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Mike I. Obadan

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THE IMPACT OF EXTERNAL SECTOR POLICIES ON NIGERIA'S ECONOMIC DEVELOPMENT

By

Mike I. Obadan, Ph.D.*

1. INTRODUCTION

The Nigerian economy is open, and it operates within the world capitalist system. The country's external sector policies relating to exports and imports of goods and services, and capital are not only conditioned by domestic factors but also by external developments including external shocks which may have their origin from the goods and/or capital market. The shocks which may have adverse or positive effects include export shocks, import shocks, exchange rate and trade shocks, terms of trade shocks and interest rate shocks. A country's external sector policies, in terms of trade and commercial policy instruments, are largely conditioned by the need to respond to the various shocks through financing and/or adjustment.

The major trade and commercial policy instruments used at different times in Nigeria are:

- Fiscal Policy - tariffs on imports; export taxes;
- Director control measures - import regulations, quotas, bans and import licensing;
- Foreign exchange controls which include regulations on capital transfers, restriction on income transfers, basic travel allowance (BTA), etc.;
- Export promotion measures and incentives, and export prohibitions
- Exchange rate policy
- Others include Advanced Deposit on Imports, Pre-shipment Import Supervision and Deferred Payments on Imports.

However, the most important of the trade and commercial policy instruments has been tariff. However, since the structural adjustment programme (SAP) in 1986, the exchange rate instrument and export promotion have also been very prominent. For the purpose of this paper, the various external sector policies will be discussed under the following:

- Import Policies

* *Prof. M. I. Obadan is the Director-General, National Centre for Economic Management and Administration, Ibadan.*

- Export Policies
- Exchange Rate Policy and Foreign Exchange Management Policies
- Balance of Payments Policies
- External Debt Management Policies

These will be preceded by a brief discussion of the international environment under which external sector policies are pursued.

2. IMPACT OF THE INTERNATIONAL ENVIRONMENT

Over the years, the Nigerian economy, like other developing economies, has operated within a hostile international environment. Features of this environment include worsening terms of trade, increasing international protectionism and external debt burden. There has been the problem of weak market for primary commodities, reflected in observed secular decline in the prices of non-oil exports, arising from excess supplies of the commodities. The dollar price index of Nigeria's agricultural commodity exports declined by an annual average of 70 per cent between 1988 and 1992 (1985 = 100). However, some improvement occurred thereafter. The reduced demand for primary products by the industrialized countries as a result of very high rate of technological development, coupled with the decline in the rate of growth of their economies, has tended to result in their reduced demand for primary commodity exports. Even where these conditions are not present, the protectionist measures of the industrialized countries have constrained the accessibility of Nigeria's exports to their domestic markets. The protective measures have particularly been inhibitive to the growth of manufactured exports. The increase in protectionism in the developed countries in recent years has been quite significant (Anjara, et al; 1985). Increased restrictive policies on imports in the industrialized countries, in the form of tariff and non tariff barriers, have continued to hamper the efforts of developing countries at specializing in production in accordance with their comparative advantage.

The prices of crude oil, upon which Nigeria depends for over 95 per cent for foreign exchange earnings, have also been unstable as can be seen from table 1. Over the 1980–95 period, the prices were lowest in 1986, 1988 and 1994. The price of Nigeria's crude oil fell continuously from $19.8 per barrel in December 1992 to $13.6 in December 1993, with destabilising effect on the balance of payments and government finances. These prices as well as the production levels are determined exogenously within the framework of the Organization of Petroleum Exporting Countries (OPEC). The volatility of the world oil market adversely affects the nation's foreign exchange receipts and government domestic revenue. While the prices of export commodities in the world market have been low, the prices of Nigeria's imports have been quite high, thereby worsening the terms of trade. The fact that the price of crude oil exports is internationally determined through OPEC makes the terms of trade facing Nigeria more precarious. Nigeria's international terms of trade (1985 = 100) declined from 222.8 in 1981 to 91.6 in 1986 and 76.6 in 1988. Nigeria has not only had to contend with secular declines in the terms of trade and increasing protectionism, but also a very heavy external debt burden which became pronounced since the early eighties. This debt burden has manifested in very heavy an worrisome debt service payments. By spending a large part of foreign exchange receipts on debt servicing, a country has very little available for supporting investment in the domestic economy. The increased debt burden is thus detrimental to growth and development of the domestic economy.

3. IMPORT POLICIES

Tariffs, import regulations and prohibitions, and import pre-shipment supervision have been the most prominent import policy instruments for sometime now. These have, however, been implemented since the structural adjustment programme within the framework of trade liberalization. They are applied on non-discriminatory basis to imports from all countries.

3.1 TARIFF POLICY BEFORE SAP

Nigeria's tariff policy served purely the purposes of raising revenue for government up to 1958 and from then on it also served as an instrument for the dual objective of solving balance of payments problems and providing a protective wall behind which domestic industry could grow. Apart from aiming to promote rapid industrial growth in the context of import substitution, tariff has also been used to stimulate the expansion of agricultural production. Tariff policy was geared towards providing incentives to domestic producers of importable goods to increase production. Besides, the reduction in the level of price inflation was also a target of tariff policy.

The achievement of the various tariff objectives required the upward or downward adjustment of tariff rate, and movement of goods from Open General License to specific Import License, and vice versa. Specifically, in 1983 and 1984 the customs and excise tariffs were reformed to provide effective protection for local industries; to reduce the level of unemployment and to generate more revenue from the non-oil sector. In 1984 the range of import duties was reduced from between zero and 500% to between 5 and

200% and this was to remain in force for a minimum of three years. The general concessionary rates of duty under which zero duty was granted to some manufacturers was abolished. In order to encourage investment in agriculture and increase local production of food and agricultural raw materials, duties on machinery and equipment for exclusive use in agriculture were abolished while duties on selected imported agricultural products were raised. In 1985, the customs and excise tariffs of 1984 was retained. However, a new measure of Advanced Payment of Custom duty was introduced.

In sum, up to the time the SAP was introduced the tariff policy instrument was geared toward the accomplishment of numerous objectives, some of which tended to conflict. Examples being instances where tariff rates were reduced on certain imported consumer goods to combat inflation, while at the same time resulting in reduced protection to local industries. Therefore, the erratic use of import tariffs as a weapon in the fight against the increasingly acute problem of inflation prevented the evolution of a coherent tariff policy for the protection of domestic manufacturing industries.

3.2 TARIFF POLICY SINCE SAP

Tariff policy under SAP has been conducted within the framework of trade liberation which involved market-determination of exchange rates; abolition of import licenses and export taxes as well as the Commodity Boards, etc. An interim review of the Customs and Excise Tariff took effect from September, 1986. It was expected to protect local industries against undue competition from imports, create more employment, control inflation and encourage the utilization of local raw materials by industries. It seemed, however, that the tariff reform was haphazardly done, as it resulted in numerous problems and inconsistencies. The reform produced devastating consequences and protests from industries. Considered with the very high foreign exchange cost of production, the effect of the tariff structure tended to strangulate local industries and forestall the revival of dormant ones.

