

Nigeria's debt: No longer unforgivable **March 17, 2005**

Ridiculous though it sounds, Nigeria merits some debt relief

IF ONE considers how Nigeria has handled its oil revenues over the past 30 years, its quest for debt relief seems laughable. Its oil wells have yielded hundreds of billions of dollars, which its politicians have largely stolen or squandered. Nigeria is scarcely less poor than before its oil boom began. And, since successive governments borrowed against future oil receipts and wasted that money too, the country is saddled with some \$34 billion in foreign debt. Such a record suggests that extra cash freed up by debt relief would be frittered away.

But look at the past year and a half, and a different picture emerges. A new economic team, led by the finance minister, a former World Bank director called Ngozi Okonjo-Iweala, has made strenuous efforts to impose discipline. Recent high oil prices have generated an unexpected revenue surplus, which previous Nigerian governments would have spent. This one has saved it, on the wise assumption that prices will eventually fall. The federal government has also cajoled Nigeria's 36 states to save their share of the windfall. This is unprecedented. State governors are powerful, jealous of their prerogatives and often the kind of folk who, ahem, are glad that a governorship confers immunity from prosecution.

Not only is the government starting to spend within its means; the reformers are also trying to ensure that public funds are spent more transparently. The sums allocated to each level of government are now published, and there has been some progress in curbing graft. More open tendering for public contracts, for example, has saved about \$1 billion, by the government's estimate. The International Monetary Fund (IMF) describes Nigeria's recent record as "commendable".

Make it gradual and conditional

There are three main reasons for granting Nigeria debt relief. One is that much of its debt is "odious"; that is, it was accrued under military dictators. Since Nigerians did not choose these regimes, it seems unfair that they should have to repay the loans that foreigners were foolish enough to make to them. Nigeria has been a democracy since 1999, and is now somewhat less ill-governed than before, which brings us to the second reason: that there is a fair chance that the proceeds of debt relief would be invested sensibly.

The third reason is that Nigeria's reformers need a boost. They are fighting a lonely battle against a rich, corrupt and entrenched political class, braving occasional death threats to try to clean up one of the world's filthiest polities. Ordinary Nigerians largely support them, but many expect them to fail. Last week, the habitually irresponsible lower house

of Nigeria's national assembly voted to stop servicing the country's foreign debts. The upper house overruled it, but the vote underlined the reformers' vulnerability. Outsiders have been slow to back them. Among Nigeria's chief creditors, only Britain is wholeheartedly supportive of debt relief. Others are either hostile (eg, Germany) or undecided (eg, the United States).

There are reasonable objections to forgiving Nigeria's debts. The government is still riddled with corruption, and not nearly enough has been done to prosecute crooked officials. Some would argue that with all its oil, Nigeria is too rich to need relief. This is wrong. Nigeria may have a lot of oil, but it has a lot of people too. Divide its oil revenues by 130m and each Nigerian gets only half a dollar a day. Nigeria is poorer than several countries that have qualified for relief under the IMF's programme for Heavily Indebted Poor Countries, and no more corrupt than some. To qualify for HIPC, countries must submit to a formal IMF restructuring programme. Nigeria refuses, arguing that reforms that are too obviously foreign-imposed will arouse fervent opposition, and therefore fail.

Debt relief need not be sudden or unconditional. Creditors could make successive tranches dependent on continuing progress towards fiscal conservatism and public probity. The carrot of debt relief would surely increase the chance that essential laws, such as a long-delayed Fiscal Responsibility Bill, are passed. It should also reduce the chance that reform will be abandoned after the next election, in 2007. It might not work, of course. But if Africa is to succeed, its most populous nation must stop failing. Its creditors should give it a chance.