The World Bank: Financing Rural Development and the Politics of Debt in Nigeria

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Résumé: *Le Nigéria, comme la plupart des pays en développement, n'a pas suffisamment de ressources pour financer son programme de développement. Pour résoudre ce problème, le gouvernement doit chercher et encourager le flux de capitaux étrangers, les prêts supplémentaires des banques commerciales et des institutions financières internationales comme la Banque Mondiale. Dans cet article, l'auteur étudie l'histoire de la pénétration de la Banque Mondiale dans l'économie et la société nigérianes et son implication profonde dans le secteur agricole. L'article montre que, bien que la Banque Mondiale ait largement investi au Nigéria au cours des trente dernières années, son impact sur la production agricole reste modeste. En outre, le taux d'endettement du Nigéria par rapport à la Banque et aux institutions financières internationales a considérablement augmenté, en particulier au cours de la decennie 1980-1990. Ce faisant, l'influence de la Banque sur le contenu et l'orientation des politiques économiques du Nigéria devient plus importante.*

Introduction

In mid September 1988, about two weeks before the World Bank and the International Monetary Fund (IMF) held their annual meeting in Berlin, a West German newspaper *Mannheimer Maegen* was quoted as reportedly saying that Nigeria was spearheading the formation of a Debtor's Club for a 'showdown' with the two international institutions. The club was to represent Africa, Latin America and the Caribbean countries which collectively owed $450bn as debts to the international finance and capital markets out of which up to $200bn was owed by the African countries[1]. According to the report, the new club would offer three solutions to the problem of debts which included a call for the

> *cancellation of all interests on outstanding loans; writing off the debt owed by the Least Developed Countries (LDCs); and a call for the approval of fresh aid to debtor nations for them to rescue their economies from the doldrums*[2].

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1 *West Africa*, September 12-18, 1988. London p.1887.
2 Ibid.

The West German newspaper's report was further corrobated with an earlier statement credited to the Nigeria's External Affairs Minister General Ike Nwechukwu as having told reporters that Nigeria and Yugoslavia were together making efforts towards the formation of the Debtors Club by and for the developing countries[3]. This obviously may have come as a big surprise to a number of people both in and outside Nigeria. The obvious question is, does this indicate that the Nigerian ruling elites have come to terms with the full and concrete realities of debts and indebtedness in Nigeria and therefore are ready and willing to take the political path of resolving this? Does this not contradict with the government position on these institutions as the most important sources of development finance?

This paper argues that the current position of the Nigerian Government on the debt issue and its apparent disposition towards the establishment of a platform for fighting the World Bank and the IMF at an international level may have been informed by the current state of the Nigerian economy and may have also resulted from a new strategy by the Nigerian State to use its debt status in order to reschedule its old debts and or receive more loans from the two international institutions and from the International capital markets. This is because even though, Nigeria had openly rejected the IMF loan in 1985, it has been discreetly courting the World Bank as the ultimate hope for and source of receiving financial support for the continued operations of the rural development programme in the country and the financing of the Structural Adjustment Programme (SAP) formally launched in 1986. This is obviously curious but it does explain why for the first time both the IMF and the World Bank (often perceived as a neutral development financing agent) are being collectively attacked by the Nigerian State in an international forum.

Nigeria in the World Economy

To start with, any attempt to study and analyze the role of the World Bank - indeed international finance and capital in Nigeria would have to be located within the historical context of the evolution of Nigeria as a neocolonial economy and society. However, it is outside the focus of this paper to discuss in any great detail the colonial and neocolonial character of the Nigerian economy; suffice to say that the intervention and expansion of transitional capital and finance in Nigeria, was based on the neocolonial explanation that Nigeria, like all other developing countries is poor and therefore requires the infusion of foreign capital as a precursor for development.

3 Ibid.

Development of the Nigeria economy in case is assumed to be a function of and conditional upon the generation and utilizations of foreign capital through; investment by large transnational corporations; exports of industrial raw materials; aid donations and contributions; and more specifically through borrowing of long term development loans particularly from the World Bank.

This paper however takes the position that, while no country has all the resources it requires for development, particularly more so in the case of developing Third World countries; in reality African countries are not under-developed because they are poor, rather, they are poor because they are underdeveloped.

In this case while additional borrowing from international agencies including the World Bank may have political appeal and may even succeed in making short term gains through project lending, in the final analysis additional external borrowing under stringent and unfavorable conditionalities would only further tighten the integration and control of these economies into the international capitalist system, in which African countries would remain as mere trading posts and buyers of foreign capital and technology of the price of national sovereignty and long term sustainable development. It is in this light we shall look at the role of the World Bank in the Nigerian economy.

