

Nigeria's debt addiction sinking further into reckless borrowing

By Femi Akintunde-Johnson



fragility. Between 2015 and 31 March, 2024, Nigeria's total public debt ballooned from ₦12.12 trillion to an alarmingly eye-watering ₦121.67 trillion (\$91.46 billion), according to the Debt Management Office (DMO). The breakdown is sobering: ₦56.02 trillion (\$42.12 billion) in external debt and ₦65.65 trillion (\$49.35 billion) in domestic debt. Not content with just owing, we've found a way to owe even more by simply watching the naira depreciate. The DMO blames this steep increase on the official exchange rate's shift from ₦899.39/\$ in December 2023 to a dizzying ₦1,330/\$ by March 2024. With figures like these, it seems Nigeria has mastered the art of turning arithmetic into acrobatics – except we're no longer sure who's flying and who's falling. Take the \$500 million loan from China in 2018 to upgrade key rail infrastructure – an ostensibly commendable initiative. Six years later, those rail lines remain incomplete or underutilized, with questions about the disappearance of funds allocated to ancillary components. Meanwhile, projects like the Lagos-Ibadan expressway and the Ajaokuta Steel Complex, which have consumed significant portions of external loans, continue to languish in delays and excuses. One cannot help but wonder: is it the projects that are cursed, or the contractors?

Indenting into Nigeria's economic trajectory over the past nine years reveals a bewildering conundrum: how can a country so rich in natural and human resources constantly find itself ensnared in a debt trap? The answer lies not in what we borrow, but in how we squander. In this period, the Nigerian government has embarked on a borrowing spree ostensibly to fund infrastructure development. Yet, the evidence shows that these exorbitant loans often serve no greater purpose than propping up unsustainable budgets and financing loan repayments – a damning cycle that deepens fiscal

It is in servicing this debt that Nigeria's true predicament lies. In 2024, over ₦10.2 trillion – 62% of the federal budget – was allocated to debt servicing – leaving a paltry 18% for capital projects. Such proportions stifle meaningful investments in health, education, and critical infrastructure, exacerbating the very developmental challenges these loans were meant to solve. Just imagine a household where most of the income is spent repaying loans for a car that doesn't start and a house with no roof. That's Nigeria for you, except with more ministers, aides,

and advisory committees. Worse still, many of these loans were not directly tied to productive economic ventures. Instead, they were used to plug deficit budgets bloated by extravagant subsidies, unsustainable governance costs, and recurring expenditures. For instance, over the past decade, Nigeria spent more than \$1.2 billion annually on petrol subsidies alone – funds that could have revolutionized public transportation or modernized energy infrastructure. It's the equivalent of borrowing money to fix a leaking bucket, only to spend it all on umbrellas and a new suit for the chairman.

To fully grasp the absurdity of Nigeria's fiscal gymnastics, one must look at countries that have successfully leveraged borrowing for growth. Germany, a powerhouse in industrial production, maintains a robust infrastructure partly financed through debt. However, its borrowing practices are governed by strict fiscal rules, transparency, and an unwavering focus on return on investment. Similarly, Japan's public debt-to-GDP ratio exceeds 250%, yet it thrives economically because borrowed funds are reinvested in high-yield ventures, from cutting-edge technology to efficient transportation systems. Every yen borrowed generates tangible returns. Meanwhile, in Nigeria, we borrow dollars to fund white elephant projects, and when the naira predictably stumbles, we start praying for miracles – or another loan. Even within Africa, there are cautionary tales to consider. Kenya's debt crisis mirrors our missteps, with loans from China funding infrastructural projects that struggle to deliver projected economic benefits. Its Standard Gauge Railway, hailed as a game-changer, remains an underperforming asset, with mounting operational costs far outstripping revenues. Ghana offers a more sobering tale: after years of over borrowing, it defaulted on its external debts in 2022, leading to IMF interventions and severe austerity measures. Like us, these countries failed to prioritise debt sustainability, transparency, and productive allocations. And if our neighbors are any indication, it seems Nigeria is sprinting toward the same cliff – only faster, and with a bigger entourage. Foreign loans are just one part of the fiscal recklessness endemic in Nigerian governance. Oil revenue, once the nation's backbone, has become a source of mystery rather than stability. Despite crude oil prices hitting over \$100 per barrel in recent years, revenue leakage through theft, corruption, and opaque remittance practices has left Nigeria unable to reap the rewards of its natural wealth. Even bailout funds meant to rescue state economies have become case studies in profligacy. Billions of naira allocated to state governments since 2016 have either vanished or been used for frivolous projects, with little

accountability from federal or state authorities. Here, governance often feels like a scene from a Nollywood epic: plenty of drama, elaborate costumes, but no clear resolution. In advanced economies, transparency and fiscal discipline form the bedrock of debt management. Countries like Norway, with its sovereign wealth fund, demonstrate how resource-rich nations can prudently manage revenues for long-term benefits. Norway invests excess oil revenue into a globally diversified fund, ensuring financial security for future generations. Another example is the United States, where public debt finances high-yield investments like innovation hubs, military advancements, and global trade networks. Crucially, mechanisms like congressional oversight and media scrutiny ensure a degree of accountability that is glaringly absent in Nigeria. Meanwhile, over here, we debate whether our sovereign wealth fund should be used to buy more SUVs for lawmakers or sponsor international trips for “fact-finding missions.”

Nigeria's debt crisis is a symptom of a deeper malaise: the lack of foresight and responsibility in leadership. Borrowing itself is not inherently bad; it becomes destructive when driven by short-term political survival rather than long-term economic growth. The solution lies in systemic reforms. First, loan agreements must be subjected to rigorous parliamentary scrutiny, with explicit performance benchmarks and penalties for misappropriation. Second, the government must wean itself off reliance on oil revenue by seriously diversifying into manufacturing, agriculture, and digital technology. Third, a public database detailing the inflow, allocation, and repayment status of all loans should be established to enhance transparency.

Finally, civil society must play its part. A disengaged citizenry enables impunity, while an informed and vocal population can hold leaders accountable. Nigerians must demand better – not just from government officials but also from themselves. As the nation stares at another financial precipice, the time for sober reflection is now. Our natural and fiscal resources, mismanaged and misdirected for far too long, must become instruments of progress rather than emblems of failure. The world's wealthiest nations once faced their own economic hardships but overcame them through discipline, innovation, and accountability. Nigeria must do the same or resign itself to perpetual dependency – a grim inheritance for generations yet unborn. After all, while other nations borrow to build bridges, we seem to borrow to dig holes. The irony, it seems, is lost on no one but us.