

FIRST Agreed Minute

AGREED MINUTE ON THE CONSOLIDATION OF THE DEBT OF NIGERIA

I - PREAMBLE

1. The representatives of the Governments of Austria, Belgium, Brazil, Canada, Denmark, Finland, France, the Federal Republic of Germany, Ireland, Israel, Italy, Japan, the Netherlands, Norway, Spain, Sweden, Switzerland, the United Kingdom and the United States of America, hereinafter referred to as "Participating Creditor countries", met in Paris on December 15 and 16, 1986 with representatives of the Federal Republic of Nigeria in order to examine the request for alleviation of that country's external debt service obligation. Observers of the International Monetary Fund, the International Bank for Reconstruction and Development, the Secretariat of the U.N.C.T.A.D., the Commission of the European Communities and the Organization for Economic Cooperation and Development also attended the meeting.
2. The Delegation of Nigeria outlined the serious economic and financial difficulties faced by their country and the strong determination of their Government to reduce the economic and financial imbalances and to reach the targets of the program underlying the stand-by arrangement with the International Monetary Fund.
3. The representatives of the International Monetary Fund described the economic situation of Nigeria and the major elements of the adjustment program undertaken by the Government of Nigeria and supported by the stand-by arrangement with the International Monetary Fund approved in principle by the Executive Board of the Fund on December 12, 1986. This stand-by arrangement, applying to the period ending on January 31, 1988 involves specific commitments in both the economic and financial fields.
4. The representatives of the Governments of the Participating Creditor countries took note of the measures of adjustment included in the economic and financial program undertaken by the Government of Nigeria and stressed the importance they attach to the continuing and full implementation of this program, in particular the revitalization of the productive sector of the economy and the improvement of public finances and foreign exchange management.

II - RECOMMENDATIONS ON TERMS OF THE REORGANIZATION

Mindful of the serious payments difficulties faced by Nigeria, the representatives of the Participating Creditor countries agreed to recommend to their Governments or appropriate institutions that they provide, through rescheduling or refinancing, debt relief for Nigeria on the following terms :

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a) Commercial credits guaranteed or insured by the Governments of the Participating Creditor countries or their appropriate institutions, having an original maturity of more than one year, pursuant to a contract or other financial arrangement concluded before October 1, 1985 : *cut off date*

- extended to the Federal Government of Nigeria, extended to one of the federated States, or extended to a public entity wholly owned by the Federal Republic of Nigeria or by one of its federated States, or with a guarantee of payment from one or several of these entities ;

- or extended to the private sector in Nigeria, as far as arrears as at September 30, 1986 are concerned.

b) Loans from Governments or appropriate institutions of the Participating Creditor countries, having an original maturity of more than one year, pursuant to an agreement concluded before October 1, 1985 :

- extended to the Federal Government of Nigeria, extended to one of the Federated States, or extended to a public entity wholly owned by the Federal Republic of Nigeria or by one of its federated States, or with a guarantee of payment from one or several of these entities ;

- or extended to the private sector in Nigeria, as far as arrears as at September 30, 1986 are concerned.

Short term
c) Arrears as at December 31, 1983, pursuant to contracts or other financial arrangements, payable on cash terms or having an original maturity of one year or less, guaranteed or insured by the Governments of the Participating Creditor Countries or their appropriate institutions.

d) Arrears as at September 30, 1986 on maturities under letters of credit or commercial credits having an original maturity of one year or less, guaranteed or insured by the Governments of the Participating Creditor countries or their appropriate institutions, and not covered by paragraph lc) above.

It is understood that the debts referred to hereabove include the debts resulting from the contracts related to the cement-plant of ONIGBOLO and to the sugar-plant of SAVE, to the extent that the guarantee of the Government of Nigeria is invoked.

