

External Loans and Poverty Challenge in Nigeria, 2010-2020: Towards Deconstruction of an Antithesis

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DOI: [10.36347/sjahss.2021.v09i12.002](https://doi.org/10.36347/sjahss.2021.v09i12.002)

Received: 29.07.2021 | Accepted: 02.09.2021 | Published: 24.12.2021

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Abstract

Original Research Article

This study investigated the correlations between external loans and poverty elimination efforts in Nigeria from 2010 to 2020. Owing to several reasons which include inadequacies of her domestic savings and foreign exchange, Nigeria's macroeconomic space has over time witnessed perennial external borrowings which, for instance, rose from US\$4,534.19 billion as at 30th September, 2010 to US\$33,348.08 billion as at December 31, 2020 or N12,705,618.48 trillion. The key concern, however, is how the country has leveraged on those borrowings in order to reduce her soaring poverty rates put at over 83 million citizens living below poverty line of \$1.90 per day. Consequently, the primary objective of this study was to investigate how impactful the external loans had become on the poverty-alleviation efforts of the developing economy. To achieve the objective, the following hypothesis was posed: how has Nigeria's external borrowings supported poverty alleviation efforts in the country? Anchored on the Big Push Theory propounded by Paul Rosenstein-Rodan in 1943, the study adopted ex-post facto research design and documentary method for data collection. Qualitative descriptive method was used for data analysis. Among other things, the study found out that Nigeria's external borrowings have not offered support for poverty alleviation with its characteristic low disbursements. It equally found out that the loans were not invested in productive sectors for beneficial effects on poverty alleviation. In view of the findings, the study recommended that there is need for poverty alleviation to be made the primary focus of Nigeria's future external borrowings. It also recommended the need for external loans to be massively invested into projects with high capital returns which will produce desired effect on poverty reduction.

Keywords: External loans, poverty alleviation, aid donors, aid effectiveness, aid inflow.

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INTRODUCTION

Nigeria's external debt commitments have often been described as legendary. As Adesola (2009) argued, this is mainly because the country has contracted a number of debt obligations from external sources which could be grouped into two main categories – official debt (consisting of Paris Club debt, multilateral debts and bilateral debts) and private debts (made up of uninsured short-term trade arrears contracted through the medium of bills for collection, open account, etc commercial bank debts acquired through loans/letters of credit). It is, thus, incontrovertible to note that the country's external debts have been expanding after some time in light of a relative deficiency of foreign trade to meet her growth needs (African Forum and Network on Debt and Development, 2007). This is premised on the findings

that for the past two decades, Nigeria has indeed borrowed large amounts, often at highly concessional interest rates with the hope to put them on a faster route to development through higher investment, faster growth and poverty improvement, although indicators in economic growth, employment and poverty situations show that poverty rate, for instance, remains staggering as if that was the initial intention of borrowing. Obviously, available data reveal that most of the borrowed funds were not used for the purposes for which they were borrowed (Hassan *et al.*, 2015).

While certain scholars like Adesola (2009) have argued that the bulk of Nigeria's debt was incurred at non-concessional terms during the late 1970s and early 1980s during a period of significantly low interest rate regime when the London Inter Bank Offered Rate (LIBOR) hovered between 3 and 4 percent, others such

as Ogunlana (2005) have made frantic efforts to lay a more elaborate historical foundation to the issue of external debt in Nigeria, tracing it prior to 1978 when the level of Nigeria's external debt was very low, standing at about \$3.1 billion and representing barely 6.2 percent of Gross Domestic Product. However, Adesola (2009) consented to the fact that Nigeria incurred some minor debts even prior to her political independence from World Bank in 1958 with a loan of US\$28million dollars for railway construction and from the Italian government in post-independence era in 1964 with a loan of US\$13.1 million for the construction of the Niger dam with the first major borrowing of US\$1 billion known as the "Jumbo loan" being in 1978 from the International Capital Market (ICM). The Nigerian debt crisis reached its maximum in 2003 when US\$2.3 billion was transferred to service Nigeria's external debt. In the year 2005 the Paris Club group of creditor nations forgave 60 percent (US\$18 billion) of the US\$30.85 billion debt owed by Nigeria (Ogunlana, 2005). Regardless of the debt cancellation, the country's debt stock rose to US\$33,348.08 billion as at December 31, 2020 (DMO, 2021).