In the light of the defects of the interim review of the Customs and Excise Tariff, a more comprehensive tariff structure was adopted in 1988. Under this structure, import an excise duty rates were to last for a period of seven years to provide industrialists with a longer time horizon to make decisions. The essence of the new tariff structure was to provide a higher degree of protection for local industries. Preliminary analysis of the level of nominal protection by the Policy Analysis Department (PAD) of the Federal Ministry of Industries showed the trend of protection in the economy to be downwards reflecting the efforts to discourage the production of luxury goods and to minimise the impact of the price effect of protection on non-essential consumer goods category.

Nevertheless, although the new tariff structure was a significant improvement over the interim Customs and Excise Tariff Review, it reflected certain inconsistencies which led to subsequent amendments. Indeed, the goals of simplicity, transparency, stability and predictability which the 1988-94 tariff regime promised were compromised by recurring amendments over the period such that by the end of 1994, over 20 per cent of the tariff codes had been amended, and the structure of the tariffs had become distorted and complex, sending conflicting signals to investors (Kalegha, 1996). By 1994, tariff rates ranged between 0 and 300 per cent, and there was wide dispersion in nominal protection rates between and within sector. Furthermore, most of the tariff amendments did not satisfy certain interest groups, and government had to respond to protests on the tariff structure in the first half of 1989 by providing some temporary relief measures aimed at increasing capacity utilisation in some industries. The measures, however, did not have the desired ameliorating effect on prices. A fundamental problem which has tended to militate against the effectiveness of the tariff structure is the depreciation of the naira. This has had the implication of eroding the level of protection and hence engendering tariff protests.

A new Customs and Excise Tariff Schedule was promulgated early in 1995 to last till the year 2001. Essentially, the new tariff regime in comparison with the previous one reveals the following:

- lower average nominal protection rates (33.0 per cent in 1994 compared to 24.3 per cent for 1995-1998);
- a reduced tariff peak (from 300 per cent in 1994 to 150 per cent in 1995/96 and 100 per cent thereafter)
- reduced dispersion in rates;
- shorter import-and export prohibition lists; and
- a revised excise list.

Table 2 illustrates the average tariff rates. It should be noted, however, that effective from 1st July, 1995 when government granted an across-the-board 35 per cent discount on import duties payable, in consideration of the fact that duties are based on the market determined autonomous exchange rate, the effective tariff rate for 1995-98 has dropped from 24.3 per cent to 15.8 per cent (Kalegha, 1996).

Considering the impact of tariff policies on production, this has not been much. As Iyoha (1996) observed for agriculture, "the level of agricultural growth expected during the period, 1988-1994 was not realized. Food self-sufficiency has also been elusive".

A major explanation for the lower-than-expected growth of the agricultural sector seems to be the very rapid increase in the costs of inputs arising mainly from supply rigidities and the depreciating naira. Thus, tariff incentives per se may not be enough. An enabling environment to allow adequate response to incentives is crucial. Similarly, the impact of tariff policy on industrial production has been limited. With nearly four decades of import-substitution industrialisation (ISI) strategy, Nigeria is still in the first phase of ISI - production of consumer goods. Also, the contribution of manufacturing to the GDP is still low, being less than 10 per cent, besides, the industrial sector has continued to exhibit low capacity utilization - less than 30 per cent in 1995. Some of these problems are, however, not unconnected with the general framework of trade liberalization within which external sector policies have been implemented.

3.3 TRADE LIBERALIZATION

One of the hallmarks of the SAP was trade liberalisation which entailed import liberalisation, market determination of exchange rates, free marketing of export commodities, etc. For a developing economy, trade policy should have features of both liberalization and protection. In this regard, a development-oriented trade policy aimed at building up supply capacity should be an integral part of industrial development strategy. Accordingly, it may comprise the liberalization of trade in some goods, and it may at the same time strengthen, or loosen, the degree of protectionism in others.

However, the unguarded liberalisation of trade during SAP, especially in the early phases, has not been helpful to the growth of local industries. It encouraged the importation and dumping of subsidized goods from the developed countries to the detriment of local industries. Essentially, the trade liberalisation policy had a number of glaring weaknesses, one of which was the overemphasis on exchange rate alignment without due cognisance of the adverse effects on productivity. It is sometimes forgotten that the orthodox prescriptions on trade liberalization neglect the importance of long-run development of supply capacity and the limitations of market forces in building up such capacity. Furthermore, the extensive trade liberalization worked against exports of manufactures adversely affected export earnings from primary commodities. Manufactured exports were handicapped as existing and potential export industries could not access scarce imported inputs while imports of other goods, including all kinds of luxury items, tended to flourish. In addition, devaluation has raised manufacturing costs because of its high import intensity. Essentially, trade liberalization has not lived up to expectation because of various socio-economic, structural and external factors, the design of policy reform programmes generally, and insufficient attention to structural conditions. Therefore, trade policy should aim at the long-run development of supply capacity and this cannot be left for market forces alone. Some form of government intervention is required to build up such capacity. This, in Nigeria's context, requires a comprehensive review of the structure of imports to reflect the objectives of industrial and economic development.

3.4 IMPORT REGULATIONS AND CONTROL

Before the SAP, direct control measures were generally aimed at regulating the volume of imports with a view to protecting the balance of payments, local industries and/or controlling inflation. Exchange control measures were either aimed at controlling the rate of outflow of foreign exchange and/or keeping external reserves at an 'adequate level' or diversifying them. The implementation of the various measures followed a pattern of stricter application in crisis situations, when the BOP and/or external reserves position, was precarious. When it was felt that there were significant improvements, the government embarked on a liberalization policy by reducing import and export taxes and liberalizing administrative and exchange controls. Apart from direct and exchange control measures, Nigeria, in April 1992, introduced the compulsory advance deposit on imports as a form of import control. Under the scheme, importers were required to make deposits of funds ranging from 25 per cent for raw materials and spare parts imports to 250 per cent for motor cars. The funds were to be collected by the authorised dealers before letters of credit could be opened for the customers. The scheme was, however, abolished in 1984.

The import pre-shipment supervision scheme has also been in use for quite sometime. It was first introduced in January, 1979 to ensure the quality of imports and forestall a number of foreign exchange malpractices which resulted in dwindling foreign exchange reserves. Effective from 1st April, 1996, the revised guidelines for importation into Nigeria strengthened the role of the Pre-Shipment Inspection Agents by requiring all goods regardless of value or mode of carriage to be subject to inspection and issuance of a clean report of findings. Duty assessment and the issuance of Import Duty Report (IDRs) are to be exclusively carried out by the Inspection Agents.

Import prohibition or ban has been widely used as a tool of commercial policy in the country since independence. Nigeria operates 2 import prohibition lists known as schedules 3 and 4 of the tariff book. Schedule 3 lists products which were import-prohibited for trade purposes while schedule 4 lists products which are absolutely prohibited for reasons of national security, public health safety or morality. As at the end of 1994, the Import Prohibition (Trade) List covered some 920 tariff items at the level of the 8-digit HS code. However, the 1994 tariff review exercise resulted in the unbanning of 222 tariff items, while 3 new products were prohibited (Kalegha, 1996). Table 3 shows the coverage of import prohibition as at 1996.

