December 13, 2000

PARIS CLUB

PRESS RELEASE

THE PARIS CLUB AND NIGERIA AGREE TO A DEBT RESTRUCTURING

Paris Club creditors agreed on December 13, 2000 with the Government of the Federal Republic of Nigeria to a restructuring of its external debt. This agreement follows the International Monetary Fund's approval of a stand-by arrangement on August 4, 2000.

This agreement consolidates roughly US$ 23.4 billion. This amount consists mainly of US$ 21 billion in arrears as of August 1st, 2000 (of which US$ 0.3 billion are arrears on official development assistance loans). The rest of the consolidation deals with principal and interest falling due from August 1st, 2000 up to July 31, 2001 (US$ 2.4 billion of which US$ 40 million of ODA loans).

The rescheduling is structured on the so-called "Houston terms" : ODA credits are to be repaid over 20 years, with 10 years of grace, at interest rates at least as favourable as the concessional rates applying to those loans ; commercial credits are to be repaid over 18 years, with 3 years of grace, with progressive repayments, at market rates of interest. So as to ensure more equal payments among creditors, part of the consolidated amounts representing US$ 2.76 billion will be rescheduled over a period of 9 years beginning in 2001. In addition, part of the consolidated amounts consisting of US$ 0.62 billion of arrears and 2000 maturities on post-cut-off-date debt will be rescheduled over a period of 5 years beginning in 2001. Paris Club creditors agreed on an exceptional basis to capitalise the interest falling due on this rescheduling during the consolidation period (August 1st, 2000 – July 31, 2001). The attached tables describe the estimated principal repayment profile resulting from this rescheduling.

As a result of this agreement, the debt service due by Nigeria to Paris Club creditors will be reduced to US$ 1 billion in 2001.

On a voluntary and bilateral basis, each creditor may also undertake debt for nature, debt for aid, debt for equity swaps or other debt swaps.

This debt restructuring is expected to make an important contribution to Nigeria's economic outlook and will satisfy Nigeria's financing requirements from August 1st, 2000 up to July 31, 2001. This debt rescheduling will enter into force on April 15, 2001, unless Nigeria's track-record with the International Monetary Fund and the Paris Club is not considered satisfactory.

In addition, looking forward to Nigeria's negotiation of a follow-on program with the IMF, and subject to satisfactory implementation of the current IMF program and Paris Club agreement, Paris Club creditors also agreed in principle to consider possible options in further restructuring of Nigeria's debt falling due after July 31, 2001 consistent with Nigeria's medium and long term capacity to repay. As is standard in Paris Club agreements, this possible future restructuring would include a comparability of treatment provision.

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, Israel, 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 Canada and Norway as well as the International Monetary Fund, the International Bank for Reconstruction and Development, the Secretariat of the U.N.C.T.A.D., the African Development Bank and the Organization for Economic Cooperation and Development.

The delegation of the Federal Republic of Nigeria was headed by Mr Philip Asiodu, Chief Economic Adviser to the President. The meeting was chaired by Mr Bruno Bézard, Deputy Assistant Secretary at the Treasury of the French Ministry of Economy, Finance and Industry, Vice President of the Paris Club.

Technical notes

1. The stand-by arrangement concluded by Nigeria with the International Monetary Fund was approved by the Fund's Executive Board on August 4, 2000.

2. The total stock of Nigeria's public sector has been estimated as at December 31, 2000 at US$ 33,5 billion, out of which US$ 24.5 billion due to the Paris Club (source: IMF staff report and Paris Club creditors). Paris Club creditors' stock of debt is divided into US$ 23.1 billion pre-cut-off-date claims (out of which 2% ODA) and US$ 1.4 billion post-cut-off-date claims (out of which 27% ODA).

The cut-off date (October 1st, 1985 for Nigeria) is used by Paris Club creditors for the sole internal purposes of the Paris Club agreement. When a debtor country first meets with Paris Club creditors, the "cut-off- date" is defined and is not changed in subsequent Paris Club treatments and credits granted after this cut-off- date are not subject to future rescheduling. Thus, the cut-off-date helps restore access to credit for debtor countries facing liquidity problems.

3. Interest rates to be applied on the restructuring are to be negotiated with each creditor country by the Government of Nigeria in bilateral agreements implementing the Paris Club agreement. Official development assistance loans will be rescheduled at a below-market interest rate not higher than the interest rate of the original credits. Other loans will be rescheduled at a market interest rate (known as “appropriate market rate”) defined on the basis of risk-free rates for the currency considered, plus a management margin.

4. The impact of this rescheduling on the net present value of the restructured claims is estimated to be neutral for a discount rate equal to the Paris Club appropriate market rate. It is estimated to be, for a discount rate that includes the current spreads on emerging market debt, a 40% reduction and, for a discount rate reflecting current spreads on Nigeria's external market debt, a 65% reduction. The impact of this rescheduling on the duration (discounted average maturity) of restructured claims is estimated to be an 8 year increase using the Paris Club appropriate market rate as a discount rate, a 6 year increase using the emerging market spreads, and a 4 year increase using a Nigeria's market spreads. Taking into account the fact that most of the restructured debt is in arrears and that it was due several years ago, actual changes in net present value and duration are larger.