Misguided Borrowing, Corruption and Debt Crises: A Case of Factitious Watery Politico-Economic Diarrhoea in Nigeria

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Abstract

This study interrogates Nigeria's recurring debt crises highlighting the chronic and wasteful dynamics of borrowing, corruption, and fiscal mismanagement. Like humans risk loosing their lives from passing excess fluids through diarrhoea infection, bad governance with its attendant economic consequences have drained the Nigerian State to the point were her very existential reality is threatened. Nigeria like a human being is experiencing a "factitious watery politico-economic diarrhoea" and is in dare need of serious attention. Despite debt relief in 2005 and multiple reform attempts, Nigeria has relapsed into unsustainable borrowing, rising interest repayments, and widening fiscal deficits. Drawing on a qualitative historical-institutional analysis, the paper triangulates data from the World Bank, IMF, Central Bank of Nigeria, and the Debt Management Office with political economy scholarship. Findings reveal that misguided borrowing—often directed toward recurrent expenditure, subsidies, and patronage politics—has been exacerbated by entrenched corruption, diversion of loans, and white-elephant projects. The analysis demonstrates how dependency on external finance structurally undermines economic sovereignty, locking Nigeria into cycles of indebtedness rather than fostering resilience. Comparative insights from Ghana, Zambia, and Kenya underscore that Nigeria's predicament is emblematic of broader African debt vulnerabilities. The study concludes that meaningful reform requires institutional strengthening in debt management, linking borrowing strictly to productive investments, curbing corruption, diversifying the revenue base, and embedding citizen oversight. These measures are necessary not only to stabilize Nigeria's fiscal outlook but also to restore governance credibility and democratic accountability.

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1. Introduction

Nigeria's public debt has escalated sharply in recent years, placing unprecedented strain on fiscal stability. As of Q1 2025, Nigeria's total public debt reached ₦149.39 trillion, up from ₦121.67 trillion in Q1 2024—a 22.8% year-on-year surge (Tunji, 2025). Of this, domestic debt accounted for ₦78.76 trillion, while external debt stood at ₦70.63 trillion (Tunji, 2025). Projections indicate that by end-2025, public debt may swell further to ₦160.6 trillion—equivalent to about 50.2% of pre-rebased GDP (CSL Stockbrokers, 2025). The debt service burden is equally alarming: between 2020 and 2024, Nigeria spent ₦30.81 trillion on debt servicing—consuming about 60% of total revenue over that period (Chibueze, 2025). In 2024 alone, debt servicing totaled ₦13.12 trillion, a 68% increase over 2023 (Tunji, 2025). The 2025 budget envisages debt servicing needs as high as ₦15.81 trillion, which would account for 45% of total revenue—surpassing combined spending on health, education, security, and infrastructure (Akinkuotu, 2024). The federal government also projects a record ₦13.08 trillion fiscal deficit for 2025, representing roughly 38% of revenue and about 3.9% of GDP (Nairametrics, 2024).

This paper frames Nigeria's debt predicament through the metaphor of "factitious watery politico-economic diarrhoea", capturing the cyclical and fluid nature of fiscal crisis: "factitious", in that debt spirals emerge from artificial political stimuli rather than organic economic need; "watery", reflecting unstable and diffusive policy responses that lack structural resilience; and "diarrhoea", indicating recurrent, messy crises where resources are squandered instead of being productively invested. This metaphor underscores chronic wastage, relentless mismanagement, and superficial remedies that fail to cure the underlying malady, only prolonging the cycle.

During the 1970s, Nigeria transitioned from a primarily agrarian economy to one dominated by oil: by 1980, the oil sector accounted for nearly 30% of the country's GDP and represented 96% of her total exports, underscoring its overwhelming weight in national fiscal operations (IMF, 1997; IMF eLibrary, 2025). In response to deteriorating oil revenues in 1986, Nigeria implemented a Structural Adjustment Programme (SAP) under IMF guidance which aimed to reduce dependency on oil, liberalize trade, devalue the Naira, and rationalize public spending (Central Bank of Nigeria, 2025). The austerity measures triggered widespread social unrest, including student-led protests and riots, as the reforms imposed severe hardship across the populace (Review of African Political Economy, 1993).