The World Bank in Nigeria

The history of the World Bank's involvement in Nigeria dates to 1985 when the International Bank for Reconstruction and Development (IBRD) first commissioned and undertook a special study on the Nigerian economy and society[4]. But it was only in 1958 the World Bank extended its first loan to Nigeria for the extension and completion of the railway line from Gombe to Maiduguri in the North East corner of Northern Nigeria. Within a period of 30 years, between 1958 and 1987, the World Bank extended a total of 66 loans and two IDA credits valued at $3.57bn out of which over $2.0bn had been fully disbursed[5]. This makes Nigeria the ninth highest recipient of World Bank loans and the highest debtor to the Bank in the sub-Saharan African countries.

The loans and credits went in to finance various projects and programmes covering nearly every sector of the Nigerian economy: energy, transport and communications, education, health and water supply, industry,

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4 The World Bank: *The Economic Development of Nigeria* IBRD (1955) US.

5 The World Bank: *Nigeria and the World Bank* Information and Public Affairs Department, (June 1987) Washington D.C.

business finance and urban housing; and agriculture and rural development. The sectoral distribution of the World Bank lending shows that energy, industry, transport, urban and water supply attracted 38 percent, agriculture, 39 percent; health and education 3 percent, and 20 percent for Rehabilitation and Structural Adjustment lending[6]. The pattern of the World Bank lending to Nigeria and its sectoral distribution reflected the historical shifts of emphasis in the priorities of the World Bank global operations particularly in the Third World countries.

Patterns of IBRD Global Operations

In the first twenty years of the IBRD's operations until early 1970s, the greater concentrations of the Bank lending to the Third World countries was extended mainly for the financing of urban based infrastructure such as highways, ports, electricity energy and telecommunications. In those early years the primary concern and preoccupation of the Bank was to finance the construction and development of basic superstructures in the Third World as essential precursors for the stimulation of private capital investments in the developing countries. During this period these urban based infrastructure accounted for over two thirds of the IBRD's global lending.

In the period early 1974s to mid 1980s the new emphasis of the World Bank was on what it refers to as the assault on world poverty and therefore agriculture and rural development became the primary areas of World Bank financing. By 1984 to 1986, agriculture alone attracted up to 29.3 percent of all World Bank lending. These shifts towards agriculture and rural development are often seen as products of the triumph of liberalism in the World Bank operations under Robert McNamara but in reality were products of conscious efforts made by the Bank to use the ideology of rural development in the Third World countries to counter and contain what was considered the threat of communism[7].

Though the World Bank still continues financing agriculture and rural development, since early 1980s, the Bank has been extending loans specifically for institutional reforms in the Third World countries under what the Bank refers to as Structural Adjustment Loans (SAL). During the Bank's and IMF annual meeting in Seoul, South Korea, in 1985 a special fund was set up under the so-called Baker initiative, to rescue the economies of the middle income countries and to integrate the poverty concerns of the Bank in the 1970s into the growth and market oriented concerns of the early

6 The World Bank: *Annual Reports* (Various Issues) Washington D.C.

7 *Review of African Political Economy* No.13 (1978) London.

1980s. Under the plan, the Bank would provide loans "designed to help member countries adjust their economies through far reaching reforms so as to reestablish or maintain sound and stable growth"[8]. Between 1984 and 1986, up to 8.1 percent of the World Bank worldwide lending financed Structural Adjustment Programmes[9].

Structural distribution of World Bank Financing in Nigeria

The shifts in World Bank loans in its worldwide operations was clearly reproduced in Nigeria. In the period 1958 to early 1970s, a total of 20 loans were extended to Nigeria valued at $1.84bn. During the period, energy, transport alone attracted 13 projects at a cost of $344.2m accounting for 66.4 percent of the loans. The remaining 7 projects included: education, 3; industry, 2; post-war rehabilitation, 1; and agriculture 1[10]. Here the loan of $17.3m for the cocoa project in the western region became the first loan for the agricultural sector in Nigeria[11].

However between 1971 when the first loan for agriculture was granted and 1987, a total of 29 loans were extended to Nigeria under the agricultural sector valued at $1.59bn. This constitutes up to 44 percent of the Bank's loans to Nigeria. The greater concentration of the loans to the agricultural, sector was made in the period 1974 and 1984 when 24 out of the 29 projects were extended. In 1975 alone the World Bank financed 8 agricultural projects in the country[12]. With the increase in lending to agriculture, there was a corresponding decline in the Bank's financing of its traditional areas of operations. Between 1975 and 1987 only two projects for transport and 4 for energy were financed. With the exception of the loan extended to Nigeria for the establishment of the Agriculture and Rural Management Training Institute (ARMTI) at Ilorin no loan was made for education between 1974 and 1987, while new loans for urban housing, health and population were added under the social sector[13].

