FISCAL POLICY · NIGERIA

# From Lender To Borrower

*Nigeria's journey to a fiscal tightrope, and how We get back to our 1974 levels*

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## IN BRIEF

Between 1974 and 1976, Nigeria lent about US$680 million to the IMF, the World Bank and the African Development Bank. It still funds a concessional lending window for poorer countries today.

Central Bank figures put external debt at 1.9 per cent of GDP in the 1970s, with reserves nearly six times the debt. External debt is now US$51.86 billion, and debt service took 67 per cent of federal retained revenue over the first three quarters of 2025.

The rules that would have held the line already exist. Most of the failures are legislative,and the Central Bank itself identified them in 1989.

## EXHIBIT 1

### The position at every major lender has reversed

| MEASURE | 1971 TO 1977 AVERAGE | LATEST AVAILABLE |
|---|---|---|
| Position at the IMF | Lender | Borrower |
| External debt | US$509.9 million | US$51.86 billion (December 2025) |
| External debt to GDP | 1.9 Per cent | About 39 per cent (rebased) |
| Debt service | 0.7 Per cent of export earnings | 67 Per cent of federal retained Revenue (01 to 03 2025) |
| Reserves against external debt | 588 Per cent | Below 100 per cent |
| Debt owed to official lenders | 91.4 Per cent | A minority share |

*Source: CBN Economic and Financial Review 1989;27(2): Debt Management Office; National Bureau of Statistics, 2025*

# Read the 1974 Ledger First

In 1974, Nigeria lent money to the International Monetary Fund.

The Fund's own history records it: US$120 million into the IMF Oil Facility that year, US$240million more in 1975.

Nigeria was among the surplus oil producers whose earnings were recycled through the Fund to finance the 1973 shock. It now sits on the borrowing side of the same institution.

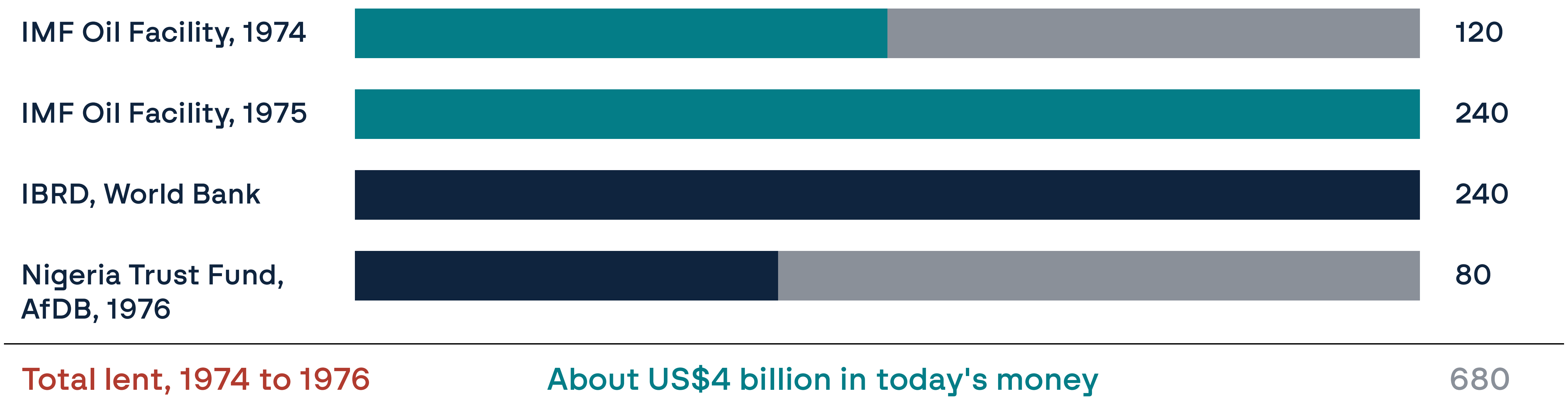
World Bank archives record another US$240 million lent by Nigeria to the IBRD.