In the early 2000s, reformist President Olusegun Obasanjo secured approximately US$18 billion in debt forgiveness from Paris and London Club creditors and paid off a similar sum to emerge debt-free, setting the stage for renewed optimism. Yet vulnerability resurfaced in the 2010s with a return to Eurobond markets (from 2013), exploiting credit ratings to borrow heavily—often at costly terms. Expectations of prosperity went unmet; persistent governance deficits and volatile oil prices culminated in deep recessions and high-interest burdens (Reuters, 2024). The mid-2000s relief did not translate into durable fiscal discipline. The 2010s saw renewed borrowing, both domestically and externally, amid structural rigidity and low revenue diversification. By 2025, despite nominal GDP expansion, the debt-to-GDP ratio approached or exceeded thresholds of sustainability, while debt servicing accounted for a disproportionate share of government revenue (IMF, 2025; AfDB, 2025).

Following from the above, this study will attempt to give answers to the following questions: Why does Nigeria, despite repeated debt relief, structural adjustment, and reform programs, continue to relapse into debt crises? What explains the cycle of misguided borrowing, exacerbated by corruption and political imperatives, that perpetuates fiscal deterioration and undermines development?

1.2 **Research Objectives**

This study seeks to:

1. Examine the trajectory of misguided borrowing in Nigeria, pinpointing the roles of recurrent rather than productive expenditure.

2. Investigate the interplay between corruption and public debt—how diversion, patronage, and elite capture amplify waste and weaken debt sustainability.

3. Determine the structural and political factors that render reforms transient, leading to re-emergence of debt crises, despite past interventions.

1.3 Significance of the Study

This research contributes to ongoing debates in African political economy, governance, and debt sustainability. By deploying a metaphor that crystallizes complex politico-economic dynamics, the paper offers a novel analytical lens to interpret debt crises as policy failure rather than solely macroeconomic misfortune. Its findings aim to inform policymakers, scholars, and international institutions on the deep-rooted institutional transformations required to break Nigeria's cycle of fiscal pathology.

2. Review of Related Literature

Contemporary debates on sovereign borrowing in developing economies turn on the trade-off between growth-enabling finance and vulnerability to distress. Proponents argue that external borrowing when anchored in a credible medium-term fiscal framework and high-return public investment can relax binding savings constraints, crowd-in private investment, and accelerate structural transformation (IMF–World Bank, 2018). Critics counter that weak institutions, volatile terms of trade, and currency risk often convert ostensibly "growth-friendly" debt into rollover hazards, with adverse feedback loops via exchange rates, inflation, and banking-sector balance sheets (World Bank, 2023). The Low-Income Country Debt Sustainability Framework (LIC-DSF) reflects both views, emphasizing the composition, concessionality, and realism of macro-fiscal assumptions, while warning that shocks—commodity price collapses, tighter global financial conditions, climate events—rapidly erode buffers where governance is weak (IMF–World Bank, 2018; World Bank, 2023).

A parallel strand in the literature isolates corruption and state-capacity deficits as amplifiers of debt risk. Cross-country evidence shows that higher corruption is associated with larger public debt ratios, partly by inflating unproductive expenditure and weakening revenue effort; the effect is stronger where the shadow economy is sizable (Cooray et al., 2017). These findings imply that the sustainability of the same face-value debt stock can differ sharply across governance regimes, because politically intermediated projects yield lower social returns and higher lifecycle costs.

Across Africa, a post-relief “second wave” of debt accumulation from the 2010s coincided with Eurobond market access, domestic debt deepening, and new official creditors. Senga, Cassimon, and Essers (2018) show that, beyond global factors, domestic fundamentals and policy credibility materially shape secondary-market Eurobond yields for Sub-Saharan African (SSA) sovereigns—underscoring how governance and macro anchors affect refinancing risk. More recent syntheses in the African political-economy literature warn that, absent robust public-investment management and transparent debt reporting, market access can mask deteriorating debt dynamics until stress crystallizes.

Country experiences since 2020 illustrate divergent paths. Ghana entered debt distress following a terms-of-trade and confidence shock, suspended external debt service in late 2022, and embarked on a comprehensive domestic and external restructuring under an IMF-supported program. IMF staff reports document progress on fiscal consolidation and restructuring milestones under the Extended Credit Facility (ECF), while highlighting the need for durable revenue reforms and investment efficiency to restore sustainability (IMF, 2024a; 2024b).