Import prohibition, no doubt, has its justification in terms of meeting the objectives of promoting self-sufficiency, especially food self-sufficiency in the case of most agro-allied products; infant industry protection; forced industry restructuring (e.g. ban on wheat and malted barley); and promotion of political/social/moral objectives by discouraging importation of luxury or socially undesirable products (e.g. gaming machines). However, the effectiveness of import prohibition is in doubt and often less than successful as evidenced by the ready availability of most prohibited products in the markets, either through the illegal avenue of smuggling or the legal one of "special approvals to import". Besides, import prohibition denies the government of much-needed revenue apart from being ineffective in offering protection to domestic producers in agriculture and industry, and in forcing industrial restructuring. Furthermore, import prohibition policy removes the incentive for domestic producers to operate efficiently and produce high quality commodities at internationally competitive prices. Since import prohibition tends to be ineffective and wasteful, tariffs can be relied upon to achieve the objectives of protection, reducing consumption and boosting government revenue.

4. EXPORT POLICIES

Nigeria's export policies relate to promotion, expansion and diversification in order to reduce the economy's over-dependence on crude oil exports. They also relate to issues of regulation and control in terms of taxes and prohibitions.

4.1 EXPORT PROMOTION STRATEGIES AND POLICIES

The overall objective of export promotion before SAP was largely to boost foreign exchange earnings. Promotion activities were concentrated mainly on primary commodities including agricultural and mineral products. however, export promotion policies did not have much linkage with industrial policy, more especially as the Import-Substitution policy (I-S) was pursued without any well-defined objective of exportation of industrial products. To worsen matters, as soon as the government began to realise the need for non-oil export expansion and diversification, crude oil production and export assumed prominence in the economy. consequently, the policy of non-oil export promotion was never taken seriously even though there were clear statements of intentions to diversify the export structure and expand the earnings. The focus on crude oil exploitation and import-substitution encouraged the sustenance of anti-export bias policies such as over-valued exchange rates. it was, therefore, not too surprising that before the introduction of the SAP in 1986, Nigeria's non-oil exports remained low, and largely undiversified.

Since the SAP the main goal of the government's export policy has been the active promotion of non-oil exports with a view to enhancing foreign exchange receipts from such exports, diversifying the sources of foreign exchange earnings, and reducing the excessive dependence of the economy on oil as the major source of revenue.

To this end, non-oil exports were to be promoted with a package of incentives spelt out in the 1986 Federal budget to aid production for export. The incentives were later given legal force and embodied in the Export (incentives and Miscellaneous Provision) Decree No. 18 of July 1986). The structural adjustment programme document stressed the government's commitment to the promotion of non-oil exports. It stated that:

> although, it is realised that the initial base of the non-oil exports has shrunk considerably during the past decade, the government believes that the correction of cost-price distortions through a realistic exchange rate, combined with other positive export incentives and institutional reforms, should make it possible for Nigeria to earn at least $1 billion for non-oil exports by the end of the present decade.

To accomplish the non-oil export objectives of foreign exchange expansion, and product and market diversification, the government moved in the direction of pursuing a more aggressive, consistent and comprehensive export promotion programme. To this end, it put in place a number of policy reforms and incentives. Two of these stand out clearly, namely, the abolition of Commodity Boards and the consequent deregulation of commodity prices, and the establishment of the Second-Tier Foreign Exchange Market (SFEM) to ensure realistic prices for agricultural products.

In addition to the liberal policy regime and trade reforms, provisions were made for exporters to benefit from very generous measures and incentives, among which are:

(a) The duty draw-back scheme. In 1991 the manufacturing-in-bond scheme was introduced.

(b) Refund of excise duty paid on export manufacturing.

(c) Retention by non-oil exporters of 100 per cent of export proceeds in foreign currency domiciliary account.

(d) Zenotax on interest earned on export loans.

(e) Accelerated tax depreciation and capital allowance for manufactured exports.

(f) Supplementary allowance in favour of pioneer companies

(g) Abolition of export licenses.

(h) Liberalization and simplification of export procedures and documentation.

(i) Cash grants to exporters based on annual performance.

(j) Foreign input facility

(k) Rediscounting and Refinancing Facility (RRF).

(l) ADB-assisted Export Stimulation Loan - disbursed to small and medium-scale enterprises manufacturing for export.

(m) Export Development Fund - to private exporters to defray part of their export promotion activities.

(n) Export Expansion Fund - to provide cash inducement for exporters who export a minimum of N50,000 worth of manufactured or semi-manufactured products.

(o) Export Adjustment Scheme Fund - to provide supplementary export subsidy for high cost of production.

(p) Establishment of the Nigerian Export-Import Bank (NEXIM) and Export Processing Zone (EPZ).

In the 1996 budget statement additional incentives and measures were slept out for implementation (see 1996 Federal Budget).

Thus, a lot has been done in terms of providing incentives to boost non-oil exports. The various export measures and package of incentives are very attractive and laudable. They, no doubt, point to Government's commitment to the promotion of non-oil exports. A good number of the measures have been implemented in varying degrees. However, in the implementation of the incentives the point appeared to have been forgotten to the effect that the provision of generous export incentives is a necessary but not a sufficient condition for an effective non-oil export drive. The export drive under SAP appeared to have been predicated on the assumption that the country has exportable surpluses of agricultural and manufactured goods. This has, however, turned out to be incorrect in the light of the persistently low capacity utilisation of manufacturing industries and long gestation periods and low short-run elasticities of supply associated with tree crops such as cocoa, rubber and oil palm.

There is the use of the agricultural sector as a base and, consequently, most of the incentives encourage the exportation of primary products to the same old Euro-

American market with all its well-known short comings. Even then, adequate incentives, by way of credit and input subsidies, were not given in any significant measures to agricultural producers. Rather, farmers were exposed to the fangs of the market forces of demand and supply. Not least was the apparently counter-productive role of some policy reforms, particularly exchange rate Alignment. Given the input-import dependence of the country's production structure, the net effect of naira depreciation in the foreign exchange market was to sharply increase domestic cost of production.

It is therefore, hardly surprising that the non-oil export sector has so far performed very much below expectation. the SAP measures and incentives could not achieve the desired objective of substantial growth of non-oil export proceeds. Available statistics show that both the quantity and value of non-oil exports increased immediately after the introduction of the SAP incentives. The quantity of major agricultural export commodities increased from 131.1 million tonnes in 1985 to 242.8 million tonnes in 1986 and 497.8 million tonnes in 1988. Thereafter, it declined continuously to 296.1 million tonnes in 1991, increased to 422.9 million tonnes in 1992 and declined to 263.2 million tonnes in 1994.