In 1976, Nigeria founded the Nigeria Trust Fund at the African Development Bank with US$80million of its own capital, so poorer African countries could borrow cheaply.

> **Roughly US$680 million in three years, about US$4 billion in today's money, went to the institutions Nigeria now borrows from.**

EXHIBIT 2

**US$680 million lent in three years, to the three institutions Nigeria now borrows from**




*Source: IMF History, Volume 1, Chapter 18; World Bank Group Archives; African Development Bank.*

## The reach went well beyond institutional lending:

- Emergency drought relief across the Sahel.
- Direct grants to Angola and Mozambique after independence.
- Support for SWAPO in Namibia and the fighters in Zimbabwe.
- A founding contribution to the OPEC Fund.
- The South African Relief Fund, financed by a 2 per cent levy on civil servants' salaries and later called the Mandela Tax

# Count the reasons it was never prudence

The Central Bank's own figures make the position sharper than the story usually told. Between 1971 and 1977 external debt averaged US$509.9 million, or 1.9 per cent of GDP, and debt service took 0.7 per cent of export earnings.

Reserves across those years averaged 588 per cent of external debt: Nigeria held nearly six times in reserve what it owed abroad, covered about eight months of imports, and a naira bought roughly US$1.55.

| 588% | 8 | 1.9% | $1.55 |
|---|---|---|---|
| Reserves as a share of External debt, 1971 to 1977 Average | Months of imports Covered by reserves | External debt as a share of GDP | Bought by one naira |

It is tempting to read this as prudence. It was not.

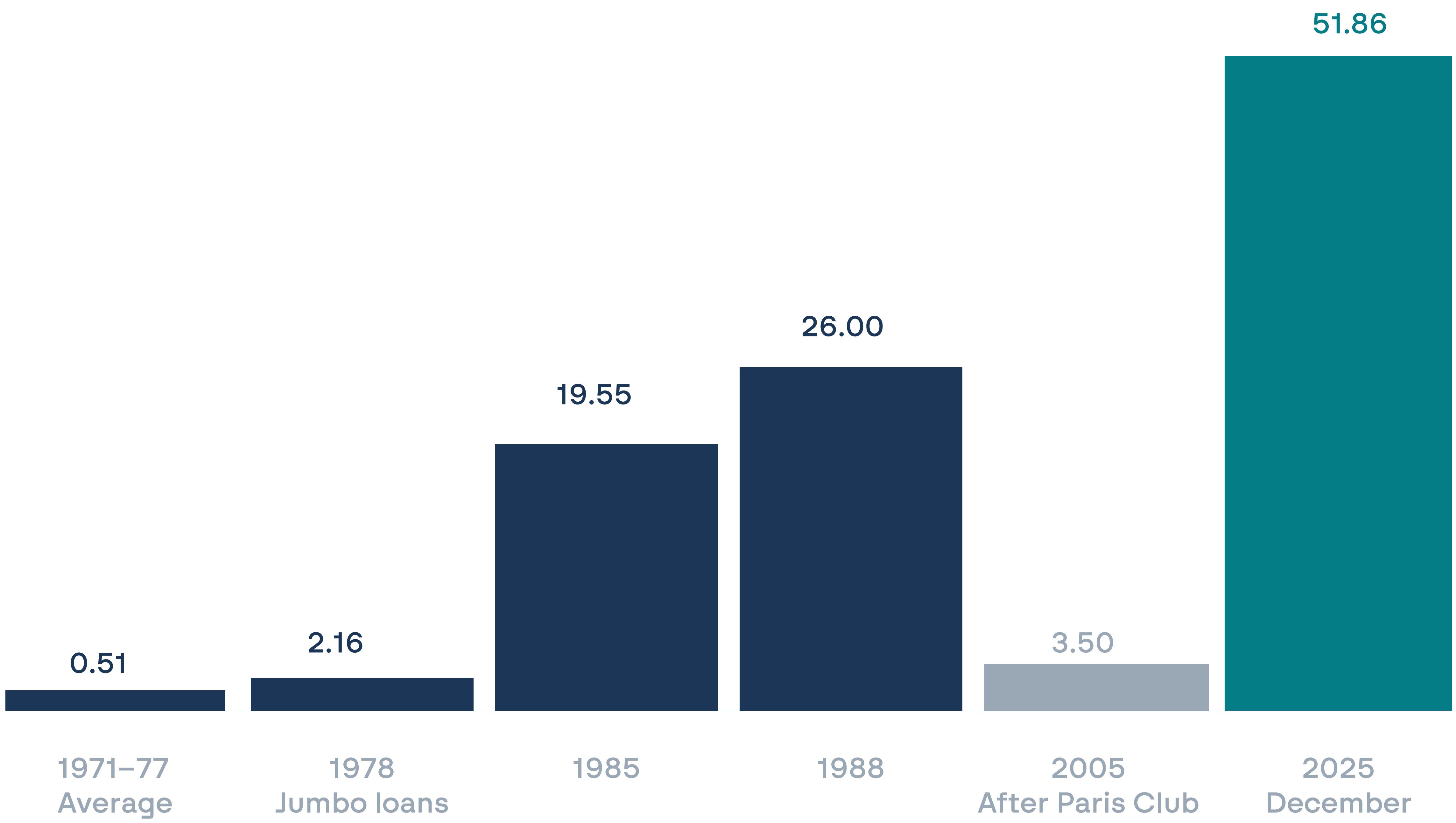
Nigeria was a creditor because oil prices had quadrupled while the government was still small relative to the economy: a narrow payroll, no fuel subsidy of the modern kind, no debt service line worth naming.