Zambia—an early defaulter during the pandemic—negotiated with the Official Creditor Committee (OCC) and private creditors. IMF reports indicate continued high risk of debt distress but improving trajectories conditional on restructuring, fiscal consolidation, and governance reforms; the program embeds a joint IMF–World Bank Debt Sustainability Analysis (DSA) and details the perimeter of instruments restructured, including Eurobonds (IMF, 2024a; 2024c). These documents provide granular evidence that debt relief alone is insufficient without reforms to state-owned enterprises, energy pricing, and arrears management. Kenya’s case underscores vulnerabilities from rising commercial-debt service and exchange-rate pressures amid large infrastructure-led investment. IMF Article IV/Program reports emphasize revenue mobilization, strengthening of the medium-term debt anchor, and reforms to public investment management and state-owned enterprises to curb fiscal risks and safeguard sustainability (IMF, 2024).

Taken together, these cases demonstrate three stylized lessons relevant to Nigeria: (i) market access can be a double-edged sword where investment efficiency and project selection are weak; (ii) domestic debt dynamics—often overlooked—can be as destabilizing as external debt where interest costs surge; and (iii) governance and transparency reforms are integral to credible DSAs, not adjuncts.

Nigeria’s 2005 debt relief and its aftermath

Nigeria’s 2005 Paris Club deal extinguished most eligible Paris Club claims in exchange for arrears clearance and a buy-back, dramatically lowering external debt ratios. Yet the post-2010s period saw a rapid re-accumulation of public debt, driven by revenue under-performance, oil-sector leakages, quasi-fiscal operations, and increased domestic borrowing at rising real interest rates. Official sources (CBN, 2023; IMF, 2024) document the fiscal mechanics: non-oil revenues lag peers; fuel subsidies and implicit energy-sector support crowded out development spending; and interest costs expanded with sizable domestic issuance. This aligns with broader evidence from the International Debt Report that SSA’s debt-service burdens rose as concessional finance gave way to costlier market and non-Paris Club credit (World Bank, 2023).

The literature thus debates whether the post-2005 relapse reflects an "aid/relief illusion"—temporary space without institutional change or a deeper political-economy problem in which rentier structures and fragmented fiscal federalism blunt the gains from one-off stock reductions. Nigeria's more recent Article IV assessments stress that durable sustainability hinges on domestic revenue mobilization, FX market normalization, subsidy reform, and public investment management (PIM) upgrades—necessary to convert borrowing into productivity-enhancing capital rather than recurrent absorption (IMF, 2024).

Corruption as a mediating variable between borrowing and development failure

Corruption is not merely a parallel governance concern; it is a mediating mechanism that transforms debt into under-performance. Cooray et al. (2017) provide cross-country evidence that corruption increases public debt both directly—via inflated, poorly scrutinized expenditures—and indirectly by depressing the tax base and investment. In SSA, weak procurement and SOE governance compound these effects, lowering the economic rate of return of debt-financed projects and shortening the time to distress identified in DSAs (World Bank, 2023; IMF–World Bank, 2018). In practical terms, the same borrowing envelope can yield divergent growth paths depending on whether rent-seeking or rule-bound PIM dominates.

Across the development literature, borrowing becomes "misguided" when political incentives privilege visibility and distributive payoffs over social returns and maintenance. Three logics recur. First, political-budget-cycle dynamics encourage front-loaded, debt-financed spending with weak appraisal and rushed execution, raising lifecycle costs and creating stranded assets observable in several African ECF programs (IMF, 2024; World Bank, 2023). Second, elite capture diverts investment selection toward projects with high private rents (through over-invoicing and opaque PPP clauses), biasing portfolios away from maintenance and human capital. Third, patronage politics fragments procurement and undermines PIM gatekeeping, leading to systematic optimism bias in cost–benefit analyses. Evidence from SSA Eurobond markets suggests that investors price some of these risks—secondary-market yields respond to governance and macro-fiscal signals beyond global push factors (Senga et al., 2018), while African political-economy syntheses call for institutional reforms to turn market access into durable development (Journal of African Economies, 2021).