2. Terms of the consolidation

The debt relief will apply as follows :

A/ As regards amounts due on loans and credits mentioned in paragraphs la) and lb) above :

a) 100 % of the amounts of principal and of interest due as at September 30, 1986 inclusive and not paid (excluding late interest charges) or due from October 1, 1986 up to December 31, 1987 inclusive and not paid (excluding late interest charges) on loans and credits mentioned in paragraphs la) and lb) above, will be rescheduled or refinanced.

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100%
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Repayment by the Government of Nigeria of the corresponding sums will be made in 10 equal and successive semi-annual payments, the first payment to be made on November 15, 1992 (end of the grace period) and the final payment to be made on May 15, 1997 (end of the repayment period).

b) Late interest charges are those interest charges due between the original due date of principal and interest due and not paid, and a date to be fixed in the bilateral agreements concluded in application of the present Agreed Minute.

* B/ As regards arrears as at December 31, 1983 mentioned in paragraph 1 c) above :

a) 100 % of the amounts mentioned in paragraph 1c) above, will be rescheduled or refinanced.

Repayment by the Government of Nigeria of the corresponding sums will be made in 10 equal and successive semi-annual payments, the first payment to be made on January 1, 1990 (end of the grace period) and the final payment to be made on July 1, 1994 (end of the repayment period). The same provisions apply to late interest accrued as at December 31, 1986, which will be capitalized as at this date.

b) Late interest charges are those interest charges due between the original due date of principal and interest due and not paid and a date to be fixed in the bilateral agreements concluded in application of the present Agreed Minute.

* C/ As regards post December 31, 1983 arrears mentioned in paragraph 1 d) above :

a) 90 % of the amounts of principal due as at September 30, 1986 and not paid, on letters of credit and short term commercial credits mentioned in paragraph 1d) above, will be rescheduled or refinanced.

Repayment by the Government of Nigeria of the corresponding sums will be made in 6 equal and successive semi-annual payments, the first payment to be made on January 1, 1988 (end of the grace period) and the final payment to be made on July 1, 1990 (end of the repayment period).

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b) Payment by the Government of Nigeria of interest and of the remaining 10 % of principal will be made as soon as possible, and in any case not later than November 15, 1987.

3. Rate of interest

Interest will be charged on all the facilities provided for in this Agreed Minute. The rate and the conditions of interest to be paid in respect of these financial arrangements will be determined bilaterally between the Governments of Nigeria and the Government or appropriate institutions of each Participating Creditor country on the basis of the appropriate market rate.

4. Guarantee of payment of the Government of Nigeria.

As regards debts contracted by the Federal Government, by a federated State, by a public entity wholly owned by the Federal Republic of Nigeria or by one or several of its federated States, or as regards debts guaranteed by these entities, the Government of Nigeria is responsible for all payments of principal and interest under paragraphs 2 and 3 above, without any deduction for taxes, fees and other public charges or any other costs, accruing inside or outside Nigeria.

As regards private sector debts subject to this consolidation, the Government of Nigeria will be responsible for these payments in the same conditions referred to hereabove as from the date on which, the obligation having fallen due, the naira counterpart of the obligation is or has been deposited by the private debtor with a local commercial bank at the exchange rate prevailing as of that date, with a view to making the corresponding transfer, provided that these deposits as well applications made at that time for transfer were in compliance with the Nigerian Law.

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5. Unit of account

Payments of principal and interest arising from this Agreed Minute shall be calculated and made in the currencies in which the corresponding contracts or credits were originally denominated, without prejudice to any particular agreement between the Government of Nigeria and the Government of a Participating Creditor country.

III - GENERAL RECOMMENDATIONS

1. In order to secure comparable treatment of public and private external creditors on their debts, the Delegation of Nigeria stated that their Government will seek to secure from external creditors, including banks and suppliers, rescheduling or refinancing arrangements on terms comparable to those set forth in this Agreed Minute for credits of comparable maturity, making sure to avoid inequity between different categories of creditors. The Government of Nigeria will inform in writing the Chairman of the Paris Club not later than March 31, 1987, of the progress made for this purpose in negotiations with other creditors.

