

Debt and Corruption

By Nnimmo Bassey | June 30, 2005

There are few issues that have captured the airwaves in Nigeria more than the twin campaigns in favor of debt relief and against corruption. A photograph of Nigeria's former top cop made the front pages only to be followed the next day by apologies for humiliating the man. The Senate president, the number three man in the government, got kicked out of office for allegedly helping to grease the palms of some Senators, so that a government ministry's budget could be laced up with bogus figures. The Senate president did not go down alone. He is currently squirming in the dock with the former minister of education and some other senators. Another minister was sacked for underhand dealings in a proposed sale of government houses in the high-brow section of Ikoyi, Lagos. Many of President Obasanjo's extended family members were scheduled to become owners of these choice quarters built with public funds.

It must be said that corruption in Nigeria is a by product of the general rut that has beset the nation through more than three decades of military rule as well as years of short-sighted civilian governments. That rut and decay has been oiled by a voodoo economic system whereby government efforts are focused on expending resources, and scant attention is paid to income generation, environmental protection, or the assurance of human rights and other basics.

Many agree that the fight against corruption is long overdue, and that although there are shortcomings in the warfare, it is still better than nothing. It is also better now than later. Observers note, however, that the assault on aspects of corruption is mainly a response to the urgent need to give a pretty face to the nation's creditors, including the International Monetary Fund, the World Bank, and the Paris Club. In this regard the government's crusade is already getting smiles from those creditors but the face-lift appears to be a selective game and a mere scratch on the surface.

Debt forgiveness, debt cancellation or debt rescheduling: what will it be? By their statutes, neither the World Bank nor the IMF may cancel debts. Thus at the G7, Group of wealthy nations meeting of 1996, ideas were floated on how to help Highly Indebted Poor Countries (HIPC). Many governments in the majority world have spent considerable energy and resources in an effort to convince the World Bank and the IMF that they are HIPC. Nigeria, with all its strategic resources and wealth, is angry that it is not classified as a HIPC. Scant attention is paid to the reality that neither the World Bank nor the IMF was set up to make poor economies stronger or independent of the controlling global economies and superstructure. The purpose of the HIPC initiative is merely to help selected countries (who accept IMF regimens) bring their debt burden to a sustainable level, so they are not continually wailing for debt rescheduling. The HIPC initiative does not alleviate poverty or reduce the debt burden signifi-

cantly, and a country must be sufficiently docile to the dictates of Washington to qualify.

How did Nigeria and other countries fall into the present debt trap? Often loans and resources were obtained for white-elephant projects sashayed straight from creditors into the private bank accounts of political leaders. In some cases the wealth of an African leader equates to his country's level of indebtedness. As the stolen funds are stashed away in Swiss and other Northern banks, the poor bear the brunt of the profligacy of those in power.

Where funds are not simply stolen, they are inefficiently managed. The mounting debts have been veritable tools of economic and political subjugation rendering nations comatose. Demanding repayment is like demanding blood from a corpse; the debts are generally odious, unpayable, and iniquitous.

It is often argued that canceling external debts is tantamount to giving the offender a pat on the back. In other words, debt cancellation is seen as an immoral act. But what is it that's immoral: the debt or its cancellation? A loan that has been repaid several times over through debt servicing and yet remains unpaid is an immoral debt. It is indeed odious and should be repudiated.

The world is the loser when poor countries are sentenced to excruciating poverty and economic decay by a debt burden with no way out. In cases where countries have simply refused to pay such debts in the past, the world was the better for it.

If nations didn't have to focus so single-mindedly on foreign exchange earnings, there could be an emphasis on local well-being. There would be less deforestation, less desertification, less monoculture plantations, less permission for multinational corporations to ride roughshod over territories, less disease, and better-educated populations. The IMF's structural adjustment programs, whether



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enforced from Washington or by local surrogates, are not seen as responsive to national needs.

The Nigerian government has made debt a major cross-sectoral campaign issue. At the moment, the legislative and executive branches are singing the same tone.

University students have also joined the chorus. The atmosphere is thick with debt cancellation songs.

What is needed, however, is for all debtor nations to simply stand together, look the creditors in the eye, and say, “we don’t owe and we won’t pay” using the words of the Jubilee 2000 campaign. It is time for the world to take stock of the massive historical and current ecological debt being piled high by the destructive extraction of resources from the poor regions of the world. It is time for the accounting books to be re-examined within the framework of equity and fairness so that everyone may know who really owes whom. Many economists contend that if the total debt of the majority world were cancelled, the global financial system would not even blink. The majority world debt is insignificant (less than 3% of global lending) and pales by comparison with the debts owed by the USA and certain transnational corporations.

However the debt was incurred, it has become a yoke by which weaker states are kept weak and are made to subsidize the more powerful states. This external debt serves as a conduit by which lifeblood is siphoned from weaker states in a continual net transfer of funds from the majority world to the rich nations.

It is time to remove the yoke from the necks of nations and give the world a burst of life. Let us not straightjacket through needless conditionality. When the debts are cancelled nations will forgo their cannibal mentality, and corruption will take a back seat.

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