Gaps in the literature

Despite rich work on DSAs, Eurobond dynamics, and governance, two gaps remain. First, much of the quantitative canon treats governance as a parameter shift rather than a process—blurring how corruption, factionalism, and bureaucratic norms dynamically convert debt into chronic under-provision of public goods. Second, few studies use metaphor as an analytical lens. We propose "politico-economic diarrhoea" to conceptualize debt distress not as a sequence of isolated policy errors but as chronic wastage: recurrent leakage of fiscal resources, repetitive stop-go reforms, and weak absorption capacity that collectively prevent systemic recovery. In this framing, reforms that do not address the "underlying infection"—elite capture and patronage incentives in borrowing and execution—cannot durably restore sustainability, as Nigeria's post-relief experience and peers' restructuring cycles suggest (IMF, 2024; World Bank, 2023).

2.1. Theoretical Framework

Dependency Theory: Nigeria's Debt as Structural Dependence

Dependency Theory, originating in mid-20th century Latin America, posits that peripheral economies remain economically and politically subjugated to core, developed states due to skewed global integration (Prebisch, 1950; Frank, 1967; Wallerstein, 1974). In this paradigm, underdeveloped countries export raw materials and import manufactured goods, perpetuating asymmetrical terms of trade and dependency structures (Manna et al., 2001; Prebisch, 1950).

In the Nigerian context, scholars argue that this theoretical lens explains how successive waves of borrowing and reform—under IMF and World Bank conditionalities—have entrenched a structural reliance on volatile global capital and diminished economic sovereignty. One empirical analysis frames Nigeria's debt accumulation as institutionalized dependency: loans become a critical tool for sustaining public expenditure in the absence of robust domestic savings, foreign reserves, or productive fiscal structures (Ugwu, 2024) . Structural dependency manifests in multiple forms: debt servicing siphons away public investment resources, undermining long-term growth; conditionalities reshape domestic policy orientation toward external priorities; and financial volatility repeatedly shocks the Nigerian fiscal system.

Dependency Theory further elucidates how domestic elites collude with external financial powers to perpetuate this arrangement, enabling resource extraction and rent-seeking. As Lawal, Essien, and Gade (2024) note, multinational corporations (MNCs) act as agents of the global (core) system, facilitating capital flight, tax avoidance, and the erosion of developmental infrastructure—thus deepening Nigeria's peripheral position (Lawal et al., 2024)

Dependency Theory provides a powerful structural explanation for Nigeria's debt trajectory. Unlike modernization theory, which sees underdevelopment as a temporary stage to be corrected through convergence, Dependency Theory situates the debt crisis within systemic and relational disadvantages embedded in the global economy. This approach explains why even major interventions, such as the Paris Club debt relief of 2005, only offered temporary respite while deeper dependency patterns remained intact. Nigeria's historical experience further reinforces this lens: from the oil-boom borrowing of the 1970s, through the Structural Adjustment Program of the 1980s, to the relapse into debt distress after 2005, the country's fiscal history exemplifies how integration into global financial systems often amplifies vulnerability rather than promoting autonomy. The recurrent cycles of borrowing, conditional reforms, and fiscal deterioration therefore reflect structural dependence, not isolated policy errors or episodic mismanagement.

The contemporary relevance of Dependency Theory is equally strong. Elevated debt levels continue to constrain Nigeria's fiscal space, crowding out investment in infrastructure, education, and health while heightening exposure to external shocks (Ugwu, 2024). This resonates with the theory's central claim that sustained reliance on external finance erodes economic sovereignty and undermines development capacity. Moreover, the theory dovetails with the paper's metaphor of "factitious watery politico-economic diarrhoea": the chronic, fluid, and wasteful crises that mirror fiscal leakages into external debt servicing and recurrent consumption rather than productive investment. By situating Nigeria's debt predicament within this structural paradigm, Dependency Theory also exposes the limitations of reforms that address symptoms without altering global financial dependencies. Breaking the cycle therefore requires not only stronger domestic fiscal discipline but also a renegotiation of Nigeria's position in international debt architecture—ensuring that borrowing aligns with long-term developmental priorities rather than perpetuating dependence.