Since 1986 however with the introduction of the Structural Adjustment Programme (SAP) in Nigeria, the Structural Adjustment Lending (SAL) has become a critical element in World Bank operations in Nigeria. In November 1986, a month after the SAP was formerly introduced in Nigeria, the World Bank loan of $452m extended to Nigeria under SAL became

8 The World Bank: Nigeria and the World Bank (Jun. 1987) Ibid.
9 Ibid.
10 Ibid.
11 The World Bank: Nigeria: *Summary of World Bank Assisted Projects under Implementation* Resident Mission in Nigeria (July 1987) Lagos.
12 Ibid.
13 Ibid.

effective and by the end of June 1987, the whole loan had been disbursed leaving only $2.0m as undisbursed balance[14]. This loan alone accounted for 13 percent of all World Bank loans to Nigeria and nearly as much as all the loans extended under education, industry, urban housing and health and population which altogether account for only 14 percent. Negotiations for a second SAL loan of $500m started since October 1987 but up to the end of September 1988, the second loan did not become effective following disagreements between the World Bank and the IMF on the one hand and Nigeria on the other over the implementation of the Structural Adjustment Programme[15].

International Finance Corporation, Portfolio Investment in Nigeria

Beside the IBRD and IDA loans, the International Finance Corporation (IFC), an affiliate and member of the World Bank group, has since 1964 also made a total of 9 investments in Nigeria valued at $88m. These included the IFC's portfolio investments in the Arewa Textiles Ltd.; Dunlop (Nig.) Industries; Funtua Cotton Sheds Crushing Company (FCCC); Ikeja Hotel Ltd.; Nigerian Textiles Mills Ltd. and the Tiger Battery Company. In the 1987 fiscal year, IFC was reported to have made new approval for a further investment in the Ikeja Hotel business and pledged to make new portfolio investments in Tower Aluminium Co. and in NAL Merchant Bank to expand their business operations[16].

Financing Agriculture and Rural Development

The World Bank investments in Nigeria were divided into two categories. The first relate to loans that were extended under specific sectors of general agriculture such as livestock, forestry, fertilizer and agricultural training. The distribution of the World Bank lending to the agricultural sector in Nigeria shows that tree crops had a total of $95.0m or 6.0 percent. Under the tree crops category, the first cocoa project for the western region in 1971 was followed by a second cocoa loan in 1974. In 1985, four loans for palm oil projects in Bendel, Imo and Rivers states were made by the World Bank. In addition, the World Bank also extended 2 loans for livestock $101.8m, 6.4 percent; 2 loans for forestry $102.0m; fertilizer, $250.0m and $56.0m or 3.5 percent for agricultural training project[17].

In actual fact the dominant area of the World Bank lending has mainly been for food crops within the context of the Bank's agriculture and rural

14 Ibid.

15 *West Africa*, October 17-23, 1988 London.

16 *West Africa*, October 3-9, 1988 London, p.1835.

17 The World Bank, *Nigeria: World Bank Assisted Development Projects Planned for 1988-1990*. Resident Mission in Nigeria (July 1987) Lagos.

development projects (ADPs). Since the Bank made its first loan to the agricultural sector in 1971 to June 1987, out of the 28 loans totalling $1.6bn, 15 ADPs were assisted by the World Bank at a cost of $970m accounting for 61 percent of all Bank's lending under agriculture or 27.2 percent of total Bank's commitments in Nigeria. If the rice development project and the fertilizer loan scheme financed in 1984 were all added up under the category of crop development, the total value would amount to $1,237.1m accounting for 77.7 percent of lending to the agricultural sector[18].

Nature and Forms of ADPs in Nigeria

A typical World Bank assisted project often have three basic components which also often form the basis and objectives of the projects. Firstly, the ADPs were established to create structures that would improve speedy and efficient procurement and distribution of agricultural inputs such as fertilizers, chemicals, High Yielding Variety (HYV) seeds and agricultural machinery and equipments. Secondly, to facilitate the opening of the rural communities, rural roads, rural water supply were integrated into the ADP concept. And thirdly, expatriates, consultants were recruited in order to 'strengthen' local institutions. The overall objective however was to increase agricultural production and productivity of the rural farmers.