In value terms, non-oil exports declined from $562.0 million in 1985 to $387.9 million in 1986. It, however, increased to $5372 million and $6089 million, in 1987 and 1988, respectively. It declined to $399.1 million in 1989 and rose to $4720 million in 1991. The value of $244.4 million for 1994 was dismal compared to the SAP target of $10 billion by 1990. This trend has been due to declining demand an prices in the world market. It has been observed, however, that the recorded foreign exchange earnings from non-oil are understated to the extent of the unrecorded export trade across Nigeria's borders.

The structure of total exports under SAP has remained basically the same as during the period before SAP, such that the broad distinction between oil and non-oil exports has not changed as a result of the policy measures. However, some notable changes have occurred in the structure of non-oil exports. In this regard, new products are on the export list. These include pineapples, cashew nuts, spices, fish, shrimps, etc. Nevertheless the value of export of manufactured goods (including processed agricultural products) has remained low, reflecting low industrial capacity utilisation. Overall, export of primary commodities has continued to dominate non-oil export trade as in pre-SAP.

In the area of export market diversification, available information shows that the objective has not been achieved.

What is clear from the foreign is that in spite of generous policies and incentives, Nigeria is yet to reach the promised land in terms of enhanced non-oil export earnings, and export product and market diversification. Then, what went wrong? The fundamental production/supply constraints with respect to both agricultural and manufactured products have not been adequately addressed. However, there has been the problem of self-defeating macroeconomic policies, e.g. continued depreciation of the naira and high cost of funds occasioned by money market deregulation. of course, there are also the problems of high cost of production, increasing domestic demand for tradables, poor infrastructural facilities, and slow pace of development of the service sector. On the external front are problems such as declining world market prices of major export commodities, slow-down of the economies that are Nigeria's major markets, rising protectionism, and break-down of most commodity Agreements.

Instability in world financial markets also works against the export expansion objective. The significance of the external bottlenecks derives from the fact that with their presence, export incentives tend to become necessary but insufficient condition to increase export earnings. Indeed, exogenous factors could be strong enough to undermine export incentives.

4.2 EXPORT PROHIBITION

This has frequently been used as a trade policy instrument in Nigeria. The rationale for export prohibition has been the desire for food self-sufficiency (for primary food products) or the desire to increase availability of raw materials for domestic industry (for industrial inputs). Nigeria's Export Prohibition Orders date back to 1976. Since then products have been added to or removed from the list. The current export prohibition list has two categories of products as follows:

(a) Primary/Intermediate Food Products	(b) Industrial Inputs
(i) Beans and bean products	(i) Timber, rough or sawn
(ii) cassava Products	(ii) Hides and Skin (Raw)
(iii) Rice Products	(iii) Scrap Metals
(iv) Yam Products	(iv) Unprocessed rubber latex and rubber lumps
(v) Maize	

One danger in using export prohibition as a trade policy instrument is that, in the long run, it may constitute disincentive to increased domestic production of the affected items as a result of their prices being held down. Another point is that as a result of observed smuggling of export commodities, the objectives of the export prohibition tends to be negated. Therefore, export prohibition may need to be replaced by export taxes which would reduce quantities and as well generate revenue for government.

5. EXCHANGE RATE POLICY AND FOREIGN EXCHANGE MANAGEMENT

5.1 EXCHANGE RATE POLICY

The main objectives of exchange rate policy before SAP were to equilibrate the balance of payments, preserve the value of the external reserves and maintain a stable naira exchange rate. however, up to the time of SAP, Nigeria's exchange rate policy tended to encourage the over-valuation of the naira as reflected in real exchange rate appreciation, particularly in the 1970s. In this direction, the bilateral real exchange rate appreciated by an average of 7.5 per cent while the real effective exchange rate (total trade weighted) appreciated by an average of 7.3 per cent (Obadan, 1993). The real appreciation of the exchange rate encouraged imports, discouraged non-oil exports and helped to sustain the manufacturing sector's overdependence on imported inputs. The real exchange rate appreciation thus severely eroded international competitiveness and failed to achieve export diversification.

During the period of the structural adjustment programme exchange rate policy objectives were pursued within the institutional framework of the Secondtier Foreign Exchange Market (SFEM) which was established in September 1986. The market later metamorphosed into the Foreign Exchange Market (FEM), then into the Inter-Bank Foreign Exchange Market (IFEM) and Autonomous Foreign Exchange Market (AFEM). The objectives of exchange rate policy under SAP can, to some extent, be said to reflect the needs of medium/long-term balance of payments equilibrium. In this direction, SFEM was predicated on the attainment of a realistic exchange rate of the naira through the market forces of supply and demand for foreign exchange. It was then expected that a realistic exchange rate should reduce excessive demand for foreign exchange, especially for importation of finished goods and services, as well as eliminate the prevailing distortions in the economy and stimulate non-oil exports. The ultimate expectation was that all the exchange rate policy and management actions would lead to an improvement in the balance of payments position and ensure a large degree of convertibility of the naira.

Since the introduction of the market-based exchange rate system in 1986, the naira exchange rate has exhibited the feature of continuous instability reflecting the depreciation of the naira in both the official and parallel markets for foreign exchange. Between September 1986 and October 1993, the official exchange rate depreciated by about 93.0 per cent with the exchange rate moving from N1.55:$1.00 in September 1986 to N21.89:$1.00 in 1994. If the autonomous market rate of N82.00:$1.00 in 1995 is considered, then the rate of devaluation between 1986 and 1985 is 98.0 per cent. The continued depreciation of the naira has been due to many factors, among which are: the phenomenon of excess demand for foreign exchange in relation to supply; poor performance of direct foreign investment and autonomous foreign exchange inflow; expansionary monetary and fiscal policies; instability of the foreign exchange earnings from crude oil, speculative activities and sharp practices of authorized dealers in the foreign exchange market; and problem of fragile export base and in-built high import-dependence of the economy.

The market-determined exchange rate policy has had profound impact-positive or otherwise on different segments of the national economy. The problems associated with exchange control and import licensing have been eliminated. The naira exchange rate has shed its initial overvaluation. A system of prompt settlement of import bills has been facilitated. Very importantly, the impact of the exchange rate on the domestic finances of government has been phenomenal. The depreciation of the naira has resulted in tremendous boosting of the domestic revenue of both Federal and State Governments. For example, the size of federaly-collected revenue increased from N14,600.1 million in 1985 to N201,900 million in 1994. The corresponding federal government retained revenue are N9.6 billion and N70.8 billion, respectively. Although the naira revenue increased substantially, the size of the overall budget deficit also increased phenomenally, largely because of the increased cost of running government, induced by depreciation. Exchange rate policy has, nevertheless, served effectively as a budgeting instrument.