3. Methodology

This study adopts a qualitative, historical-institutional research design to interrogate the relationship between misguided borrowing, corruption, and debt crises in Nigeria. A historical-institutional approach is appropriate because debt accumulation in Nigeria cannot be understood in isolation from the institutional and structural contexts that shape fiscal decision-making over time. By situating borrowing practices within Nigeria's evolving political economy spanning the oil boom years, structural adjustment programs, debt relief, and the re-emergence of debt crises the study emphasizes how enduring institutional patterns and governance failures have reproduced fiscal vulnerability. Unlike purely econometric approaches that privilege quantitative correlations, a qualitative historical-institutional lens prioritizes the interpretive and contextual dimensions of borrowing decisions, corruption, and their broader socio-political implications (Mahoney & Thelen, 2015).

Data Sources: The analysis relies on a triangulation of secondary data from internationally recognized organizations, Nigerian government institutions, and scholarly works. Core quantitative indicators of Nigeria's debt profile, including external debt stock, domestic debt, and debt-to-GDP ratio, are drawn from the World Bank International Debt Statistics (World Bank, 2024) and the International Monetary Fund's World Economic Outlook (IMF, 2024). Country-specific debt management reports are sourced from the Debt Management Office (DMO, 2023), which provides detailed breakdowns of borrowing patterns, maturity structures, and repayment obligations. Complementary macroeconomic and monetary data are obtained from the Central Bank of Nigeria's Statistical Bulletin (CBN, 2023), which documents fiscal deficits, interest payments, and sectoral allocation of public spending.

To capture governance dimensions, data on corruption perceptions and anti-corruption performance are drawn from Transparency International's Corruption Perceptions Index (2024) and peer-reviewed studies on Nigeria's corruption landscape (Onyekpere, 2020; Akinola, 2022). Additionally, reports from the World Bank Governance Indicators (2023) provide comparative measures of accountability, rule of law, and government effectiveness in Nigeria. Scholarly works—including journal articles and edited volumes—furnish interpretive analyses of how borrowing practices intersect with patronage politics, elite capture, and institutional weaknesses (Okpanachi & Andrews, 2018; Oloruntoba, 2021).

Analytical Approach: The study employs triangulation as its primary analytical strategy, combining quantitative debt data with qualitative political economy analysis. Debt statistics are not treated merely as descriptive figures but are interpreted against the backdrop of Nigeria's institutional arrangements and historical trajectories. For instance, spikes in external borrowing are examined alongside shifts in global oil prices, changes in fiscal policy, and documented corruption scandals. This interpretive triangulation allows the study to move beyond a narrow fiscal analysis toward a broader understanding of the politico-economic processes that convert borrowing into recurrent crises. By integrating institutional history with governance metrics, the study seeks to explain not only "how much" debt Nigeria owes but also "why" the debt cycle persists despite repeated reforms.

Limitations: The methodology is constrained primarily by its reliance on secondary data. While datasets from the IMF, World Bank, DMO, and CBN are authoritative, they may not fully capture informal or illicit financial flows—particularly those linked to corruption and capital flight. Furthermore, while indices such as Transparency International's CPI are widely used, they measure perceptions of corruption rather than direct incidences, thus carrying inherent subjectivity (Heywood, 2017). The absence of primary fieldwork limits the study's ability to incorporate the lived experiences of citizens affected by austerity and debt-driven fiscal adjustments. Moreover, corruption itself remains difficult to quantify, as its mechanisms often operate through opaque networks of elite patronage and rent-seeking. These limitations are acknowledged, but they do not undermine the validity of the study; rather, they underscore the necessity of interpretive, historically grounded approaches to understanding Nigeria's debt trajectory.

4.Analysis and Discussion

4.1 Overview: Debt, Dependency and the Contemporary Problem

Nigeria's recent debt dynamics are best read as a concatenation of episodic crises and structural continuities: episodic because particular policy choices and commodity price shocks precipitate acute strains; structural because the economy's fiscal architecture, political incentives and institutional weaknesses repeatedly channel borrowing toward non-transformative uses and leakages (IMF, 2024; Debt Management Office, 2025). Official statistics confirm the scale of the problem: by end-2024 Nigeria's total public debt reached levels that resurrect concerns about debt servicing pressure and fiscal space, prompting multiple policy responses (Debt Management Office, 2025; IMF, 2025). Crucially, the contemporary challenge is not simply the nominal size of debt but the pattern of composition (rising domestic market debt and non-concessional external instruments), the fiscal incidence of interest payments, and the persistent use of borrowed funds for recurrent or politically salient items rather than capacity-building capital—features that together reproduce vulnerability (IMF, 2024; World Bank, 2023).

