

CISLAC calls for collective action against Nigeria's rising debt



The Civil Society Legislative Advocacy Centre, CISLAC, in collaboration with the Christian Aid Nigeria, have called for a collective action by state and non-state actors to tackle Nigeria's debt crises. Speaking on the increasing role of private creditors in Nigeria's debt crises and its human cost, at a press conference in Abuja, the Executive Director, CISLAC, Auwal Rafsanjani lamented that barely two decades after the buyback deal by the then President Olusegun Obasanjo from the Paris Club debt relief agreement, Nigeria is already in another debt crises, with an inevitable human cost. Rafsanjani noted that with limited access to further financing on concessional terms, and with a growing presence and influence of private creditors in its debt profile, Nigeria's national debt is growing and increasingly putting the country in a precarious situation, with

significant implications for human rights, including education, health, climate change mitigation and adaptation. He pointed out that a growing proportion of external debt owed to private creditors under opaque terms and often subjected to high interest rates is contributing to spiraling debt servicing costs, increasing the risks to Nigeria's economy.

According to him, this trend is playing out in a context of lack of transparency in lending more generally which is a barrister to holding governments accountable for debts they incur alongside the deep economic impacts of the COVID-19 pandemic and the associated fiscal constraints. He also mentioned that with the refusal of private creditors to embrace debt relief initiatives, the Nigerian government would continue to spend a significant

part of its budget to service loans to private creditors under stringent conditions, including high interest rates, adding that this has drastically reduced due commitment to more critical socio-economic sectors like health and education.

The Human Rights Activist who noted that the federal government has projected debt servicing to cost N10.43trn by 2025, which would make it almost impossible to finance the health budget which makes up 5.75% of 2023, called for the urgent intervention of relevant actors within the debt financing ecosystem to forestall the looming economic crises. He said, "We are deeply concerned with the lack of vigorous scrutiny and attention by the lawmakers in granting requests for loans without reflecting the provisions for the Fiscal Responsibility Act, and the greater implication for the nation economic state. Often times, it is not always to the interest of the people borrowing from private creditors at a very exorbitant interest rate. The Nigerian legislators have the constitutional and legislative mandate to approve loan requests only on the basis of public interest want to give to the President's requests for further borrowings.

"We have launched a researched product that centers on revealing and challenging the role of private creditors in hindering people's recoveries to enhance the urgency with which the international community must address sovereign debt crises. This research was commissioned with support from Christian Aid, to fully highlight the Nigerian context and dimensions of the indebtedness to

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private creditors for policy options and deliberate efforts to ending it. It aims to contribute to an intentional financial architecture and macroeconomic environment that enables the fulfilment of human rights and the undertaking of climate action in economies that center on care. "We believe that the timing is auspicious to intensifying the urgency for adequate responses by relevant actors within the debt financing ecosystem that will contribute to cushioning these worsening economic crises. "We call on all state and non-state actors to heed this call and mobilize collective actions to nip this issue in the bud as we head towards a fiscal cliff, in the interests of the increasing population of poor Nigerians whose lives are affected by the crises."

Rafsanjani pointed out that an additional cause of concern is the lack of transparency on lending and borrowing particularly with private creditors and other bilateral partners,

which prevents funds from being tracked and governments and lenders from being held to account, adding that even where the existence of loans is public, crucial information such as the interest rate, other charges, and payment schedules are kept secret. "This issue has been exacerbated as developed nations have pushed commercial lending toward what are described as frontier markets leading to the emergence of private lenders with higher interest rates as well as conditions around asset collateralization – a process that gives the creditor unreserved rights over an asset or revenue stream that would allow it, if the borrower were to default on its payment obligations, to rely on the asset or revenue stream to secure repayment of the debt under opaque agreements and as hinted at in the case of Nigeria – China loan. "While the need for market expansion was necessary in the face of an increased need for investment in infrastructure, the emerging creditors prey on the

vulnerability of developing economies by offering loans under stringent and expensive conditions much more than the usual concessional rate of the multinational and the traditional bilateral donors. The level of profitability from private lending as well as collateral banking has created the window of opportunity for the flourishing of private lending. "The concern is that new frontier of lending (private creditors) operates to increase the cost of debt servicing while restricting governments' fiscal strength and constraining their ability to respond adequately to social and economic emergencies brought to the fore by the outbreak of the COVID-19 pandemic," he said.

The Senior Programme Coordinator, Uzor Uzoma decried the dangerous dimension Nigeria's debt has risen to, as she condemned the continuous quest by the federal government to borrow more money despite its adverse economic implications and the impact it would have on poor Nigerians. "I was shocked again, when I saw that the federal government, that President Buhari is soliciting for N8.19 trillion again. This is domestic debts. It doesn't make sense? So, when I saw it I was like I think we have a problem somewhere. And this is an exiting President, and then he is seeking for all these monies again, what is it for. They say is for infrastructure projects, construction projects that's what I saw, that's what I read. "We don't borrow loan for consumption, we borrow loan for investment. We need to ask ourselves what kind of investments, it has to be development investment. I am looking at the impact of all of these in the lives of women and children. Uzoma who was touched by the wider implications of the excessive borrowing by the Nigerian government especially the way it has negatively impacted the lives of poor Nigerians, stressed that every individual Nigerian has a role to play in tackling the country's debt crises in Nigeria