Another very important positive impact relates to the very substantial increases in the farm gate prices, denominated in naira, of all exportable agricultural commodities. Although the world market price (in foreign currency) of most of Nigeria's scheduled agricultural commodities has been downwards, the naira prices have generally moved upwards due to the depreciation of the naira and liberal export policy. The increased commodity prices resulted in improved nominal incomes of producers. But whether or not real incomes increased in the face of escalating inflation is another issue. Unlike the positive effects on government naira revenue and producers' farm gate prices, exchange rate policy has not had the expected impact on the balance of payments in terms of enhanced non-oil export earnings, capital inflow and reduced capital outflows and imports. Also, the objective of structural transformation of the economy remains largely unfulfilled. Furthermore, the instability and incessant depreciation in the foreign exchange value of the naira has resulted in:

- sharp decline in people's standard of living, real value of output and assets;
- increased cost-push inflation - inflation rate rose from 5.4 per cent in December 1986 to 72.8 per cent in 1995;
- difficulties in planning and making projections at macro and micro levels;
- undermining of international competitiveness of non-oil exports

What does seem clear is that although the development objectives of the exchange rate policy in the last decade were no doubt, in the right direction, achievements have been less than satisfactory.

5.2 FOREIGN EXCHANGE MANAGEMENT POLICIES

Before the introduction of the Structural Adjustment Programme in Nigeria, foreign exchange management was aimed at three but not mutually exclusive objectives; conservation of available foreign exchange resources so as to check expenditure and undue depletion of external reserves; ensuring adequacy of reserves consistent with current and future international commitments; and perserving the value of external reserves through appropriate portfolio diversification and optimal deployment into strong currencies. Under SAP, the objectives of foreign exchange management hinged on achieving a realistic exchange rate of the naira and in the process attaining other objectives such as:

- reduction of excessive demand for foreign exchange;
- elimination of prevailing distortions in the economy;
- stimulation of non-oil exports;
- more efficient allocation of foreign exchange resources through substantial reduction of fraudulent and wasteful transactions; and
- improvement in the balance of payments position.

Before SAP, the major policy instruments of foreign exchange management were trade and exchange control, and administrative control. however, the perceived shortcomings of exchange and trade controls led to their discontinuation and the adoption of market-based policy measures under the structural adjustment programme in 1986. The following policy instruments have featured in foreign exchange management in Nigeria.

(i) Foreign Exchange Budgeting.

(ii) Demand Management Policies. These include fiscal and monetary policies, market-determined exchange rate policy, and external debt management.

(iii) Market-determined Exchange Rate.

(iv) Supply-increasing Policies. These include the various non-oil export promotion measures and incentives. Also of note are the trade liberalisation measures - abolition of export licensing and commodity boards.

(v) Pegging of Debt Service Payments.

A critical look at foreign exchange management in the past ten years suggests that something has apparently been wrong with the management policy (Obadan, 1993a). Not only did the search for a realistic exchange rate through the market approach prove elusive, the naira exchange rate was persistently unstable with very wide amplitudes vis-a-vis other currencies. Frivolous and speculative demand for foreign exchange coupled with unauthorised foreign exchange transactions have been among factor causing exchange rate instability. The export base has remained very narrow while export receipts have remained low and unstable due largely to low commodity prices. In spite of numerous incentives, the performance of the non-oil export sector has been abysmal, in terms of foreign exchange earning. On the other hand, the dollar values of merchandise imports have been upwards since the past four years. The overall balance of payments position has also been weak while a large proportion of foreign exchange earnings is still devoted to debt service payments, the various debt management strategies notwithstanding. The external reserves position has remained critical such that the reserves that were sufficient to cover 7.2 months of imports in 1986 could finance only 1.2 months in 1992 and 1.78 months in 1995. More importantly, Obadan (1993a) observed:

> Official statistics show that the industrial sector has received the lion share of foreign exchange allocation under FEM. The allocation presumably financed the importation of raw material, machinery, spare parts and CKD by the industrial sector. Yet, capacity utilisation has been very low and worrisome, and contributions of the industrial sector to GDP and employment are not impressive. This suggests that something is definitely wrong somewhere. It is either that, contrary to the impression

given by foreign exchange allocation statistics, manufacturing firms do not actually receive the proportion of foreign exchange recorded for them and/or the foreign exchange is sold at exhorbitant parallel market rates, thus undermining production. In either case, the industrial sector is short-changed.

Thus, since SAP it has been hard to discern the positive impact of foreign exchange management policies on the real sectors of the economy.

5.3 BALANCE OF PAYMENTS POLICIES

In the pre-SAP period and also during SAP one of the approaches adopted to deal with balance of payments problems was financing of payments disequilibria. In this direction, balance of payments deficits were settled mainly by decumulating external reserves while surpluses led to the building up of reserves as was the case during the oil boom era. Since external reserves were sometimes depleted to very intolerable levels a combination of measures were taken in addition to financing. These included trade and exchange control measures, fiscal policies (changes in tariffs and export taxes), expenditure-reducing policies, exchange rate alignment, monetary policy, and non-oil export promotion measures.

Most of these policy measures before SAP were not implemented to provide long-term solutions to balance of payments problems. Rather, the direction of their implementation reflected the strength and weakness of the balance of payments position such that the measures were tightened in periods of deficits and relaxed when surpluses were attained.

One of the key objective of SAP was to achieve balance of payments viability over the adjustment period. In order to accomplish this goal, a number of measures were to be implemented, among which were: market-determined realistic exchange rate, improved trade and payments liberalisation, and non-oil export promotion through the provision of various incentives. A market-determined exchange rate system was introduced in September 1986. The exchange rate was expected to affect the balance of payments through exports and imports of goods and services, and capital inflows and outflows. The realistic exchange rate policy was also expected to result in the diversification of the export base by boosting non-oil exports and controlling the growth of imports. As was shown before, available statistics, indicate that the dollar values of non-oil exports have fallen far short of expectations. In the same way, the dollar values of imports have shown upward trend in recent years. While the capital account position has remained weak, the overall balance position has not been impressive either. Indeed, during the period of SAP, the overall balance of payments and external reserves position remained under pressure. The overall balance of payments, has been in persistent deficit since 1986 (see Table 6). The deficits have been due to the weakness of both the current and capital accounts, but mainly the latter. The heavy debt amortization and interest payments eroded the balance of trade/current account surpluses. And so the bane of the balance of payments in recent years has been the external debt servicing.

The poor performance of the balance of payments is also due to the ineffectiveness of monetary, exchange rate and fiscal policies in establishing balance of payments equilibrium. The SAP period was characterised by the phenomenon of expansionary monetary and fiscal policies. This resulted in significant pressure on the exchange rate and the balance of payments. Actual monetary variables deviated significantly from targets and produced excess liquidity in the economy. Excessive fiscal deficits leading to expansionary monetary policy, reflected in excessive growth in demand including imports created the situation of macroeconomic instability, weak balance of payments and erratic external reserves position.

6. EXTERNAL DEBT BURDEN AND MANAGEMENT STRATEGIES

6.1 DEBT PROFILE

Nigeria's external debt problem became pronounced in the early 1980s when numerous external loans were indiscriminately acquired, and foreign exchange earnings plummeted consequent upon the collapse of prices in the international oil market.