4.2 Trajectory of borrowing in Nigeria

1970s oil boom and the borrowing spree

The oil boom of the 1970s transformed Nigeria's balance sheets and political economy. Large hydrocarbon rents created a political settlement premised on rent distribution and high public spending, and policymakers calibrated public expectations and investment decisions to oil-derived windfalls (World Bank, 2024; Mihalyi & Trebesch, 2023). Although the immediate effect was a large increase in government resources, the boom also institutionalised a rentier fiscal model—weakening tax bases, deepening dependence on volatile oil receipts and encouraging large external borrowing when commodity prices fell (World Bank, 2024). Contemporary scholarship emphasises that the structural imprint of the 1970s—high dependency on oil rents, underdeveloped domestic revenue systems, and patronage-based public spending—remains salient for later debt episodes (Mihalyi & Trebesch, 2023; Dávid-Barrett, 2023).

1980s debt crisis, SAP era and conditionalities

The oil price collapse of the early 1980s exposed the risks of a rentier fiscal settlement. Nigeria turned to external creditors and ultimately adopted the Structural Adjustment Programme (SAP) from 1986 with IMF/World Bank conditionalities designed to liberalise the economy and reduce dependency on oil (IMF, 2021). Subsequent literature and official reviews demonstrate mixed effects: SAP achieved some macro adjustments but did not fundamentally alter the political incentives that favoured short-term spending and patronage over durable public goods; public backlash against austerity also illustrated the political costs of external conditionality (IMF, 2021; World Bank, 2019).

2005 Paris Club relief and the post-relief relapse

The Paris Club debt treatment of 2005 dramatically reduced Nigeria's Paris Club stock (cancelling roughly US$18 billion), creating a window of fiscal breathing room (Debt Management Office, 2006/2016 archive). Yet multiple evaluations conclude that debt relief was necessary but insufficient: relief addressed the stock but not the institutional drivers of recurrent borrowing and weak revenue mobilisation. Empirical studies of the post-2005 period find only short-lived growth dividend from debt relief because the structural conditions—shallow domestic tax bases, weak public investment management (PIM), and politics of patronage—remained (What Did US$18bn Achieve?; World Bank/IMF reviews).

Renewed borrowing (post-2010) and current sustainability challenges

From the 2010s the composition and volume of Nigeria's borrowing changed markedly. Governments tapped international bond markets (Eurobonds) and expanded domestic market borrowing; at the same time fiscal shortfalls—amplified by the 2014–16 oil shock and the COVID-19 crisis—required emergency borrowing (Mihalyi & Trebesch, 2023; IMF, 2024). Official analyses underscore the consequence: interest expenditure has risen to absorb a very large share of federal revenues, crowding out capital spending and social investment (IMF, 2024). The 2023–2025 IMF and DMO assessments show a significant increase in the debt servicing burden and a proportionate squeeze on fiscal space, creating renewed questions about sustainability even after debt relief and episodic reforms (Debt Management Office, 2025; IMF, 2025).

4.3 Misguided Borrowing: Patterns And Political Drivers

A defining characteristic of recent Nigerian borrowing is its fungibility and frequent use to plug recurrent gaps—covering budget deficits, subsidy shortfalls, and recurrent administrative costs—rather than financing high-return public investment (IMF, 2024; World Bank, 2023). Official budget-execution and IMF assessments document persistent overruns in recurrent spending and comparatively low shares of capital expenditure in budgets (IMF, 2025). When borrowing finances recurrent obligations, it fails to increase the growth capacity needed to service future obligations—thus elevating debt-to-GDP risks.