Enclave ADPs

In the period 1974 and 1987 the World Bank adopted three strategies in the establishment of ADPs in Nigeria. In 1975, the World Bank introduced three pilot ADPs in Funtua, $28.4m; Gusau, $18.9m; and Gombe, $21.0m all in the northern States. In 1977 two more pilot ADPs were established at Lafia, $26.8m; and Ayangba, $34.8m also in the North. These were referred to as *enclave* ADP's designed to run for five years each with the hope of expanding them further based on their performance. Following their completion however in 1980 and 1982 only the first three projects at Funtua, Gusau and Gombe were considered even by the World Bank as having performed satisfactorily and worth further expansion. The two other projects at Lafia and Ayangba were said to have suffered from lack of resources and staff which rendered their performance as less than satisfactory[19].

18 The World Bank: Nigeria and the World Bank (June 1987) Ibid.

19 The World Bank: *Project Performance Audit Report, Nigeria: Gusau, Funtua and Gombe ADP Loans 1099, 1092 and 1164 UN.* Report No. 3975 Operation Department (June 1982) US.

State-wide ADPs

On the basis of the performance of the pilot enclave ADPs, the World Bank and the Federal Government of Nigeria negotiated along with the State Governments where these ADPs were located for their expansion into State-wide ADPs. This was to coincide with the introduction of the green revolution programme by the Shehu Shagari Government under the Fourth National Development Programme, 1980-1985[20]. In 1981 the first two State-wide ADPs were established in Bauchi State with a loan of $132.0m as an extension of the Gombe ADP and in Kano State with a loan of $142.0m (incidentally it was only the Kano ADP that was established as a State-wide ADPs without first having an enclave ADP. In 1982 the Gusau ADP was expanded into a Sokoto State with a Bank loan of $147.0m and the Kaduna State ADP too should have become effective in the same year.

However the World Bank and the Federal Government of Nigeria (FGN) on the one hand and the Kaduna State Government, under the People's Redemption Party (PRP) Governor Abdulkadir Dalarabe Musa, on the other, had a serious disagreement over the World Bank conditionality for loan effectiveness, the $100.0m loan proposed for the Kaduna State ADP 1980 did not become effective[21]. Negotiations however continued in 1983 after Balarabe Musa was impeached by the National Party of Nigeria (NPN) dominated legislature and a new loan of $122.0m was approved by the World Bank in 1984. The Kaduna State ADP therefore was formerly established in July 1985[22].

As the pilot ADPs were being expanded in the early 1980s under the Green Revolution Programme, more enclave ADPs were also being established in States without. For instance in 1979, the World Bank approved two loans for Bida, Niger State, Ilorin and Kwarra State at a cost of $23.0m and ₦27.0m respectively. These enclave projects became effective in 1980. In 1982 a loan of $28.0m was extended for the Oyo North ADP in Oyo State and in the same year the Skiti Akoto ADP project was approved with the World Bank loan of $32.5m[23].

The Accelerated Agricultural Development Area Projects (ADAPs)

The pressure on the Federal Government to establish at least one ADP in each state of the Federation under the Fourth National Development

20 FMA: *The Green Revolution: A Food Production Plan for Nigeria* Final Report Vol.2 Annexes (May 1980) Lagos.

21 World Bank and the Nigerian Economy. Statement on the World Bank Loan, Kaduna November 18, 1980. In Balarabe Musa; Struggle for Social Justice NNPC (1982) Zaria.

22 Nigeria: *Summary of World Bank Assisted Projects under Implementation* (July 1987).

23 Ibid.

Programme became high and the FGN considered the World Bank procedures of project identification, preparation, appraisal and loan effectiveness too slow and cumbersome to permit quick and early establishment of new projects. Therefore in 1982, the FGN decided to establish the Accelerated Agricultural Development Area Project (ADAP's) which were fully funded by the FGN and the respective States where the projects were located. Three such ADPs were established in Borne, Gongolo and Imo States[24]. Again this turn out to be difficult and the FGN had to reconsider its stand and made further negotiations with the World Bank. As a result of the new negotiations between the FGN and the World Bank two special enclave ADPs were established in Southern Borno and in Mambila, Gongola States in 1986. But more importantly a new phase of ADPs was introduced moving away from both enclave and the State-wide ADPs.