The aggregate debt stock increased from $906 million in 1976 to $3.4 billion in 1977 and to $17.8 and $25.6 billion in 1983 and 1986, respectively. As at December 1996, the debt stock stood at $32.6 billion (see Table 7). In explaining the rapid build-up of the debt stock it is important to recall the substantial role of imports of goods and services and the rapid build-up of trade arrears from the early 1980s. Of course, there were other important factors in the build-up. Among these was the fact that some project-tied loans were contracted without consideration for economic viability. Others were: utilisation of short-term loans sourced mainly from private markets to execute projects of long-gestation periods; harsh borrowing terms reflecting high and floating interest rates, short maturities of debt and short grace periods; harsh international financial system which makes the debt to grow uncontrollably; indiscriminate and uncontrolled borrowing abroad; mismanagement of borrowed funds; and inadequate implementation of debt management policies. Indeed, poor use of external loans has been a major cause of the debt burden.

The major portion of the increase in the debt stock since SAP has been due to such factors as new borrowings, rise in foreign interest rates, capitalization of unpaid interest charges, and changes in the exchange rates of the various foreign currencies in which Nigeria's foreign debt is denominated.

The servicing of the huge stock of debt, out of which the amount owed to the Paris Club constitutes over 66.0 per cent, has continued to be very burdensome on the economy. Indeed, as the 1996 federal budget statement acknowledged, the debt servicing problems constitute a serious obstacle to the inflow of external resources into the economy. In spite of the fact that government has been servicing the debt with $2.00 billion annually in the past 5 years, the accumulation of debt service arrears which is being compounded with penalty interest has not permitted a reduction of the debt stock. In 1996 debt service requirement was $4.271 billion. If debt service arrears of $11.280 billion up to December 1995 are added, then the total debt service requirements in 1996 would total $15.551 billion. This is staggering and requires substantial relief from the creditors.

Obviously, the burden of amortization and interest payments has tended to drain the nation's resources and reduce the possible expenditure of resources on productive ventures. The setting aside of a disproportionately high percentage of export earnings to meet debt service obligations means increasing inability of the country to pay for other imports of goods and services vital for economic growth. This has been the case in Nigeria, and to the extent that the external debt service increases the government budget deficit financed mainly by the central bank, it poses a problem for the achievement of macroeconomic objectives including price, exchange rate, and interest rate stability as well as balance of payments viability. The implication of this, therefore, is the need to reduce the debt-service ratio substantially in order to release foreign exchange resources for funding economic recovery programmes as well as make the contracting of new and burdensome loans unnecessary.

6.2 EXTERNAL DEBT MANAGEMENT STRATEGIES

Although, the debt management strategies and measures have varied from time to time since the early 1980s, it would appear that an appropriate debt management strategy was not in place, otherwise the debt problem would not have assumed burdensome dimensions even when various relief measures have been in place. Indeed, the 1996 Federal Government budget statement confirmed the very unsatisfactory nature of past debt management strategies to the effect that many of the projects financed by external loans are either uncompleted, or partially completed, and where they have been completed, they are not functioning. Some of the projects are Ajaokuta Steel Mill, Katsina Steel Rolling Mill, Jos Steel Rolling Mill, Delta Steel Mill, Iwopin Paper Mill, National Identity Card Project, etc. These projects have invariably not contributed to the repayment of principal and interest on loans. Neither has any of the expected benefits materialised. The economy thus loses on all sides. Obviously, most of the elements of effective debt management were lacking in Nigeria's efforts.

The Government has, over the years adopted a number of strategies and measures to deal with the debt problem. They include:

- embargo on new loans;
- directives to state governments to restrict their external borrowing to the barest minimum;
- limit on debt service payments - pegging of the debt service ratio at 30 percent of export earnings.
- debt restructuring entailing refinancing of trade arrears, rescheduling, debt buy-back, collaterisation and new money options;
- debt conversion programme; and
- adoption of a new external borrowing policy.

The embargo on new loans and directives to state governments to restrict their borrowings to the barest minimum have not been particularly effective as indiscriminate quests for external loans have not abated. Although rescheduling has conferred short-term relief on debt service obligations, the debt overhang has, however, hardly abated as the debt stock has continued to increase significantly. The relief conferred by rescheduling has not only been temporary but inadequate, apart from its various costs. The rescheduling involve the compounding of principal and interest i the consolidation period. besides, there is no provision for interest cancellations and so any time there is a default on interest payments, such payments are capitalised. overall, the terms of the rescheduling, particularly of the Paris club debt, have worsened the debt situation.

The debt conversion programme (DCP) which was established in 1988 had as one of its objectives the improvement of Nigeria's external debt position by reducing the stock of outstanding external debt in order to alleviate the debt service burden. After seven years in operation, the impact of the DCP on the debt stock has been minimal. From inception in 1988 to 1994 only $730.2 million of debt was redeemed. The total discount received was $381.4 million while the transaction commission stood at $9.97 million. The sectoral disbursements of redeemed debt show that 41.7 per cent went to agriculture and manufacturing. Besides, the inflationary implications of the conversion can be quite destabilizing. [Indeed, the programme had to be suspended temporarily in 1990 and 1991 because of the inflationary implications]. More importantly, the DCP has the weakness that in the long-run the fundamental external payments and foreign exchange problem will remain or even be exacerbated because what was saved in terms of debt service would then be paid in the form of repatriation of profit, dividend, capital and personal emolument.

A very significant aspect of the debt management that could have checked the growth of external debt and increase foreign exchange earnings was the 'New External borrowing Policy' released in 1988. This was a pragmatic and all-embracing plan which outlined strategies for increasing foreign exchange earnings so as to reduce the need for external borrowing; set out detailed criteria for external borrowing; outlined the mechanism for servicing external debts of the public and private sectors; and outlined the roles and responsibilities of the various tiers of government and private sector in the management of external debts. The problem, however, is that the 'New Borrowing Policy', desirable as it is, had not been taken seriously by the various economic agents that were expected implement it. It will, therefore, be desirable that an effective external debt management strategy should take cognisance of the 'New External Borrowing Policy'. Other desirable elements of such a strategy include a good estimate of foreign financial requirements and the sources of funds, a proper evaluation of the projects to be financed with external loans, proper monitoring and documentation of the debt profile, financial prudence at the domestic level and avoidance of borrowing to finance consumption.

It is desirable to explore genuine debt relief measures that will enable the country to grow out of debt. These include:

- reduction/cancellation of interest payments and actual cancellation of significant proportion of the debts. This can be achieved within the framework of existing international relief proposals/terms;
- accompaniment of rescheduling with other debt relief measures, e.g. interest rate reduction, and debt cancellation; and
- debt - buy back.

More importantly, negotiations for debt relief should de-emphasise the traditional rescheduling option in view of its inadequacies. Debt relief should be sought within the

Trinidad and Tobago, and Naples Terms. To pave the way for this, effort should be made for the country to reach agreement with the IMF/World Bank on the Medium-Term Economic Programme (MTP) as this is a pre-condition for meaningful debt negotiations/ relief. The improving political environment should facilitate the acceptance of the MTP. Also, a concerted effort is required of the international creditors to assist the country by way of a comprehensive and concessional debt and debt service reduction package. Opportunities for debt buy-back should be explored while a faithful implementation of the New External borrowing Policy will bring a substantial relief in the medium/long-term.

