysis.

In our findings however, we were able to validate hypothesis I which states that there is a positive relationship between the level of implementation of loan conditionalities and increase in development loan assistance to Nigeria. However hypothesis II which states that there is a positive relationship between economic growth and development loan assistance to Nigeria by the World Bank was invalidated. Finally, our hypothesis III which states that there is no significant relationship between Nigeria’s higher ability to service loans and increase in World Bank credit portfolio to Nigeria within the period under review was validated.
5.1 Discussion of the Findings

The implication of the above findings is that the Bank’s development assistance is not necessarily based on the member countries’ development needs. Rather, this study has revealed or showed that it is based more on the level of implementation on Bank’s loan conditionalities (or approved economic reform programme) and magnitude of member countries external reserve.

The Bank’s conditionalities for development assistance to member countries are primarily meant to improve the economies prudent management of the economy and elimination of waste. By so doing, to be able to reduce poverty among the member nations, and protect the management of the economy which helps to improve the external/foreign reserve of member nations in order to service and repay loans.

This is the reason why developed countries like United States of America with high external reserve (which is tied to the Bank quota subscription) would continue to attract higher credit portfolio reserve (and lower quota subscription).

The point made here is that the Bank’s development assistance to member countries is not usually attached to the development needs of member countries. Thus, the onus is on the member countries, to improve their implementation of economic reform programmes, as well as, increase their external/foreign reserves through prudent management of the economy (Korner, et al., 1989).

The Bank was established with the major objective of granting long-term loans to member countries for development project (Ogundipe, 1985; http://www.worldbank.org). In the discharge of this function, it sets out criteria for
granting these loans, they negotiate with creditors (i.e. Paris Club, London Club, etc). The criteria enable it to perform its function effectively and efficiently for the benefits of its members. But as a result of these criteria, the benefits of the Bank are never equal to member nations. Therefore, member countries benefit according to how they reposition themselves to meet these criteria. In the process, some member countries inevitably benefit more than others. For the Bank cannot ensure equal benefits to member countries at expense of others or at risk of its own liquidation.

So, the solution to development crisis of African countries, particularly Nigeria, lies in the renewed determination to reposition themselves economically and perhaps politically, to reap higher benefits from the opportunities of the Bank offers. By so doing, it will raise her development assistance from the Bank to be in tandem with her developmental needs.

5.2 Conclusions

On the basis of the above findings or revelations, we arrive at the following conclusions;

Unless Nigeria fully implements the loan conditionalities, the Bank would not likely sustain the increase in developmental assistance to her.

Economic growth is good for Nigeria, but it does not guarantee increase in the Bank’s credit portfolio.

Unless Nigeria raises her ability to service loans through high external reserves, the Bank would not likely sustain the increase in development assistance to her.
Given the fact that this increase in the Bank’s development loan assistance to Nigeria is marginal that more is needed to be done by Nigeria such as competing with the other member nations.

In other words, full implementation of loan conditionalities and higher ability to service/reimburse loans may be enough to guarantee or sustain this increase in credit portfolio, but not enough to improve upon this increase at least to a significant level.

The point being made is that the Bank hinges its development assistance to member nations on certain conditionalities and criteria like implementation of reform programmes, loan performance, ability to service/repay loans, etc. This assertion presupposes that member nations are in constant competition among themselves to attract more benefits to themselves.

It is indeed a world of competition, and the Bank is no exception. The Bank, as an international organization, therefore, is a theatre for struggle and contest among member nations. It is a forum for propagation, projection and realization of foreign policy (economic) objectives of member nations. The role of the Bank in this regard, is to smolder, aggregate and harmonize the national interest of member nations. It is an arena where member nations play out their economic diplomacy for concerning more development assistance to themselves (Asobe, 2007: 201).

The option then left for Nigeria and other African countries is to reposition and restrategize themselves to raise their development assistance from the Bank to march
their developmental needs. The above postulation is in tune with the present global reality.

5.3 Recommendations

Deriving from the above, we recommend the following measures to enhance development in Nigeria.

1. Raise her Bank’s quota subscription through high external/foreign reserves in order to be effective and powerful player in the international organization instead of appealing to sympathy.

2. Reposition her economy in order to raise her Bank’s credit portfolio to march her developmental needs.

3. Utilize Bank’s development assistance to increase people’s access to infrastructure and social amenities.

4. Nigeria should be able to mount her economic search-light on all her sectors namely; Agriculture, Energy, Transport, Education, Health, Income distribution, Public service and National security sectors towards revamping her economy.

5. Nigeria should join other third world countries to negotiate the trading pattern and investment in the third world countries, as there is need for a new international economic order, so that the third world countries can have a strong base for overcoming underdevelopment.

6. There is need for Nigeria in collaboration with IFIs in forming a viable economic reform policy that can indigenously fit into the economic terrain of the Nigeria nation.
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