> **A revenue surge with nothing already claiming it produces a surplus automatically. What Nigeria never built was anything to hold it: no savings statute, no stabilisation fund.**

EXHIBIT 3

## External debt stock, and what it was worth against GDP

US$ BILLION, END OF PERIOD




*Source: Ojo MO, CBN Economic and Financial Review 1989;27(2):46-60; Debt Management Office; National Bureau of Statistics rebased series, 2025. The 2025 ratio is measured against a rebased GDP denominator and is not strictly Comparable with the earlier years.*

## External debt stock, and what it was worth against GDP

| | |
|---|---|
| **1978** | Two Jumbo loans take Nigeria into the commercial capital market for the first time. External debt roughly triples in a year, from an average of US$510 million to US$2.16 billion. Austerity follows |
| **1980** | A second oil boom delivers a fiscal surplus of about US$10 billion, with reserves to match. The debt climbs regardless. |
| **1982-1983** | Unpaid import bills enter the debt profile for the first time, at 22.5 per cent of the stock. They are refinanced by issuing promissory notes worth US $3,834.4 million, turning private trade arrears into sovereign debt. Nobody decided to borrow. |
| **1984-1985** | The Buhari government, alleging contractors inflated prices under Shagari, Refuses interest accrued before January 1985 and orders the claims verified. Of the notes presented by insured creditors, only US$841.2 million is Accepted. |
| **1985-1988** | External debt reached US$19.55 billion, then passed US$26 billion. Debt to GDP, under 2 per cent a decade earlier, hits 97.8 per cent. |
| **1989-1996** | Nigeria is twice refused the Toronto terms extended to comparably indebted Countries. By 1996, service due was US$5,271 million against arrears of US$11,280 million, and the government allocated US$2 billion. |
| **2005** | The Paris Club claim stands at about US$30.85 billion. Nigeria negotiates away US$18 billion and pays US$12.4 billion in cash from savings accumulated when oil sold above the budget benchmark. External debt falls to roughly US$3.5 billion. |

Since 2006, no guardrail has held that gain. Neither the Excess Crude Account nor the Sovereign Wealth Authority was insulated by statute, so both were raided for budget Support. External debt is now US$51.86 billion.