The Multi-State Phased ADPs

Since 1986, the World Bank has started financing a new form of ADPs which are phased over a period of time and group together a number of states under one project. The first phased Multi-State ADP, Multi-State Agricultural Development Project (MSADP) was established in 1987 with a World Bank loan of $162.0m to cover seven states including Imo, Anambra, Cross River, Benue, Plateau, Bendel and Ogun States. Unlike the State-wide ADPs, the MSADP includes only minimal agricultural inputs, placing greater emphasis on input distribution, seeds multiplication of cassava, maize and rice in the case of the MSADP[25]. A second MSADP planned for 1988-1990 to cover Gongola, Ondo, Oyo, Kwara, Niger, Lagos, Rivers and Borno States with a World Bank loan of $200.0m has already been appraised and due to take off.

The new strategy of multi-state programme financing by the World Bank however was not limited to crop production alone. Two other multi-state projects were extended to Nigeria under this category. The first was the second loan of $71.0m for Forestry approved in 1987 to cover Kano, Kaduna, Borno, Bauchi, Plateau, Benue, Ondo and Ogun states. The second was the multi-state Water Supply project valued at $100.0m to cover a number of states in the country due to take off in the period 1988 to 1990 but which would first start from Nigeria State[26].

24 FDRD: *A Decade of ADPs in Nigeria: Ten Years of Progress (1986) Lagos.*

25 Nigeria: *World Bank Assisted Projects under Implementation* (July 1987) Ibid.

26 Nigeria: *World Bank Assisted Development Projects Planned for 1988-1990.* Ibid.

Rural Development: Unfulfilled Hopes

One critical outcome of the intervention of the World Bank in Nigeria in general and in agriculture in particular is that while the loans have began to accumulate as debts, most of the projects financed by these loans have not yet started bearing fruits in the manner initially anticipated by planners of these projects. Thus the World Bank rural development projects have become the silent areas where the bitter politics of debt would set the agenda for the future operations of World Bank in Nigeria.

Myths of Success

In official terms the ADPs have been a big success. In 1986 the ADPs celebrated the first decade of their operations in Nigeria at Kaduna with fanfare. According to the Federal Department of Rural Development (FDRD), "against the background of their mandate, targets, achievements and cost effectiveness, the ADPs have eloquently defended their continued sponsorship"[27]. One index of their success according to the FDRD was that between 1980 and 1985 farmers in the ADP areas have collectively produced a total of 81m grain equivalent (GE) of crops. And secondly in terms of infrastructure, the 12 operational ADPs have by the end of 1986, built 601 Farm Service Centers; constructed 5494 kilometers of rural roads (and maintained 3755 km); established 101 dams, 3632 boreholes, 1661 wells; and constructed 910 other various types of buildings[28]. While it can not be denied that ADPs have made an impact on Nigeria's agriculture and rural development it was not possible for the ADP areas to have produced a total of 81m Grain Equivalent of crops within a period of five years at a period when the crisis of Nigeria's agriculture was deepening.

Reality of Failure

Indeed in 1987, more that thirteen years after the establishment of the first ADPs the Federal Government in a more sober review of Nigeria's agriculture concluded that it has failed to achieve thee elementary goals and expectations of the nation. These included the declining share of agriculture to GDP; decline of export earnings; rising food imports; increase in unemployment; and the raw material crunch for domestic industry[29].

Declining Share of Agriculture to GDP

One index of the failure of agriculture in Nigeria was the declining share of the contribution to the Gross Domestic Product (GDP). Between 1973 and

27 FDRD: *A Decade of ADPs in Nigeria: Ten Years of Progress.* op.cit.
28 Ibid.
29 FGN: *National Policy on Agriculture* (January 1987) Lagos.

1979, the percentage share of agriculture to GDP fell from 31 to 32 percent and to only 22 percent in 1980. Significantly in the period 1981 and 1985, the critical period of the Green Revolution, the percentage share of agriculture declined further and fluctuated between 21 to 23 percent[30].

Falling Foreign Exchange Earnings

Similarly, over the years since petroleum oil became a leading export commodity the share of agriculture to foreign exchange earnings has persistently declined. For instance the average value of export earnings fell from ₦432.7m between 1978 and 1980 to only ₦271.3m in the period 1980 to 1982[31]. Oil export earnings maintained a steady rise and its share of contribution rose from 93.3 percent in 1979 to 97.1 percent in 1985. During the same period, the non-oil exports including agriculture accounted for less than 3 percent[32].

Rising Food Imports

The declining agricultural production was not limited to export commodities but extended to basic food production. One consequence was the rise in food imports. Even in official terms food imports rose from ₦0.4bn in 1976 to over ₦2.3bn in 1987[33]. In reality the extent and size of Nigeria's food imports in the early 1980s is even higher. It has been shown that rice imports alone amounted to over ₦2.0bn in 1983[34]. It was noted however that even if agricultural food production has maintained the estimated 2.5 percent annual growth this could not march with the more than 2.5 percent rate in growth of food demand arising from the expanding population in the country.