Several scholars emphasise the political economy logic that channels borrowed resources into immediate distributive goods that reinforce elite power—fuel subsidies, public sector wage commitments, constituency projects and election-time largesse

(Miller, 2024; Dávid-Barrett, 2023). These expenditures are politically attractive but economically low-return. The "price of politics" literature shows empirically how political survival calculations push governments toward visible, short-term spending that yields patronage benefits (Miller, 2024). The effect is twofold: (1) borrowing becomes a tool for political management rather than development; (2) investment that could build productive capacity is under-prioritised.

The public investment literature and public investment management assessments (PIMA) show that weak project selection, procurement irregularities, and poor value-for-money amplify the wasteful use of borrowed funds (World Bank, 2023; IMF, 2024). "White-elephant" projects—grand but poorly planned infrastructure with little economic return—are a recurrent theme. Where public investment management systems are weak, loans do not translate into sustainable capital stock; instead they create stranded assets and future servicing liabilities (World Bank, 2023).

4.4 Corruption as Catalyst: Channels and Evidence

A large cross-country literature and Nigeria-specific audits provide consistent evidence that corruption mediates the relationship between borrowing and development failure. Methodologically robust cross-national work shows that higher corruption levels predict higher public debt ratios and that corruption amplifies the adverse effects of public expenditure on debt (Cooray, Dzhumashev, & Schneider, 2017). At the country level, Nigerian official audit reports and multilateral governance reviews reveal procurement non-compliance, weak transparency in emergency financing, and instances where audit trails for externally financed resources were incomplete or inadequately disclosed (Office of the Auditor-General for the Federation, 2024; IMF, 2023).

Three concrete channels through which corruption deepens debt vulnerabilities are particularly relevant:

- Diversion of loan proceeds. Audit and oversight reports on emergency funds (e.g., pandemic finance) documented weak documentation and irregularities in accounting and procurement in several instances, heightening the risk that borrowed resources did not reach intended programmatic uses (Office of the Auditor-General for the Federation, 2024; IMF, 2023).
- Over-pricing and non-competitive contracting. Corrupt procurement practices raise the cost of projects financed by borrowed funds, reducing the effective public capital created per dollar borrowed (World Bank, 2023).
- Elite capture and politically directed projects. When credit lines are channelled into politically chosen contracts or projects with low social returns, debt grows without commensurate increases in tax base or productive capacity—thus creating a structural debt trap (Cooray et al., 2017; Dávid-Barrett, 2023).

The empirical implication is stark: corruption does not merely reduce efficiency; it systematically alters the composition and returns to public borrowing, turning potentially developmental debt into a form of elite accumulation with negative fiscal multipliers (Cooray et al., 2017; IMF, 2023).

7.5 Debt Crises as "Factitious Watery Politico-Economic Diarrhoea"

The metaphor of "factitious watery politico-economic diarrhoea" offers a powerful lens for interpreting Nigeria's recurrent debt crises by capturing three intertwined dimensions of fiscal dysfunction. Firstly, these crises are factitious—not arising from natural economic shocks but artificially constructed through elite decisions and institutional failings. Rather than being triggered solely by global downturns or commodity price collapses, Nigeria's fiscal emergencies often stem from policy choices, such as reckless borrowing, politically motivated expenditure, and weak oversight systems. Dávid-Barrett (2023) describes how state actors selectively direct debt into patronage channels, anticipating political rather than developmental payoffs. In this framing, borrowing becomes a tool of elite endurance rather than capacity building. This aligns with broader dependency insights that link structural underdevelopment to elite arrangements reinforced by the global financial order (Mihalyi & Trebesch, 2023). Thus, the "factitious" element emphasizes how domestic actors engineer fiscal instability by failing to align borrowing with productive uses.

The second dimension—watery—captures the fluid and diffuse nature of fiscal flows in Nigeria's political economy. Borrowed funds often evaporate through multiple layers: from central allocations to regional disbursements, ending in procurement, subsidy mechanisms, and informal networks with little transparency. The IMF (2023) and the Office of the Auditor-General for the Federation (2024) document how large portions of public resources, including loan proceeds, lack clear accountability. Audit reports highlight flagged expenditures with incomplete documentation, opaque tender processes, and pervasive under- or over-invoicing—creating conditions where money dissipates like water through porous channels. This lack of traceability inhibits corrective action and prevents monitoring mechanisms from identifying points of leakage. The "watery" metaphor thus underscores the complexity and opacity of fiscal flows, where borrowed funds are neither focused nor insulated from misuse.