In the light of the foregoing, the salient focus of this study is to investigate how the external borrowings have impacted on poverty reduction efforts in the country. In other words, it burdened with the task of examining the correlations between the external loans and poverty alleviation in Nigeria and the study approached this task by probing into the issue of disbursement or investment of the loans, by seeking to determine how poverty alleviation as well as other sectors which are strategic for poverty reduction have benefited from foreign loans over time or not.

Statement of the Problem

Ideally, countries borrow from external sources if the rates of returns on such funds are greater than the cost of borrowing them. Put differently, countries base their external borrowings on gross domestic products and export (Sanusi, 2011; Ajayi and Khan, 2000; International Monetary Fund, 2000). It is through this that poverty alleviation benefits from those borrowings. In contrast, the trouble with Nigeria's external loans is the fact that the huge debt constitutes a major impediment to the revitalization of the shattered economy as well as the alleviation of the debilitating poverty (Adesola, 2009; Adepoju, 2007). Rather than borrow to alleviate poverty in particular and revitalize the economy in general, an identified challenge associated with Nigeria's borrowings is, however, the failure to juxtapose such borrowings with meaningful investments in productive sectors (Obadan, 2000). This is an open antithesis to the notion that debt-financed investment needs to be productive while the aim of sourcing any loan is for the attainment of some macroeconomic objectives of stability and growth of the economy (Hameed *et al.*, 2008; Madu, 2015).

Indeed, as Mbanga and Sikod (2001) noted, the debt overhang of US\$31.0 billion in 2004, for instance, constituted a deterrent to private investment and generally to growth and development since borrowings from multilateral and bilateral sources especially from the World Bank, borrowed funds were not strictly used for satisfactory social and infrastructural projects and export-increasing/import-decreasing features when Nigeria resumed concessionary borrowings. By this, it was obvious that the debt was not appropriately used and it negated the position adopted by Aluko and Arowolo (2010) to the effect that an appropriately use of debts is expected to assist the debtor nation's economies by creating a multiplier effect which prompts increased employment, satisfactory infrastructural base, a bigger export market, enhanced exchange rate and favourable terms of trade which has never been the situation in Nigeria where it has been abused.

Largely, the history of government borrowings in Nigeria reveals that there has been little or no regards for fiscal discipline where political leaders were borrowing even in the periods of the oil boom when there was surplus (Amakom & Agu, 2016). Most unfortunate was that much focus in the area of investment of debts was rather on recurrent expenditure (Senadza, 2017). As a result, Nigeria has run into the challenge of rising cost of servicing debt in Nigeria with adverse effects on both economic and human development (Ogunlana, 2005). In fact, the challenge has become alarming (Senibi *et al.*, 2016) and unfortunately to the extent that most of the states in Nigeria at a time exceeded the red line in debt accumulation which is 50 percent of the state statutory revenue while among the 36 states and the FCT, Lagos recorded the highest foreign and domestic debt profile, accounting for about 37 percent and 10.39 percent respectively of the country's total sub-national foreign debt. In 18 states, the debt profiles exceeded their statutory revenue by more than 200 percent. In Lagos, Osun and Cross River States, in particular, debts exceeded revenues by almost 500 percent (Udo, 2017).

In the light of these challenges, it is therefore imperative to understudy how Nigeria's external debts had prioritized poverty reduction in the country from 2010 to 2020. It is equally important to investigate the actual disbursements to poverty reduction accruable from the external debts over the years.

Objective of the Study

The primary objective of this study was to investigate the correlations between external loans and poverty alleviation efforts in Nigeria from 2010 to 2020. Specifically, the paper sought:

- i. To examine the actual disbursement for poverty alleviation in Nigeria from the country's external loans between 2010 and 2020, and

- ii. To determine the implications of sectoral allocations from foreign loans on poverty alleviation in Nigeria

Research Question

The study was guided by the following research question:

- i. How has Nigeria's external borrowings supported poverty alleviation efforts in the country from 2010 to 2020?

Significance of the Study

The study investigated the correlations between external loans and poverty alleviation efforts in Nigeria from 2010 to 2020. Overwhelming expectation is that external borrowing by Nigeria should, in general, assist her to revitalize the economy as well as alleviate poverty, in particular. This basically serves as the irreducible priority for external loans should serve. But it becomes imperative to examine whether that purpose was served by the country's external loans and the challenges that hindered the expected outcome from 2010 to 2020. Consequently, findings of this study would guide relevant national stakeholders in redirecting external loans usage in the country for a positive impact on poverty reduction.

METHODOLOGY

The qualitative mechanism of data collection and analysis was applied in this study.