The Raw Material Crunch

The fall in agricultural production has also led to the big squeeze on domestic businesses particularly those that significantly depended on local agriculture raw materials. For instance agro-allied businesses such as textiles, poultry suffered serious set backs in the early 1980s following the decline of cotton production and insufficient maize for poultry foods. This forced a number of textile firms and poultry businesses to cut back

30 Ibid.
31 Ibid.
32 Stephen Wright; *Nigeria: The Dilemmas Ahead. A Political Risk Analysis EIU Report No. 1072* (1986) US.
33 FGN: *National Policy on Agriculture* (1987) op.cit.
34 Y.B. Usman: Nigeria Against the IMF: *A Home Market Strategy*, Vanguard Press (1986) Nigeria.

operations (leading to mass retrenchment of workers), fold up at best go into direct farming[35]. The struggle by companies and individuals to secure import licence to procure the required raw materials from overseas suppliers led to the big import licence scandals of the early 1980s that partly justified the Federal Government's introduction of the Second Tier System of Foreign Exchange under the Structural Adjustment Programme in September 1986[36].

Re-population of the Country-side

The declining performance of agriculture has created an even bigger dilemma for the Nigerian economy and society. The dialectics of rural transformation has led to a persistent movement of the rural population away from the country-side into urban slums. Despite the fact that there was no corresponding growth of industrial jobs to accommodate the rural drift, the share of the rural labour force declined from 72 percent in 1960 to 55 percent in 1979 and to only 52 percent in 1985 a decline estimated at the rate of 1.34 percent annually[37]. Although some writers may argue that there is no direct relationship between the decline of the rural labour force and rural-urban migration, it can not be denied that it has significant influence over it and does help to explain the phenomenon.

The disappointment in the performance of the agricultural sector particularly in the period 1975 and 1985 when the World Bank was actively involved was curiously shared by even the World Bank itself. Ishrat Hussain former World Bank Resident Representative in Nigeria, concluded that:

> *after ten years of oil boom during which the total export earnings of Nigeria approximated about $100bn, the per capita income of an average Nigerian in 1984 was no higher than what it was a decade ago. The annual growth rate of GDP of 3.3 percent was almost equal to the population growth rate*[38].

The World Bank: Part of the Problem

If we take Ishrat Hussain's statement seriously, and we should, and consider that although the World Bank set out in the early 1970s to combat rural poverty in Nigeria through the financing of agriculture and rural development projects, and more than ten years later the welfare conditions of the average Nigerian in 1987 was no more than what it was in 1873 than it is save to suggest that the ADPs have failed to make significant positive

35 R.A. Alkali: *US Multinational Corporation in Nigeria: A Case Study of Poultry ..... in Kaduna State.* M.Sc. (1985) A.B.U. Zaria (unpublished).

36 Andrse Gunnil and Bjorn Beckman: *The Raw Material Crunch: Textile and Cotton in Nigeria.* Scandinavian Institute of African Studies (1987) Uppsala.

37 FGN: *National Policy of Agriculture* (1987) Lagos.

38 Ishrat Hussain: *Structure of the Nigerian Economy* NIIA (1987) Lagos.

impact on the economy and therefore the World Bank itself have become part of the problem and not a solution to it. The point is that even if the ADPs did not take responsibility for agricultural failure in the country in a casual-effect relations, they have at least failed to take credit for resolving it so far. This is particularly so because they formed the central and care elements of the Green Revolution Programme launched in 1980 in Nigeria to fulfil the hopes of the national food production plan for the country.

Counting the Cost

Against the background of the failure of agriculture it is imperative to re-examine the financial cost of the World Bank sponsored ADPs. There are two aspects to this: the first relates to the share of the contribution of the domestic finance generated and invested into the ADPs; and the second relates to the growing debts and indebtedness of Nigeria to the World Bank. Although this paper is primarily concerned with the latter it is relevant to treat briefly the dimension of Nigeria's financial investment into the ADPs and indeed into all agricultural projects financed by the World Bank.

Counter-part Funds

Although the ADPs are referred to as World Bank projects, this is only true to the extent that it was the World Bank that evaluated, prepared and appraised the projects, provided management personnel and generally controlled the administrative and financial affairs of the projects. In terms of actual financing the World Bank loans to the various agricultural projects in the amounts to on the average only 32 percent of the total cost of such project. The remaining 68 percent or more was contributed by the Federal Government as the borrower and the State where the project is located. For instance, the funding formula for the earlier projects was: FGN, 25 percent: State Government, 43 percent; and the World Bank, 32 percent[39]. While in some projects the bank's share is slightly higher, in a number of cases the share of the World Bank is actually lower.