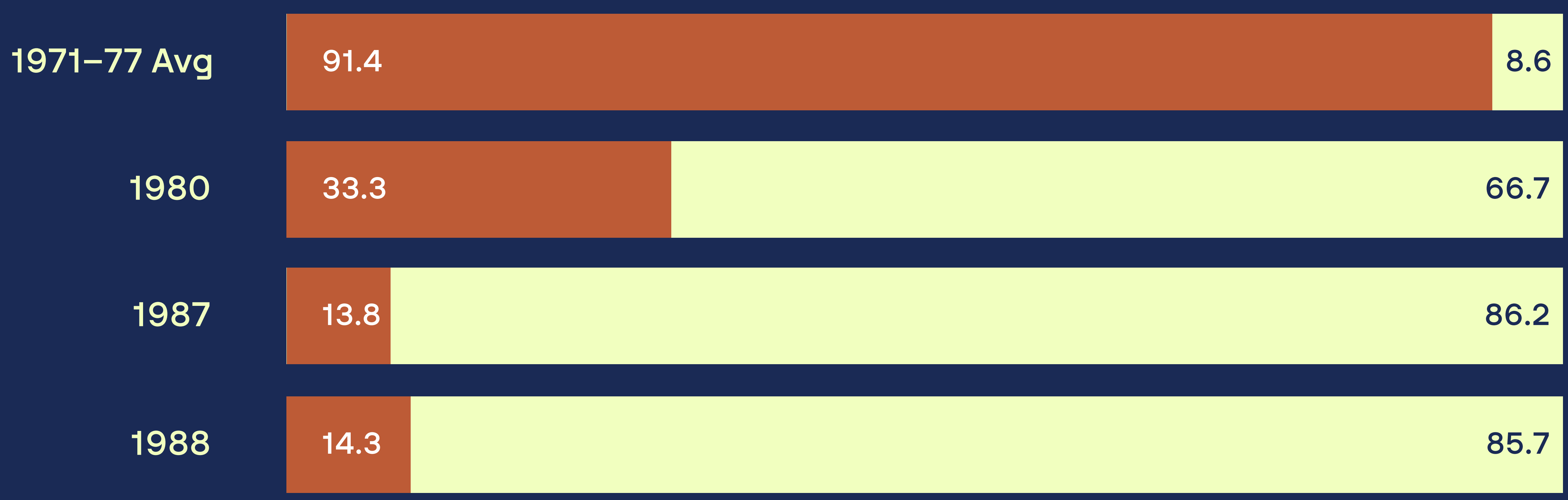
Separate one lesson from the dates. Nigeria's debt has rarely grown through deliberate Borrowing decisions, but through arrears, verification disputes, rescheduling and currency movement. That is why the headline total explains less than it appears to.

# Read past the headline number

The most consequential change of that period was not the size of the debt but its character. Official lending, 91.4 per cent of the stock between 1971 and 1977, fell to 33.3 per cent by 1980 and 13.8 per cent by 1987. By 1988, Private creditors held 85.7 per cent.

## EXHIBIT 4

Cheap long money swapped for expensive short money inside a decade




*Source: Ojo MO, CBN Economic and Financial Review 1989;27(2):46-60, citing the Federal Ministry of Finance And Economic Development and the Central Bank of Nigeria*

The same problem is live now. Much of the domestic stock is short, so the government borrows to repay what it borrowed months earlier, at double digit yields, when the Fiscal Responsibility Act asks for low Interest and long amortization.

The state thereby sets the floor for the whole credit market: every naira lent to the federal government is a naira not lent to a Nigerian manufacturer.