7. SUMMARY AND CONCLUSION

Over the years, particularly since the early 1980s, the Nigerian economy has operated within a hostile international environment, characterised by worsening terms of trade, increasing international protectionism, export pessimism, weak market for primary commodities, and external debt burden. The structural weakness in Nigeria's foreign trade, reflecting excessive dependence on crude oil exports and imports of capital goods and raw materials, has also not been helpful as it subject's the economy to debilitating external shocks. External sector policies are thus conditioned by both internal and external developments.

One of the country's major external sector policies is the tariff policy. This has been conducted since the SAP within the framework of trade liberalisation. Tariff policy has been aimed at raising revenue for government, promoting rapid industrialisation and balance of payments equilibrium. However, before SAP the sporadic and erratic use of import tariffs as an anti-inflation weapon prevented the evolution of a coherent tariff policy for the protection of domestic industries. Even since SAP when two major tariff reviews have taken place the impact of tariff policies on industrial and agricultural production has not been much. This situation might not be unconnected with the framework of trade liberalisation which tended to neglect the need for enhancing productivity and placed too much emphasis on exchange rate alignment. The liberalisation policy encouraged the importation and dumping of subsidized goods. Therefore, tariff policy should aim at long-run developing of supply capacity as an integral part of industrial development strategy. It should have features of both trade liberalisation and protection.

In view of the weaknesses of the instrument of import prohibition, tariffs can be considered in its place to achieve the objectives of protection, curbing consumption, and boosting government revenue.

Over the past decade a lot of incentives have been provided and measures taken to boost non-oil exports. The measures have, so far, not succeeded in boosting non-oil export earnings nor diversifying the export structure. for the incentives and measures to make the desired impact the fundamental production/supply constraints with respect to both agricultural and industrial products need to be addressed. The issue of self-defeating macroeconomic policies need to be reviewed. So also are other factors contributing to high cost of production.

Export prohibition has also featured prominently as an instrument of trade policy. Th current export prohibition list has nine products. Although export prohibition has its own justification, it may in the long-run constitute disincentive to increased domestic production of the affected items. Therefore, export prohibition may need to be replaced by export taxes which would reduce quantities and as well generate revenue for government.

The depreciation of the naira has resulted in tremendous boosting of Federal and State Government finances, producers' farm gate prices and nominal incomes have also increases substantially. But the adverse effects of the depreciation on living conditions and price stability has been devastating.

Foreign exchange management policies over the past ten years have not accomplished their objective of a realistic exchange rate, balance of payments equilibrium and industrial transformation. Capacity utilisation of manufacturing enterprises has remained low in spite of statistics pointing to industry having received the lion's share of foreign exchange resources. Apart from measures to boost foreign exchange supply, the structure of imports has to be rationalized to eliminate frivolous importation.

The external sector policies of the structural adjustment programme - trade and payments liberalization, market-determined exchange rate, and export promotion have proved ineffective in improving the external position. The overall balance of payments and external reservers have remained under pressure as the bane of the balance of payments in recent years remain the heavy resource outflow in respect of external debt servicing. for it to improve, focus will have to be on the vigorous promotion of non-oil exports including services, the management of imports and external debt.

TABLE 1:

INTERNATIONAL OIL PRICE, 1980 - 95 (BONNY LIGHT)

Year	US$ per Barrel	Index 1985 = 100
1980	35.8	129.2
1981	38.0	137.2
1982	35.5	128.2
1983	30.0	108.3
1984	28.0	101.1
1985	27.7	100.0
1986	14.9	53.8
1987	18.5	66.8
1988	15.0	54.2
1989	18.4	66.4
1990	24.1	87.0
1991	20.1	72.6
1992	19.8	71.5
1993	17.5	63.2
1994	16.2	58.5
1995	17.3	62.5

Source: Central Bank of Nigeria. Nigeria: Major Economic and Financial Indicators; Annual Report, 1995.

TABLE 2

AVERAGE TARIFF RATES, 1988–2001

	1988–1994 Tariffs		1995–2001 Tariffs	
	1988	1994	1995–1998	1999–2001
Overall Economy	33.6	33.0	24.3	26.0
of which:				
Agriculture	31.0	23.1	22.9	24.7
Mining	13.5	16.1	14.5	14.7
Manufacturing	33.3	34.0	24.6	26.4
of which:				
Consumer Goods	53.5	47.7	49.1	36.7
Intermediate Goods	26.2	31.2	18.3	22.3
Capital Goods	17.1	16.3	12.6	16.2

Source: Enterprise Consulting Group Ltd. (ECG).

TABLE 3

COVERAGE OF IMPORT PROHIBITION (TRADE) LIST, 1996

Agro-Allied Products	Industrial Products	Mineral Products
1. Live or Dead Poultry including eggs but excluding day-old chicks	1. Textile fabrics, an articles 2. Mosquito Repellent Coils 3. Domestic Plastic ware	1. Gypsum 2. Kaolin
2. Maize	4. Retreated/used Tyres	3. Barytes and Bentonites
3. Sorghum	5. Furniture and furniture products	
4. Millet	6. Evian and similar waters, and soft drinks	
5. Wheat Flour	7. Beer and Stout	
6. Vegetable Oils	8. Motor vehicles and motor cycles over 8 years old; and buses and lorries over 10 years old.	
7. Barley and Malt	9. Gaming machines	

TABLE 4:
EXPORT OF MAJOR COMODITIES BY ECONOMIC SECTORS (PERCENTAGE OF TOTAL EXPORT VALUES), 1970–95

Commodity	1970	1072	1973	1076	1978	1980	1982	1984	1986	1988	1990	1992	1993	1994	1995
Major Agricultural Products (including Forest Products)	30.0	11.6	4.7	4.1	6.8	92.4	0.9	2.3	4.6	9.1	2.6	1.5	1.6	1.9	1.8
Cocoa	15.0	7.2	2.7	3.3	6.2	2.2	0.9	2.0	4.2	7.9	1.1	0.7	0.8	0.9	0.7
Palm Kernels	2.5	1.1	0.7	0.4	0.2	0.0	0.26	0.1	0.1	0.3	1.0	0.1	0.1	0.1	0.0
Rubber	2.0	0.5	0.6	0.2	0.2	0.1	0.1	0.2	0.3	0.3	0.3	0.3	0.4	0.3	0.5
Mineral Products	57.8	82.1	92.6	93.7	89.1	96.1	98.8	0.4	93.8	88.4	97.0	97.9	97.7	97.5	97.4
Petroleum	57.6	81.8	92.6	93.7	89.1	96.1	98.8	97.3	93.8	88.4	97.0	97.9	97.7	97.4	97.3
Manufacturers and Semi-Manufactures of Agricultural Products	3.0	0.6	0.6	0.4	0.5	0.2	0.2	0.4	0.6	0.3	0.2	0.1	0.2	0.1	0.2
Other Manufactured Exports	0.6	0.2	0.2	0.3	-	3.0	-	-	-	0.2	0.3	0.2	0.2	0.4	0.4
Other Exports	3.9	3.2	1.3	1.3	3.2	1.0	-	-	1.0	2.2	0.2	0.0	0.2	0.1	0.0