Under the Bauchi ADP, the World Bank loan of $132.0m accounted for 37 percent of the total cost of programme which was put at $350.0m. The remaining $218.6m was contributed by the FGN and the Bauchi State Government. For the Kano State ADP, the bank contributed $142.0m out of the $482.2m accounting for 29.4 percent, while for the Sokoto ADP, the World Bank loan was $147.0m, i.e 29.5 percent of the total cost of $498.7m[40]. Since 1985, however the World Bank's percentage share has increased to up to 63 percent of the cost of the project, this has also been true with Multi-State ADP.

39 FDRD: *A Decade of ADPs in Nigeria: Ten Years of Progress* (1986) Lagos, op.cit.

40 Nigeria: *Survey Financial Times* March 7, 1985, London.

It is evident therefore that for the $1.6bn extended to Nigeria by the World Bank for the financing of rural development, between 1971 and June ending 1987, over $4.0bn had been contributed as counter-part funds from the domestic economy by the Federal Government of Nigeria and various states governments in the country. For every $1,0 the World Bank contributed, Nigeria contributed $2.4 as counter-part funds. The figure for the total counter-part funds generated from and contributed by the domestic economy to support World Bank assisted projects in the country is even higher if the total bank loans of over $3.57bn extended to Nigeria under various sectors of the domestic economy are taken into account.

From Rural Development to Indebtedness

The huge agricultural investments made under the ADPs and the failure of agriculture to pick up did not appear worrying. The fact that all the loans extended to Nigeria by the World Bank have now accumulated as debts (at various levels of maturity) and have to be repaid shows reasons for concern. For instance, the World Bank loans to Nigeria which accounts for only 10 percent of Nigeria's total indebtedness in the early 1980s now accounts for up to 14 percent.

Debt Service: Harvest of Profits

One interesting feature of the World Bank operation in Nigeria is demonstrated in the current structure of the capital flows: on one hand, while Nigeria's debts repayment to the World Bank was rising, on the other new bank disbursements was declining. Between 1983 and 1987, Nigeria made a total repayment of $740.2m to the World Bank made up $265m as principal repayments and $475.2 as interest. During the same period, while new IBRD and IDA commitments were $1.618bn, the gross disbursement for both new and old loans was only $1.626bn just as much as new commitments but excluding new outflow of capital in the form of repayments to outstanding debts. This effectively meant that the net capital transfer to Nigeria was only $885.9m an average of $477m in the period 1983 to 1987. However in 1987 alone, Nigeria made a total repayment of $260.0m out of which up to $162.1m (nearly as much as the average annual net disbursement), or 62.34 percent was paid as interest[41].

Escalating Debt

Placing Nigeria's indebtedness to the World Bank within the wider context of Nigeria's total extended debt raises even more interesting questions. For instance total external debt rose from $8.9bn in 1980 to $18.3 in 1985 and to

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41 World Bank: *Annual Report* 1987 IBRD (1987) US.

$20.9bn by 1986. In 1986, out of the $20.9bn debt, only 44.7bn was accounted for by long and medium term official and multilateral loans. The remaining $16.3bn was accounted for by Paris Club, $5.35bn; London Club, $2.3bn; and short term letters of credit, $8.6bn[42]. Calculated at current prices the Naira equivalent of the total external debt amounts to ₦121.4bn out of which the World Bank's share accounts for ₦16.6bn. But it is in the long term multilateral loans that the greater potential for debt crises lies primarily because the World Bank loans which constitute the main components of the long term multilateral loans with interest rates of around 9.6 percent are not subject to rescheduling and usually have longer period of maturity.

Net Capital Flight

In any case, while debt has accumulated, the attempts by the Nigerian Government to repay these loans have risen the volume of debt repayment and heightened the debt service ratio. Nigeria's annual debt repayments rose from $772m in 1980 to $4.34bn in 1986. During the same period a cumulative total of $14.92bn moved out of Nigeria as debt repayments out of which over $5.2bn was paid out as interest on outstanding debts[43]. In fact, in three consecutive years, Nigeria recorded net outflow capital amounting to $1.316m in 1984; $2.521m in 1985; and $2.919m in 1986[44]. This effectively means a total net capital outflow of $6.756m within a period of three years alone.