Thirdly, the metaphor encapsulates the repetitive and socially corrosive character of Nigeria's debt cycles. Just as politicized diarrhoea recurs without treatment, borrowing recurs without reform. Repeated rounds of borrowing compound existing fiscal strain by crowding out investments in health, education, and infrastructure, deepening inequality and public disillusionment. The UN Sustainable Development Goals assessments and World Bank (2023) reports show that rising debt servicing has diverted a growing share of revenue away from developmental spending, while recurrent emergency borrowing has become a default response to fiscal deficits. This cyclical return of crises diminishes policy credibility and social trust, aggravating resentment and destabilizing governance. The metaphor thus conveys not only the physical symptoms of fiscal crisis, but their social toxicity and recurrent nature.

Viewed through the prism of Dependency Theory and structural political economy, the metaphor resonates with the insight that debt inflows can act as temporary valves—allowing the political economy to stay afloat without resolving underlying fragilities. Mihalyi and Trebesch (2023) argue that repeated borrowing in Sub-Saharan Africa, including Nigeria, often sustains state functioning only superficially, without catalyzing real economic autonomy or institutional reform. In Nigeria's case, debt-swollen budgets provide short-term relief to elite networks and political constituencies, yet fundamental constraints—narrow tax bases, weak public investment systems, and oligarchic politics—remain unchanged. The debt crisis thus resembles an ongoing symptom rather than a one-off illness. Breaking the cycle demands structural reorientation: redefining borrowing criteria, fortifying governance, and reconfiguring the incentives that drive elite appropriation of debt-backed resources.

5 .Conclusion

Following from our analysis, this study concludes that the political consequences of recurrent indebtedness are consequential. Over the years, high debt servicing has constrained social spending and public investments thereby intensifying citizen's frustration and opening spaces for distributive politics that further incentivise short-term fiscal management via borrowing (Miller, 2024). For donkey ears, public resources have been routinely diverted into politically salient but low-return uses, which has hampered trust in the country's democratic institutions thereby intensifying the dynamics for state capture creating a feedback loop linking corruption, borrowing, and democratic erosion (Dávid-Barrett, 2023; Cooray et al., 2017).

Without a doubt, the findings of this study reveals that the recurrent debt crises in Nigeria are not merely technical macroeconomic problems, but politically produced outcomes shaped by incentive structures that privilege short-term redistributive and prestige projects over developmental accumulation. Misguided borrowing and corruption interact in ways that turn potentially productive finance into a recurring fiscal burden. Addressing the problem requires simultaneous reforms to public investment management, revenue systems, procurement transparency, and political incentives. Without tackling these structural problems, future episodes of "factitious watery politico-economic diarrhoea" are likely to recur—debt crises will remain symptom not of accident but of systematically produced institutional failure.

5.1 Recommendations

Nigeria's recurrent debt crises reveal that ad hoc reforms and temporary relief measures have been insufficient. To address the structural and institutional weaknesses fueling this crisis, the following policy recommendations are proposed:

1. Strengthen public investment management (PIM). Better project selection, independent feasibility analysis, and transparent procurement would increase the productivity of borrowed funds (World Bank, 2023).
2. Deepen domestic revenue mobilisation. Reducing dependence on borrowing requires broadening the tax base and improving tax administration to create space for capital spending without ad hoc borrowing (IMF, 2024).
3. Improve transparency and auditability of externally sourced funds. Routine publication of loan-by-loan project disbursements and audited results would reduce diversion risks and improve accountability (Office of the Auditor-General, 2024; IMF, 2023).
4. Reform political incentives. Reforming the political financing environment and enhancing parliamentary and civil society oversight can diminish the attractiveness of debt-financed patronage (Dávid-Barrett, 2023; WFD/AFRODAD, 2025).
5. Engage in debt architecture reforms. At the multilateral level, Nigeria should support initiatives that reduce complexity in restructuring (lessons from Zambia/Ghana) and promote more concessional and transparent instruments for development finance (Mihalyi & Trebesch, 2023; IMF/World Bank recommendations).

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