Theoretical Framework

This study is anchored on the Big Push Theory which argues that to escape the poverty trap and take-off into national development requires a significant inflow of aggregate aid (such as grants and concessional loans) in social and productive sectors which will result in growth across all sectors of poor societies (Shitile & Sule, 2019). Its major proponent was Paul Narcoz Rosenstein-Rodan who in a 1943 seminar paper titled Problems of Industrialization of Eastern and South-Eastern Europe built on a 1928 paper by Allyn Young titled Increasing Returns and Economic Progress, and subsequently conceptualized the Big Push model of economic development (Urbanomics, 2010). Rosenstein-Rodan (1943) observed that unindustrialized countries are characterized by low-level equilibrium trap, difficulty to escape poverty and many small sectors and consequently agreed that the condition justifies the need for foreign aids. As a strategy, the theory recommends planned, big, large-scale and simultaneous investment programmes in industrialization in order to take advantage of network effects – economies of scale and scope – to escape the low level equilibrium trap (Mahembe & Odhiambo, 2019; Clunies-Ross *et al.*, 2009; Shleifer, 2009). The model puts emphasis on underdeveloped countries that they need large investments to propel the path of economic progress from contemporary state of

backwardness (Umoru & Onimawo, 2018). Thus, the crux of the theory therefore is that only a big and wide-ranging investment package stimulates economic development and as such, definite amount of resources should be dedicated for developmental programs. Accordingly, the theory emphasizes condition for take-off with understanding that a bit-by-bit investment programme will not impact the growth process required for development and escape from poverty.

LITERATURE REVIEW

General Perspectives on External Debt and its Justification

Some scholars have made insightful attempts to conceptualize external debt. Thus, they have approached it from different standpoint, a situation which has become a tradition in social sciences. However, a dispassionate look at the various perspectives offered by the scholars highlights a unity of sort in retaining the basic elements that characterize the concept of foreign debts. For instance, Arnone *et al.*, (2005) posits that external debt is that portion of a country's debt that is acquired from foreign sources such as foreign corporations, government or financial institutions. That view is similar to the perspective offered by Ajibola *et al.*, (2015) who conceptualized external debt as debt owed by a country to other countries or institutions abroad. In fact, both appeared to have copied from each other. However, their opinions are short of material details which could enable a novice to catch a holistic view of what external debt consists of. Unarguably, there appears to be a conspiracy of silence on the issues such as repayment obligations as well as purpose(s) served by external borrowings. In the same vein, World Bank (2015) and Senadza (2017) ran afoul of the same lacuna when both described external debt as the total public and private debt owed to non-residents repayable in foreign currency, goods, or services, as well as the total debt owed by nationals and/or government of one country to foreign nationals and/or governments respectively.

But in order to fill that gap, Atique and Malik (2012) and Senadza (2017) stepped in to conceptualize external debt as constituting the greater part of the public debt structure and comprising an international financial obligation that is payable within a specified period of time. In the same token, Senibi *et al.*, (2016) conceptualized it as unpaid portion of foreign resources acquired for developmental purposes and balance of payment support, which are not repaid as they fall due. Putting the aggregate views together, we view the concept of external debt as purposeful government borrowing which is sourced externally from other nations or financial institutions with certain repayment terms and condition.

Generally speaking, external debt arises as a result of the gap between domestic savings and

investment (Ogbeifun, cited in Muhammad & Abdullahi, 2020). In other words, the reason why countries borrow boils down to two major things which are to bridge the savings investment gap and the foreign exchange gap (Hassan *et al.*, 2015). Also, the dual-gap analysis justifies the need for external borrowing as an attempt in trying to bridge the savings-investment gap in a nation (Ajayi & Oke, 2012). Specifically, Omoruyi (cited in Orji, 2018) stated that most economies have experienced a shortfall in trying to bridge the gap between the level of savings and investment and have resorted to external borrowing in order to fill this gap.

Instructively, many scholars like Suma (2007) have stressed the fact that external funding has been crucial in developmental projects, financing capital and budgetary support. That is the point which Todaro & Smith (2006) attempted to stress when they affirmed that for developing countries, the phenomenon of external borrowing is common at their early stage of development since domestic capital is inadequate for investment. Stated differently, the backward condition characteristic of such developing countries forces them to seek desperate solution to increase economic growth and development and accounts for the resources which are mobilized from all sources (including external borrowing) for investment into viable projects. Therefore, one can rightly say, in agreement with the belief shared by Shabbir (cited in Ud-Din *et al.*, 2020) that sustainable economic growth has been a predominant concern for all countries, especially developing economies that frequently face burgeoning fiscal deficits. Therefore, governments, particularly in developing economies, face funding challenges for meeting various domestic needs and they opt for external borrowings.