Galloping Debt Service Ratio

This has created great strain on the resource allocation in Nigeria with the greater portion of the national wealth moving out of the economy as debt repayments. Thus in the period 1980 to 1987 the percentage share of domestic resources committed for debt service has significantly risen. For instance debt service ratio relative to GDP rose to 25.7 percent in 1985 and in the same period the debt service ratio relative to export earnings grew up steadily from 1.8 percent in 1980 to as high as 30.8 percent in 1985. Indeed it was estimated that between 1985 and 1988, the most difficult period of Nigeria's Structural Adjustment Programme, the debt service ratio relative to export earning was in the region of 45 to 50 percent[45].

Debt and the Oil Clot

Against the background of rising debt and debt service was the declining fortune under the weight of the depressed oil prices and foreign exchange

42 Ishrat Hussain, op.cit.
43 Ibid.
44 Ibid;
45 Ibid.

earnings. Nigeria's export earnings fell from $27.75bn in 1980 to $12.99bn in 1985 and to only $6.77bn in 1986. This means that while more debts have accumulated between 1980 to 1987, and debt service has risen sharply, actual receipts in 1986 was just about a quarter of Nigeria's export earnings in 1980. And agriculture has so far not made appreciable improvement to tide over dwindling export earnings.

New Sources of Capital have Driven Up

Until recently, perhaps up to now, Nigerian debt was not considered a serious issue mainly because it was argued that Nigeria's debt was small relative to say, Mexico (Nigeria's debt is still 1/5 of Mexico's debt), and that Nigeria's economy still needs an infusion of outside capital and finance to overcome the debt 'hump'. The point however is that, while it was argued forcefully that Nigeria needed more loans to overcome its short term cash squeeze, this has not proved easy. In fact most sources of finance have dried up or are declining at a fast rate. For instance the disbursement of new loans to Nigeria declined from $4.97bn in 1983 to $2.5bn in 1984 to $1.7bn in 1985 and to only $1.4bn in 1986[46].

In the period since 1986, efforts by Nigeria to contract more loans and to reschedule old ones have become difficult primarily because all new loans and the rescheduling of outstanding debts including short terms letters of credit depended on and were tied to Nigeria's receipt of a certificate of 'fitness' from the International Monetary Fund (IMF) over its implementation of the Structural Adjustment Programme (SAP). This certificate has failed to materialize.

Rescue

The attempt by Nigeria to pay the two international Institutions have not been successful. First Nigeria, in a popular national debate in 1985, rejected the IMF loan of $2.5bn because of the unfavorable conditionality attached to it in preference for what was later referred to as a Home Market Strategy[47]. Behind the scene however, the Nigerian government was negotiating for a loan of $2.0bn from the World Bank to enable it implement the SAP. In October 1986 the loan of $452.0m from the World Bank was approved and became effective in the same months just as the SAP was introduced.

As noted earlier on however negotiations for the second loan of $500.0m under the trade policy (SAP) which began since October 1987 between Nigeria and the World Bank have failed to reach a conclusive agreement. Thus up to the end of September 1988, the World Bank could not disburse the second loan of $500.0m under the trade policy and export development

46 Ibid.
47 Y.B. Usman, op.cit.

primarily because, despite the fact that Nigeria had fulfilled nearly every condition set out by the IMF such as the devaluation of the Naira, privatization of public entreprises, the removal of the petroleum subsidy, rationalization of public utilities and the removal of import restriction, the World Bank and the IMF were still not satisfied with Nigeria's implementation of the Structural Adjustment Programme. Perhaps the one important condition that was not fully implemented was trade liberalization as defined by the World Bank and Nigeria's leading trading partners such as the United States which of recent has been insisting that the Nigerian State should lift the ban on and permit the importation of food grains principally maize and rice.

Conclusion

It is precisely against the background of these conditions in the Nigerian economy and society and the political pressures on the Nigerian state over the SAP that significantly contributed if not explain the current posture of the Nigerian Government. The recent open criticism of the World Bank and the IMF in an international forum and the reported plans for the formation of a debtor club under the auspices of Nigeria for a 'showdown' with the World Bank and the IMF does not necessarily suggest that the Nigerian State has finally come to grips with the reality of the mounting debts and if so was ready to take the political path for solving it. On the contrary it appears that its current posture and reaction to the debt question seems to be an attempt to use its new found 'radicalism' to obtain more concessions from the World Bank and the IMF in the form of either new loans and or the rescheduling of old debts. In either case within the context of the depressed oil economy and weak agriculture, the debt question in Nigeria would remain a critical political issue that for the time being is buried under the political carpet either through rescheduling of old debts or the procurement of new loans to pay for the old ones through an ingenious system of debt recycling.