Two further things inflate the naira totals without anyone borrowing. Devaluation did much of the work: the same dollar stock costs twice the naira it did in 2023. Nor is that new. In 1996, with the debt spread across five currencies, exchange movement alone was reckoned to have inflated it by more than half.

And about N30 trillion of Central Bank Ways and Means advances was securitised in two tranches during 2023, converting years of overdraft financing into formal debt

> **Neither is fresh borrowing. Both are evidence of something worse, which is spending Decided where the National Assembly could not see it.**

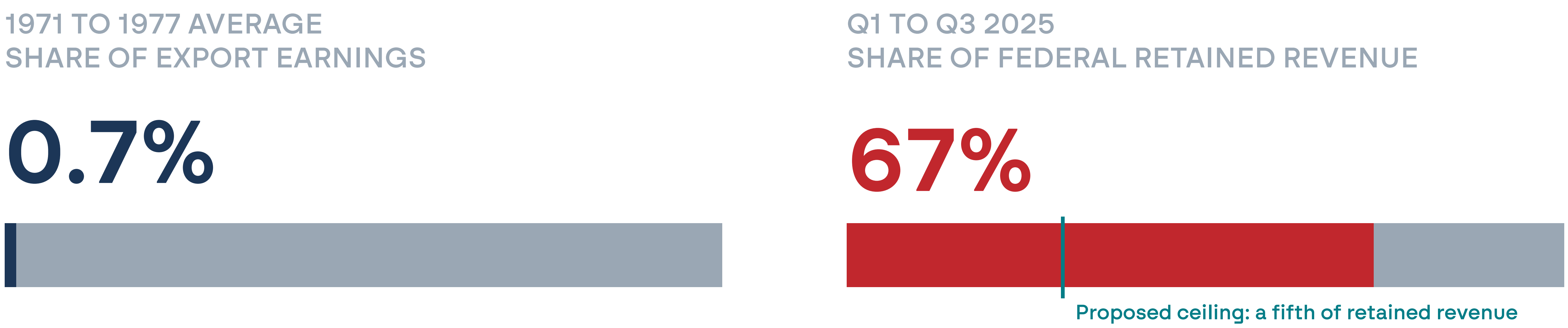
# Fix the denominator, not the optics

This is a revenue crisis before it is a debt crisis. Debt service is paid not out of GDP but out of revenue actually collected.

At roughly 39 per cent after the National Bureau of Statistics rebased GDP in 2025, debt-to-GDP looks unremarkable. But rebasing a denominator repays nothing.

EXHIBIT 5

**Two debt service ratios, measured against different denominators**




*Note on measurement: the two bars are not a continuous series and should not be read as one. Pre-1989 ratios are expressed Against export earnings and count service actually paid, following the Central Bank series; the 2025 ratio is expressed against Federal retained revenue. Source: CBN Economic and Financial Review 1989;27(2); Budget Office of the Federation.*

One comparison deserves care. The 67 per cent recorded for the first three quarters of 2025 is service actually paid. The 1980s and 1990s ratios looked survivable partly Because Nigeria did not pay, running arrears into the billions. Today's burden is the harder constraint, not the softer one.

Lifting tax-to-GDP from 13.5 to the government's 18 per cent target raises tax revenue by about a third. Most is shared through the Federation Account, so federal retained revenue rises by considerably less.

What happens next turns on something simpler than any forecast. The ratio falls only if revenue grows faster than debt service. Grow both at the same rate and it does not move at all, however large the revenue increase. That is arithmetic, not projection.

So tax reform is necessary and nowhere near sufficient. Without a ceiling nobody can waive, the new revenue funds new borrowing and the ratio holds where it is. Done properly, this is a decade's work.

# Close the loopholes the law already contains

The rules already exist. Three of the failures belong to the National Assembly:

| I | ii | iii |
|---|---|---|
| The 3 per cent deficit cap, waived by resolution until the exception became the Practice. | Consolidated borrowing Limits across all three tiers,<br>Never set, and so never | A Fiscal Responsibility Commission that reports, But cannot sanction. |

The Act also restricts borrowing to capital projects and human development. That cannot be tested, because no loan-by-loan register of purpose and Disbursement is published.