Actually, the conviction to borrow externally strongly stems from the findings of certain scholars like Pattilo *et al.*, (2002) as well as Ayadi and Ayadi (2008) which suggested that reasonable levels of borrowing by a developing country are likely to enhance its growth. But it is worthy of note, equally, that Panizza *et al.*, (2010), Sulaiman and Azeez (2012) as well as Onyekwelu and Ugwuanyi (2014) have, through the outcome of their own studies vehemently argued against external debts and consequently drawn attention to the fact that in spite of several economic reforms pursued over the past decades, most countries in Sub-Saharan Africa have recorded only modest growth with rapid rise in inflation, huge budget deficits, unsustainable balance of payments deficits coupled with high levels of debt, and attributed the causes of these crises to poor domestic policies, deteriorating terms of trade and a high debt burden.

Ideally, most developing countries prefer external borrowing to the domestic one despite the fact that government's borrowings from the domestic capital market have certain attributes which should have made

it preferable, for instance the fact that it has lesser potential of creating debt crisis, creating positive externality in the domestic capital market and preventing capital outflow (Nyawata, 2012). On the other hand, external borrowing is desirable over domestic debt on the grounds that the interest rates charged by international financial institutions like International Monetary Fund (IMF) are about half to the one charged in the domestic market (Malik *et al.*, 2010). But a specific question is, why does Nigeria opt for external borrowings?

Reasons for Nigeria's External Borrowings

There is no gainsaying the fact that the ill-fortune suffered by Nigeria's economy has some dire consequences. Most notable among them is that it accounts for the high poverty rate in the country and necessitates external borrowings. Painting the gory picture of this scenario, the World Data Lab (2020) and the United Nations High Commissioner for Refugees (2020) estimated that roughly 102 million Nigerians live in extreme poverty which is the largest extremely poor population in the world. The World Bank (2020) also estimated in early 2020 that roughly half of Nigerians were living on less than \$1.90 per day with needs most acute in the conflict-affected northeast where nearly 2.1 million Nigerians were displaced internally as of June 2020, largely due to the Boko Haram/Islamic State-West Africa conflict, with an additional 300,000 living as refugees in Chad, Cameroon, and Niger.

In fact, in early 2020, it was estimated that nearly ten million people in the Lake Chad Basin region required aid, including eight million Nigerians (United States Agency for International Development, 2020). The poverty challenge is, unarguably, debilitating (Bruederle and Hodler, 2019) while it, together with the bad-shaped economy, accounts for Nigeria's external borrowings. The key question has, however, centred on what impacts the borrowings have on the poverty challenge. This puzzle has, thus, thrown up arguments regarding Nigeria's external borrowings which have been sustained over the years with scholars divided on the lines of for and against such borrowings. For instance, scholars like Sulaiman and Azeez (2012), Panizza *et al.*, (2010), Onyekwelu and Ugwuanyi (2014), Ogunlana (2005), Ezeabasili *et al.*, (2011) and Adepoju *et al.*, (2007) are locked up in contestation over the impacts of such borrowings on the economy and consequently hold different opinions on positive and negative dimensions of such loans. However, there is a consensus as highlighted by Todaro and Smith (2006) that the phenomenon of external borrowing is common at the early stage of development in developing countries like Nigeria since their domestic capital is inadequate for investment and that explains why Nigeria's external debts have been expanding for some time now, also in light of a relative deficiency of

foreign trade to meet her growth needs (African Forum and Network on Debt and Development, 2007).

Historical Trend in Nigeria's External Borrowings

Ogunlana (2005) provided deeper insight by maintaining that at the peak in mid – 1989, London Inter Bank Offered Rate was 13.0 per cent and that the first jumbo loan was followed by the second Jumbo loan of \$750 million in 1978/1979. As he pointed out, between 1979/1980, there was an up-turn in the global oil market which improved Nigeria's foreign exchange inflow but the relaxation of economic policy measures and the adoption of deflationary measures prompted massive importation of goods and services which brought about rapid depletion of reserves.

