

Nigeria's Indebtedness to World Bank hits N6trn

Nigeria's borrowing from the World Bank has risen by 121.46 per cent under the regime of President Muhammadu Buhari. It was learnt that the total debt owed to the World Bank Group by Nigeria rose by \$7.64bn (N3.52tn, using the exchange rate of the Central Bank of Nigeria, which was N460.53 per dollar as of April 23, 2023) in seven years. Specifically, the country's indebtedness to the Washington DC, United States-based lender rose from \$6.29bn (N2.9tn) as of December 2015 to \$13.93bn (N6.42tn) as of December 2022, according to data from the external debt stock reports by the Debt Management Office. The International Development Association and the International Bank for Reconstruction and Development, which make up the World Bank, have over the years advanced loans to Nigeria. The IBRD lends to governments of middle-income and creditworthy low-income countries, while the IDA provides concessionary loans – called credits – and grants to governments of the poorest countries. The data showed that in 2016, Nigeria had a debt of \$6.29bn from IDA and \$3.57m from IBRD, but by 2022, the borrowing through IDA was \$13.45bn while the one from IBRD was \$487.03m. A further breakdown over the years showed that Nigeria's total borrowing from World Bank was \$6.67bn in 2016, \$8.03bn in 2017, \$8.67bn in 2018, \$10.1bn in 2019, \$11.53bn, and \$12.38bn in 2021.

The loans approved by the World Bank to Nigeria are usually tied to different projects across different parts of the country. For instance, in 2020, the Nigeria Rural Access and Agricultural Marketing Project, which seeks to upgrade rural roads, and improve connectivity and access to local markets and agribusiness services in 13 states, was approved to be co-financed through an IDA credit of \$280m, \$230m from the French Development Agency, and \$65m from the Federal Government of Nigeria. The Nigeria Digital Identification for Development Project, which will support the National Identity Management Commission to increase the number of persons who have a national identification number to about 150 million in the next three years, was also approved to be co-financed through an IDA credit of \$115m, \$100m from the French Development Agency, and \$215m from the European Investment Bank.

In 2021, the World Bank approved a \$700m credit from the IDA for the Nigeria Agro-Climatic Resilience in Semi-Arid Landscapes Project. The bank also approved \$500m to help boost access to electricity in Nigeria and improve the performance of the electricity distribution companies in the country.

Economic Confidential recently reported that rising debt pushed Nigeria up the World Bank's top 10 International Development Association borrowers' list. The World Bank Fiscal Year 2021 audited financial statements, known as the IDA financial statement, showed that Nigeria was rated fifth on the list with \$11.7bn IDA debt stock as of June 30, 2021. However, the newly released World Bank Fiscal Year 2022 audited financial statements for IDA showed that Nigeria has moved to the fourth position on the list, with \$13bn IDA debt

stock as of June 30, 2022. This shows that Nigeria accumulated about \$1.3bn IDA debt within a fiscal year, with the country taking over the fourth top debtor position from Vietnam. This debt differs from the outstanding loan from the World Bank's International Bank for Reconstruction and Development. The top five countries on the list slightly reduced their IDA debt stock, except for Nigeria. The World Bank disclosed recently that Nigeria's debt, which may be considered sustainable for now, is vulnerable and costly. The bank said, "Nigeria's debt remains sustainable, albeit vulnerable and costly, especially due to large and growing financing from the Central Bank of Nigeria." Meanwhile, economists have warned that the incoming government may face debt repayment crisis if nothing is done to tackle the spate of borrowing amid low revenue. A professor of Economics at the University of Ibadan, Prof Adeola Adenikinju, has warned that Nigeria's debt service to revenue ratio could exceed 100% if urgent measures are not taken to expand the country's revenue base. Adenikinju stressed the need for the incoming administration to prioritise the expansion of the revenue base, in order to avoid a debt crisis. He said, "If care is not taken, the debt service to revenue ratio may exceed 100%. Hence, the incoming administration must place emphasis on expanding the revenue base of the country significantly. "Hence, it must ensure that debts are incurred to finance productive investment that can finance itself and contribute to economic growth." Also, a professor of Economics at the University of Kaduna, Seth Akutson, said, "Actually, it depends on the incoming government on how they want to do it. It is about doing the right thing. The debt is not an issue but how you utilise those debts. Can we account judiciously? "Of course, what we are going to face with the incoming government is the repayment of the debt, particularly, the interest that will be accruing, which may affect whatever capital expenditure that they are going to embark upon. We are hopeful perhaps that this government will bring the right people that will work towards debt restructuring or debt forgiveness." A facilitator with the Nigeria Economic Summit Group, Ikenna Nwaosu, said, "It (borrowing) is not sustainable, so if the next regime doesn't do something about it, our entire debt servicing will take up the entire revenue of the country." Also speaking, an economist and Managing Director of the Financial Derivatives Company Limited, Bismark Riwane, said, "You see your debt service depends on the level of interest rate. So, if the interest rates are increasing then you could have that scenario. It is not unusual for countries to be in a situation like this. What it now means is that you have to reschedule your debts, so that your debts service which includes interest and principal are now restructured to accommodate revenue profile." Also speaking, an economic expert and Deputy-President of the Lagos Chamber of Commerce and Industry, Gabriel Idahosa, said that Nigeria's debt servicing was already at risk of exceeding revenue. Idahosa said, "Already, 96 of our revenue is being spent on debt servicing as we speak. So, it's not that we are not at risk of exceeding our revenue. That is a point that has been made again and again that our entire revenue is now being used for debt servicing."