None of this is new. In 1989 the Central Bank's own journal recorded that many government agencies borrowed indiscriminately from abroad, that the use of the loans was not adequately monitored, and that Nigeria's debt profile "lacks sufficient quantification".

By the mid-1990s the cost was visible. A ministerial review of projects financed with Paris Club loans found them executed or part-executed but not operational, among them Ajaokuta Steel, Delta Steel and the Adiyan Water Project. Borrowed for, built, and never ran.

# Four tests for a return to 1974

Returning to 1974 cannot mean zero debt. The population is four times larger, and the infrastructure gap is real. It means four measurable things:

01 **Debt service below a fifth of retained revenue.**
The ratio that binds, and the only one worth targeting.

02 **Borrowing long and cheap**
Exactly as the Fiscal Responsibility Act 2007 already requires.

03 **A statutory savings rule no executive can raid.**
Automatic in the upswing, withdrawal only on defined triggers.

04 **Every loan agreement published in full.**
Purpose, terms, fees, disbursement and project status.

# The paradox that closes the loop

In May 2025, Nigeria signed a fresh US$500 million, fifteen-year commitment to replenish the Nigeria Trust Fund

> **Nigeria still lends cheaply to the poor while borrowing from the rich, in the same Institutions, in the same year.**

# Sources

*Nigeria as lender: IMF History, Volume 1, Chapter 18, IMF eLibrary; World Bank Group Archives; African Development Bank, including the May 2025 Nigeria Trust Fund Re commitment. Grants to Angola and Mozambique are reported in secondary literature And the amounts are not settled.*

*1971 To 1988 debt stock, ratios, reserves, source composition, the two Jumbo loans and The promissory note refinancing: Ojo MO. Nigeria's External Debt Problems: A Review of Management Efforts and the Prospects. CBN Economic and Financial Review 1989;27 (2):46-60, Citing the Federal Ministry of Finance and Economic Development and the Central Bank of Nigeria*

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*Paris Club settlement of 2005: Debt Management Office; Paris Club Communique, October 2005. Rebased GDP series: National Bureau of Statistics, 2025. Deficit ceiling, Borrowing limits and permitted purposes: Fiscal Responsibility Act 2007. The 18 per cent Tax-to-GDP target: Presidential Committee on Fiscal Policy and Tax Reforms, August 2023. Current debt, debt service, revenue and reserves: Debt Management Office, Central Bank of Nigeria and Budget Office of the Federation.*

*Notes on measurement. Pre-1989 debt service ratios are expressed against export earnings and count service actually Paid, following the Central Bank series; the 2025 ratio is expressed against federal retained revenue. The two are not a Continuous series and should not be charted as one. The N30 trillion Ways and Means figure is the amount securitised in 2023, Not the balance outstanding today.*

# About Centre for Inclusive Social Development

The Centre for Inclusive Social Development (CISD) is a non-profit and non-governmental organization committed to building a society where Everyone, regardless of gender, background, or circumstance, can access quality healthcare, education, and opportunities for meaningful participation.

Our foundation is rooted in a vision of creating inclusive systems driven by Rigorous evidence, co-created through genuine community partnerships, and firmly grounded in the principles of social justice.

CISD collaborates with local communities, volunteers, and donors to achieve its goal of making a meaningful and positive impact on people's lives.

CISD is committed to transparency and accountability, and its work is Evidence-based, consistently striving to improve its impact through Innovative solutions.

Director: Folahan Johnson

Centre for Inclusive Social Development

*Informed citizens are democracy's Best defense. We believe lasting Change happens when communities Have the knowledge, voice, and Power to shape the systems that Affect them.*

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