Tracing the history, he averred that shortly thereafter, the global oil market witnessed serious glut which brought down the price of crude oil with the attendant devastating impact on the Nigerian economy. According to him, the thinking that the oil glut would be short-lived prompted both the states and the Federal Government to flagrantly breach Decree 30 of 1978 which fixed the limit of external borrowing at N5.0 billion (US\$8.3 billion) and to engage in external borrowing. Thus, they embarked on imprudent and massive external borrowing from the international capital market to finance all sorts of projects. He lamented that the reality and the magnitude of Nigeria's debt problem did not dawn on the country until 1982 when creditors refused to open new lines of credit, and this led the country to seek relief in the form of refinancing of the trade arrears. As he pointed out, the first of such exercise was in 1983 covering outstanding letters of credit as at 13th July, 1983 for \$2.1 billion while by 1988, the terms of Promissory Notes issued for trade credits were renegotiated and the total value of notes issued aggregated to \$4.8 billion. As it stands:

The level of external debt rose rapidly from \$9.0 billion in 1980 to \$17.8 billion and \$25.6 billion in 1983 and 1986 respectively. The level of debt had since risen to \$35.9 billion by the end of 2004 despite all the repayments, deliberate policy of drastic curtailing of further external borrowing and the various debt management strategies adopted, including debt conversion and buy-back. These developments completely altered the structure and character of Nigeria's external debt from largely concessional sources of long maturity to short/medium with tough repayment terms. Of the total debt outstanding, the value and share of the Paris Club debt increased progressively from \$5.8 billion or 33.5 per cent in 1984 to \$21.7 billion or 66.5 per cent and \$30.8 billion or 85.8 per cent in 1995 and 2004 respectively. On the contrary, the share of multilateral debt as well as private debt (promissory notes and London Club Banks) have declined persistently over the years from a total of \$11.5 billion or 66.5 per cent in 1984 to barely \$5.1 billion or 14.2 per cent in 2004 (Ogunlana, 2005: 8).

But to what extent is poverty a challenge in Nigeria?

X-raying the Poverty Challenge in Nigeria

For decades, poverty in Nigeria has remained high, ravaging, real and pervasive despite the economic growth (World Bank, 2019; Dangana, 2011; Asogwa & Okoli, 2008; Okoye, 2002; Mohammed-Hashim, 2008; Obi, 2007). In the same light, World Bank (2019) believes that Nigeria's extreme poverty rate is increasing. As National Bureau of Statistics (2010) puts it, the proportion of Nigerians living in poverty is increasing every year despite the fact that Nigerian economy is paradoxically growing. Poverty is an obstacle or limitation to economic growth in Nigeria (Omoniyi, 2018) and it keeps rising that about 100 million of citizens were said to live below the poverty line of \$1 per day with the proportion of Nigerians who were absolutely poor rising from 54.7 percent in 2004 to 69.9 percent in 2010 (National Bureau of Statistics, 2011; Omoniyi, 2016; Daniel, 2009). According to World Bank (2020h), of the 736 million living in extreme poverty worldwide, half live in just five countries: Nigeria, India, Democratic Republic of Congo, Ethiopia and Bangladesh.

Obviously, there is a paradox associated with growth in Nigeria in the sense that as the country gets richer, only a few benefits and the majority continues to suffer from poverty and deprivation (Oxfam, 2017). The poverty situation in Nigeria is so bad and paradoxical to the extent that a higher proportion of Nigerians continue to live in poverty despite the enormous growth of Nigerian economy on annual basis (Kale, 2012). The much-celebrated gross domestic product (GDP) growth rate that averaged 7.4 percent in the last 10 years became questionable as a result of the rise in poverty (Omoniyi, 2018). This is why Okoye (2002), in painting a depressing picture about the poverty in Nigeria, maintained that in May 1999 when the administration of President Olusegun Obasanjo earmarked the sum of N10 billion for the creation of 200, 000 jobs in the year 2000 as a major task of redressing the twin problems of poverty and unemployment, the government's desire to eradicate poverty was borne out of the conviction that the incidence of poverty and unemployment had assumed a dimension that was socially, economically and politically unacceptable. He puts the situation *inter alia*: Poverty in Nigeria is pervasive...data on poverty are staggering and reveal that only 50 percent of the population have access to primary healthcare while most Nigerians consume less than 1/3 of the minimum required protein and vitamins intake because of low income. The increasing level of unemployment and poverty were compounded by over two decades of political instability, macroeconomic policy inconsistencies, low-capacity utilization in industries and the massive turnout of school leavers and graduates by our educational institutions. The overall situation now is that most Nigerians go hungry because they cannot afford to buy food (Okoye, 2002:232-233).

