



## **PRESS RELEASE**

### **PARIS CLUB AGREES ON A COMPREHENSIVE TREATMENT OF NIGERIA'S DEBT**

The representatives of the Paris Club creditor countries met on 18, 19 and 20 October 2005 and agreed with the representatives of the Federal Republic of Nigeria on a comprehensive treatment of its debt. This agreement implements the debt treatment framework for Nigeria announced by the Paris Club on 29 June 2005.

The representatives of the Paris Club creditor countries welcomed the ambitious economic program implemented by the Nigerian authorities since 2003 and their desire to secure an exit treatment from the Paris Club.

This agreement takes place after the approval by the Executive Board of the International Monetary Fund of the Policy Support Instrument (PSI) on 17 October 2005 and includes a debt reduction under Naples terms on eligible debts and a buy back at a market-related discount on the remaining eligible debts after reduction.

This agreement will be implemented in two phases in consonance with the implementation of the PSI:

- in the first phase, Nigeria undertakes to pay arrears due on all categories of debts and Paris Club creditors grant a 33% cancellation of eligible debts;

- in the second phase, after the approval of the first review of the PSI by the Executive Board of the IMF, planned for March 2006, the Nigerian Government will pay amounts due under post-cut off date debt, Paris Club creditors will grant a further tranche of cancellation of 34% on eligible debts, and Nigeria will buy back the remaining eligible debts.

In total, this agreement allows Nigeria to obtain a debt cancellation estimated at US\$ 18 billion (including moratorium interest) representing an overall cancellation of about 60% of its debt to the Paris Club of around US\$ 30 billion. Paris Club creditors will be paid an amount of US\$ 12.4 billion, representing regularization of arrears of US\$ 6.3 billion, plus a balance of US\$ 6.1 billion to complete the exit strategy.

This exceptional treatment of Nigeria's debt offers a fair, sustainable, and definitive solution to Nigeria and Paris Club creditors. With the large debt relief included in this agreement, Paris Club creditors extend their strong support to Nigeria's economic development policy and its fight against poverty.

### **Background notes**

1. The Paris Club was formed in 1956. It is an informal group of creditor governments from major industrialized countries. It meets on a monthly basis in Paris with debtor countries in order to agree with them on restructuring their debts.

2. The members of the Paris Club which participated in the reorganization of Nigeria's debt were representatives of the governments of Austria, Belgium, Brazil, Denmark, Finland, France, Germany, Italy, Japan, the Netherlands, the Russian Federation, Spain, Switzerland, the United Kingdom and the United States of America.

Observers at the meeting were representatives of the governments of Australia, Canada and Norway as well as the International Monetary Fund, the World Bank, the African Development Bank, the European Commission, the Organization for Economic Cooperation and Development and the Secretariat of the U.N.C.T.A.D.

The delegation of the Federal Republic of Nigeria was headed by Dr (Mrs) Ngozi OKONJO-IWEALA, Minister of Finance. The meeting was chaired by Mr. Xavier MUSCA, Director General of the Treasury and Economic Policy Department of the Ministry of Economy, Finance and Industry, Chairman of the Paris Club.

### **Technical notes**

1. The Policy Support Instrument (PSI) concluded by Nigeria with the International Monetary Fund was approved by the Fund's Executive Board on 17 October 2005.

2. The total stock of Nigeria's public sector has been estimated as at end 2005 at US\$ 36.2 billion, out of which around US\$ 30 billion due to the Paris Club (source: IMF staff report and Paris Club creditors).