Note: 1. Provisional
Source: Central Bank of Nigeria Annual Reports (Various Issues)

TABLE 5

NAIRA EXCHANGE RATES, 1970 – 1994

Year	US Dollar/ Naira ($/N)	Percentage Change Depreciation/ Appreciation)	pound Sterling/ naira (£/N)	Percentage Change (Depreciation/ Appreciation)
1970	1.400	-	0.584	-
1971	1.440	2.9	0.583	-0.17
1972	1.520	5.5	0.614	5.3
1973	1.520	0.0	0.614	5.3
1974	1.589	4.5	0.676	0.0
1975	1.624	2.2	0.735	8.6
1976	1.596	-1.7	0.884	20.4
1977	1.547	-3.1	0.857	-3.1
1978	1.575	1.8	0.817	-4.6
1979	1.659	5.3	0.792	-3.1
1980	1.828	10.2	0.790	-0.3
1981	1.652	-9.6	0.800	1.3
1982	1.486	-10.1	0.852	6.5
1983	1.332	-10.4	0.892	4.7
1984	1.303	-2.2	0.929	4.1
1985	1.121	-13.9	0.833	-10.3
1986	0.577	-48.5	0.391	-53.1
1987	0.252	-56.3	0.152	-61.1
1988	0.220	-12.7	0.124	-18.4
1989	0.136	-38.2	0.083	-33.1
1990	0.120	-11.8	0.062	-25.3
1991	0.101	-16.1	0.057	-8.1
1992	0.058	043.0	0.033	-42.1
1993	0.045	-22.4	0.030	-9.0
1994	0.046	+2.2	0.030	0.0

Notes: In columns (3) and (5) a (-) sign represents depreciation while a (+) sign indicates appreciation.

Source: **Central Bank of Nigeria**, Statistical **Bulletin and Annual Reports** (Various Issues).

TABLE 6

NIGERIA'S BALANCE OF PAYMENTS – SUMMARY STATEMENT, 1985–94 ($ MILLION)

Category	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
A. Current Account	2,470	-2,142	-74	-215	1,117.0	2,407.0	1,269.2	-294.0	-884.0	-2,230.0
Merchandise	5,675	2,460	3,541	2,541	4,178	8,723	4,509	4,682.4	3,268.5	2,870.9
Exports (FOB)	13,134	6,460	7,590	6,932	7,871	13,671	12,264	11,886.1	9,924.4	9,415.1
Oil	12,577	5,977	7,052	6,319	7,470	13,266	11,792	11,641.7	9,696.6	9,170.7
Non-Oil	557	538	538	613	401	406	472	244.4	227.8	244.4
Imports	-7,457	-3,912	-4,089	-4,391	3,693	-4,948	-7,755	7,203.7	-6,655.9	-6,541.1
Services and Income (Net)	-2,945	-4,430	3,542	-2,841	-3,215	-3,608	-3,967	6,072.9	-4,790.0	-4,609.1
Unrequited Transfers (Net)	-260	-172	-24	-12	-155	450	736	733.0	807.1	500.4
B. Capital Account	-2,079	-1,834	-4,493	-4,407	-4,103	2,969.0	-227.0	-5,448.83	-895.4	349.3
C. Balance on Current and Capital Account	+4,579	-3,976	-4,657	-4,622	-2,986	-562.0	1,496.2	5,742.3	-1,779.0	-1,880.7
D. Overall Balance/Financing	+391	-3,976	-4,567	-4,662	-3,122	-717	1,594.3	5,862.9	-1,893.1	-1,947.5
E. Change in Reserves	-391	560	-40	+510	-1,185	-2,301	-601.2	3,774.1	-617.5	-328.7

Source: CBN, Annual Reports (Various Issues).

TABLE 7:
EXTERNAL PUBLIC DEBT OUTSTANDING (US. $ MILLION)

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
Multilateral	884	1,097	1,317	1,887	2,986	2,838	3,171	3,842	3,650	4,518.0	3,694.7	4,402.3	4,411.0
	(5.0)	(6.3)	(7.0)	(7.4)	(910.50)	(9.2)	(10.0)	(11.6)	(10.9)	(16.4)	(12.9)	(6.68)	(7.39)
Paris Club	5,390	5,811	7,833	10,228	12,589	14,400	15,871	17,171	17,793	16,433.9	18,160.5	18,334.3	21,669.6
	(30.3)	(33.5)	(41.4)	(40.0)	(44.5)	(46.9)	(50.2)	(51.9)	(53.3)	(60.0)	(158.1)	(62.30)	(1.50)
London Club	6,263	4,966	3,560	6,088	5,860	5,960	5,680	5,861	5,988	2,120.0	2,055.8	2,057.8	2,045.0
	(35.3)	(28.8)	(18.8)	(23.8)	(20.7)	(19.4)	(18.0)	(17.7)	(17.9)	(7.7)	(13.97)	(14.30)	(15.93)
Promissory Notes	3,702	4,125	4,255	4,498	4,850	43,810	4,553	4,550	4,479	3,246.0	3,159.9	3,178.2	3,148.0
	(20.8)	(23.80	(22.5)	(17.6)	(17.1)	(15.70	(14.4)	(13.7)	(13.4)	([illegible].8)	(9.09)	(9.26)	(10.35)
Others	1,526	1,318	1,939	2,873	2,032	2,685	2,311	1,675	1,454	12,326.2	1,647.3	1,456.3	1,311.2
	(8.6)	(7.6)	(10.2)	(11.2)	(7.2)	(8.7)	(7.3)	(5.1)	(4.40	(45.0)	(17.43)	(20.21)	(24.85)
TOTAL	17,765	17,347	18,904	25,574	28,316	30,693	31,586	33,099	33,3654	27,564.8	28,7618.2	29,428.9	32,584.8

Notes: Figures in Parenthesis are percentage shares while those above them are in million US Dollars.

Source: CBN Annual Reports (Various Issues).

TABLE 8:

DEBT SERVICING CAPACITY RATIOS

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
Debt Service Ratio 9%)	16.6	25.09	28.1	29.4	19.3	26.3	21.9	26.4	25.8	22.9
Debt Serv. to Ext. Reserves (%)	190.0	225.3	219.1	89.1	136.9	268.1	104.5	88.3	79.8	177.3
External Reserves to Imports (in Months)	1.1	2.0	3.0	7.9	3.4	2.0	5.9	10.5	6.9	1.2
Debt Service to Govt. Revenue (%)	23.9	36.8	37.0	40.5	39.4	56.3	52.7	78.2	109.6	64.0
Debt to GDP (%)	20.5	21.2	24.5	62.3	158.9	179.1	278.5	294.2	350.1	121.2
Debt to Exports (%)	148.9	133.7	131.7	404.2	341.0	418.3	362.9	227.6	241.5	231.9

Source: Compiled from statistics in CBN Annual Reports (Various Years)

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