Obviously, Nigeria hosts more of the world's extreme poor today than any other country despite being a lower-middle income country that is large and richly blessed (World Bank, 2019). According to World Bank (2018), despite its middle-income status, almost four out of ten Nigerians lived below the national

poverty line in 2016. As it observes, Nigeria is home to the largest number of extremely poor people, overtaking India in 2018, measured at international poverty line of US\$1.90 per day. World Data Lab (cited in Onaleye, 2020) agreed with that position and further presented tabular evidence to buttress its conviction on Table 2.0.

Table 2.0: Nigeria Had Largest Extreme Poverty Population in June 2018

Country	People Living in Extreme Poverty (in millions)
Nigeria	86.9
India	71.5
Democratic Republic of Congo	60.9
Ethiopia	23.9
Tanzania	19.9
Mozambique	17.8
Bangladesh	17
Kenya	14.7
Indonesia	14.2
Uganda	14.2

Source: World Data Lab (cited in Onaleye, 2020).

Obviously, Nigeria topped the global poverty table and housed the largest reservoir of global poor in 2018 with 86.9 million people living in extreme poverty. In fact, the poverty-problem in Nigeria is so dire that the World Bank (2019) lamented that large number of Nigerians are vulnerable to falling into poverty. Also sad is its observation that the rapid growth in gross domestic product (GDP) until the 2016 recession did not translate into sufficient poverty reduction. From the foregoing therefore, it is safe to say that the poverty-scourge in Nigeria is, by all standards, distressing. National Bureau of Statistics (2020) classified 40.1 percent of the total population or over 82.9 million persons as poor in Nigeria in 2019 by

national standards, excluding Borno State which had high insecurity challenge at the time that prevented the Bureau from collating the necessary data from the state. By implication, an average 4 out of 10 individuals in the country had real per capita expenditures below N137, 430 per year. Definitely, poverty in Nigeria is severe which necessitated the World Bank (2019) to project that the share of Nigeria's population living in extreme poverty will have risen from 42.8 percent (in 2016) to 45.0 percent by 2030, representing about 120 million people living on less than US\$1.90 a day. Table 2.1 presents poverty and inequality indicators in Nigeria in 2019.

Table 2.1: Poverty and Inequality Indicators in Nigeria, 2019

	Poverty headcount rate, in percent of population in strata	Poverty gap index, in percent of poverty line	Gini coefficient
NIGERIA	40.1	12.9	35.1
Urban	18	4.5	31.9
Rural	52.1	17.4	32.8

Source: NBS (2020) Nigeria Living Standards Survey, 2018-19.

The table shows that 40.1 percent of total population in Nigeria was classified as poor. According to NBS (2020), what that means is that on average, 4 out of 10 individuals in Nigeria have real per capita expenditures below N137,430 per year. This translates to over 82.9 million Nigerians who are considered poor by national standards.

According to NBS (2020), states in the northern part of the country top the list of poorest states. These are Sokoto, Taraba and Jigawa with 87.73 percent, 87.72 percent and 87.02 percent respectively. They are closely followed by Ebonyi state in south east region with 79.76 percent. The table places Lagos as

state with least poor persons at 4.50 percent. The NBS report notwithstanding, UNDP (2019) notes that the most recent survey data that were publicly available for Nigeria's multidimensional poverty index estimation refer to 2016/2017. As such, it highlights that in Nigeria, 51.4 percent of the population (98, 175 thousand people) were multi-dimensionally poor while an additional 16.8 percent were classified as vulnerable to multidimensional poverty (32, 091 thousand people).

External Debt and Poverty Challenge in Nigeria: The Pragmatic Questions

A critical concern in the Nigerian economic milieu is how external loans have impacted on poverty

reduction. In other words, what effects have they produced on poverty? Have they failed to achieve expected ends in poverty reduction, why and what needs to be done? In addressing the challenge, it suffices to, first, highlight the fact that when Nigeria resumed concessional borrowing from multilateral and bilateral sources especially from the World Bank, borrowed funds were strictly to be used for satisfactory social and infrastructural projects and export-increasing/import-decreasing features but this was not so (Obadan, 2000). This clearly is antithetical to the advice given by Sanusi (2011), Ajayi and Khan (2000) and International Monetary Fund (2000) that countries should borrow from external sources if the rates of returns on such funds are greater than the cost of borrowing them.

But in the case of Nigeria, Urama (2018) accused administrations in Nigeria of having borrowed to offset accumulated salaries and pensions of workers in the states, and argued that the idea of borrowing for consumption purposes has impacted negatively on the economy and on workers whose salaries depend on loan, with the resultant effect being that several states could no longer pay the salaries of their workers in full from late 2015. That is why the challenge lies and basically, Nigeria's debt stock has continued to rise as a result. For instance, Nigeria's external debt stock rose from US\$4,534.19 billion in 2010 (as at 30th September) to US\$31,985.17 billion in 2020 (as at 30th September) as the table below shows:

Table 2.2: Nigeria's External Debt Stock, 2010-2020

Year	Value in Millions of USD
2010 (as at 30 th September)	4,534.19
2011 (as at 30 th September)	5,633.71
2012 (as at 31 st December)	6,527.07
2013 (as at 31 st December)	8,821.90
2014 (as at 31 st December)	9,711.45
2015 (as at 31 st December)	10,718.43
2016 (as at 31 st December)	11,406.28
2017 (as at 31 st December)	18,913.44
2018 (as at 31 st December)	25,274.36
2019 (as at 31 th December)	27,676.14
2020 (as at 30 th September)	31,985.17

Source: <https://www.dmo.gov.ng/debt-profile/> Compilation into single table by researcher. Details of each year on Appendices 1-10.

The table shows that external debt stock of the country has been on steady increase. There was no decrease as the years progressed. In fact, the rate of increase widened significantly from 2016 when compared with the previous years. In 2016, the debt stock stood at US\$11,406.28 billion but rose to US\$18,913.44 million in 2017. The steady increase saw

it at US\$25,274.36 billion in 2018. The import is that the debt stock of the country sharply increased by US\$6,360.92 billion within 12 months between 2017 and 2018. It even further increased by US\$2,401.78 billion to peak at US\$27,676.14 billion in 2019. Table 2.3.presents external loans signed by Nigeria but yet to be disbursed as at December 31, 2019.

Table 2.3: External Loans Signed But Yet To Be Disbursed As At December 31, 2019

S/N	PROJECT TITLE	CREDIT AMOUNT	AGREEMENT DATE	BENEFICIARY
EXPORT-IMPORT BANK OF CHINA				
1	Nigerian Supply of Rolling Stock and Depot Equipments for Abuja Light Rail Project	USD157,001,049.89	29/05/2018	Federal Capital Territory Administration (FCTA)
2	Nigerian Greater Abuja Water Supply Project	USD381,095,036.84	29/05/2018	Federal Capital Territory Administration (FCTA)
3	Nigerian National Information Communication Technology Infrastructure Backbone Phase II Project	¥2,300,000,000.00	5/9/2018	Federal Ministry of Communication and Digital Economy
4	Nigerian Four (4) Airport Terminals Expansion Incremental Project	USD208,905,161.50	27/12/2019	Ministry of Aviation
5	Nigerian Four Airport Terminals Expansion Ancillary Project	USD183,621,056.89	27/12/2019	Ministry of Aviation
6	Nigerian 40 Parboiled Rice Processing Plants Project	USD325,669,400.00	26/04/2016	Federal Ministry of Agriculture and Rural Development

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT				
7	Livelihood Improvement Family Enterprise-Niger Delta (LIFE-ND)	USD50,642,000.00	24/12/2018	Abia, Cross-River, Delta & Ondo
AFRICAN DEVELOPMENT BANK				
8	Program in Support of Power Sector Privatization	UA2,000,000.00	28/05/2015	The Nigerian Bulk Electricity Trading Plc.
9	Enable Youth Nigeria Program	USD250,000,000.00	31/01/2017	Federal Ministry of Agriculture and Rural Development
10	Enable Youth Nigeria Program (On behalf of the Africa Growing Together Fund)	USD30,000,000.00	31/01/2017	Federal Ministry of Agriculture and Rural Development
11	Ebonyi State Ring Road Project	USD40,000,000.00	23/05/2019	Ebonyi State
12	Ebonyi State Ring Road Project (On behalf of the Africa Growing Together Fund)	USD30,000,000.00	23/05/2019	Ebonyi State
13	Say No to Famine of Nigeria	UA11,890,000.00	3/4/2019	North East Development Commission
14	Institutional Support for Economic Management	UA10,000,000.00	14/02/2019	Federal Ministry of Finance, Budget and National Planning
15	Additional Loan to Inclusive Basic Service Delivery and Livelihood Empowerment Integrated Program	UA3,990,000.00	4/3/2019	North East Development Commission
ISLAMIC DEVELOPMENT BANK				
16	Integrated Rural Development Project	UA7,670,000.00	27/03/2018	Jigawa State
17	Integrated Rural Development Project	USD3,000,000.00	27/03/2018	Jigawa State
AGENCE FRANCAISE DE DEVELOPMENT				
18	Lagos State Strategic Transport Masterplan Project	€178,683,105.51	9/5/2019	Lagos State

Source: DMO (2021a). Note: USD-United States Dollar; ¥-Renminbi (Yuan); UA-Unit of Account; €-Euro.

The table confirms that certain loans signed by the Government were yet to be disbursed as at December 31, 2019. They include the one signed in 2015. However, appendix 32 shows details of the loans signed but partially disbursed still as at December 31,

2019. It contains further information on the undisbursed loans. The summary (containing the donor agency and amount) extracted from DMO (2021b), is presented on table 2.4.

Table 2.4: Summary of External Loans Signed but Undisbursed as at December 31, 2019

S/N	AGENCY	AMOUNT (in USD)
1	Agence Francaise De Development	554,225,071.01
2	African Development Bank	491,780,461.49
3	African Development Fund	278,025,952.12
4	Africa Growing Together Fund	49,899,614.13
5	Arab Bank for Economic Development in Africa	2,118,086.21
6	Exim Bank of China	1,398,459,063.41
7	Exim Bank of India	67,862,916.75
8	International Bank for Reconstruction and Development	90,492,884.27
9	International Development Association	4,481,870,515.75
10	Islamic Development Bank	278,642,073.15
11	International Fund for Agricultural Development	168,407,558.32
12	Japan International Cooperation Agency	179,871.17
		7,861,964,067.79

Source: DMO (2021).

From the table, external loans signed but undisbursed as at December 31, 2019 stood at US\$7,861,964,067.79 billion. Out of the amount, loans from International Development Association topped the table with US\$4,481,870,515.75 billion. This is followed by loans from the Exim Bank of China with US\$1,398,459,063.41 billion.

FINDINGS

This study made some findings. First is that Nigeria's external borrowings (which jumped from US\$4,534.19 billion in 2010 as at 30th September to US\$33,348.08 billion or N12,705,618.48 trillion as at 31th December, 2020) could not help poverty reduction efforts in the country as over 82.9 million Nigerians or 40.1 percent of total population lived below poverty line (by national standard) by 2019. The import is that on average, 4 out of 10 individuals in Nigeria had real

per capita expenditures below N137,430 per year. The second finding is that certain external loans signed by Nigeria were yet to be disbursed as at December 31, 2019. In fact, the external loans signed but undisbursed as at December 31, 2019 stood at US\$7,861,964,067.79 billion. Out of the amount, loans from International Development Association topped the table with US\$4,481,870,515.75 billion. This was followed by loans from the Exim Bank of China with US\$1,398,459,063.41 billion. The low disbursement of aids therefore prompted investment below the level that could have enabled the economy to break the vicious circle of poverty in the country. This runs contrary to the recommendation by the Big Push Theory of Paul Narcyz Rosenstein-Rodan used as framework of analysis by the study which advocates for a large-scale investment as panacea for escaping poverty-trap in less-developed countries.

RECOMMENDATIONS

In view of the findings, the study therefore made some recommendations. The first is that whereas there is need for further economic assistance to Nigeria from foreign donors, future external borrowings should be approached with a huge dose of caution regarding what they are for, so that they do not end up constituting a major impediment to poverty alleviation efforts, in particular and the revitalization of the economy, in general through unsavoury debt crisis. Foreign aid in term of concessional loan is justified in view of the country's low domestic capital, burgeoning fiscal deficits and the consequent need to raise the capital formation and investment. Evidently, Nigeria has a responsibility to achieve improved quality of life for her people but as a less developed country, that task is challenged by balance of payment deficits, savings gap and insufficient capital necessary for income-generating investments. As a result, the country is stuck in a poverty trap and currently hosts the largest population of global poor.

The second recommendation is that there is the need to strictly channel future loans into projects with high capital returns or the productive sectors of the economy in order to achieve a positive outcome on poverty alleviation. In other words, external borrowings should neither be for recurrent expenditures nor consumption purposes. They should rather target to boost gross domestic products and export. By implication, concessional loans into the country should be synchronized into national priorities, poverty reduction serving the topmost purpose. This means that such aids should be aligned with national development strategies.

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