2. The Government of Nigeria will seek to secure from each of the Creditor countries not participating in this Agreed Minute, rescheduling or refinancing arrangements on terms comparable to those set forth in this Agreed Minute ; the Government of Nigeria agrees not to accord any such Creditor country repayment terms more favourable to such Creditor countries than those accorded to the Participating Creditor countries.

3. The Government of Nigeria undertakes to negotiate promptly rescheduling or refinancing arrangements with all other creditors on debts of comparable term.

4. The provisions set forth in this Agreed Minute do not apply to countries with respect to which debts of principal and interest, under this reorganization are less than SDR 1,000,000. The payments owed to these countries should be made on the original due dates. Payments already due and not paid as at the date of the present Agreed Minute, should be made as soon as possible and, in any case, not later than September 30, 1987.

5. Each of the Participating Creditor countries agrees to make available, upon the request of another Participating Creditor country, a copy of its bilateral agreement with the Government of Nigeria which implements this Agreed Minute. The Government of Nigeria acknowledges this arrangement.

6. Each of the Participating Creditor countries agrees to indicate to the Chairman of this creditor group the date of the signature of its bilateral agreement, the interest rates and the amounts of debts involved. The Government of Nigeria acknowledges this arrangement.

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7. The Government of Nigeria will keep the Chairman of this creditor group informed of the content of its bilateral agreements with creditors mentioned in paragraphs 1, 2 and 3 above.

8. The Government of Nigeria undertakes to pay all debt service due and not paid as at the date of the present Agreed Minute, and owed to or guaranteed by the Governments of the participating Creditor Countries or their appropriate institutions, and not covered by this Agreed Minute, as soon as possible, and in any case not later than September 30, 1987. Late interest will be paid on those arrears.

9. The Government of Nigeria guarantees free and unrestricted access to the foreign exchange market, allowing immediate and unrestricted transfer of the foreign exchange counterpart of all amounts paid in local currency by the private debtors in Nigeria for servicing their foreign debt owed to or guaranteed by the participating Creditor Countries or their appropriate institutions, and not subject to the present consolidation.

As regards payments on these debts deposited before the signature of the present Agreed Minute in local currency by the private debtors with the local commercial banks, with the view to their transfer, the Government of Nigeria will allow the immediate transfer of the foreign exchange counterpart of these deposits at the rate of exchange prevailing when such payments in local currency were made by the private debtors, provided that applications, made at that time for transfer were in compliance with the Nigerian law.

10. As regards the private sector debts subject to the present consolidation, the Government of Nigeria will take the relevant administrative measures or extend existing measures to ensure that the private debtors in Nigeria will be permitted to pay promptly into appropriate institutions the local currency counterpart of their obligations past due or falling due corresponding to their debts subject to this consolidation.

IV - IMPLEMENTATION

The detailed arrangements for the rescheduling or refinancing of the debts will be determined by bilateral agreements to be concluded by the Government or the appropriate institutions of each Participating Creditor country with the Government of Nigeria on the basis of the following principles :

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1. The Government or the appropriate institutions of each Participating Creditor country will :

- refinance debts by placing new funds at the disposal of the Government of Nigeria according to existing payment schedules during the reorganization period and for the above mentioned percentages of payments. These funds will be repaid by the Government of Nigeria according to schedules mentioned above in paragraph II.2.

or

- reschedule the corresponding payments.

2. Debts to be included in the bilateral agreements to be concluded pursuant to the provisions of this Agreed Minute will be agreed between the Government of Nigeria and the Governments of the Participating Creditor countries or their appropriate agencies or institutions.

As regards debts referred to in chapter II, paragraph 1c) (commercial arrears as at December 31, 1983), those :

a) for which insurance claims have been or will be paid out by an appropriate institution of a Participating Creditor country but not yet "approved" will be deemed accepted for their entire value by the Government of Nigeria. They will be eligible for the provisions of the present Agreed Minute as soon as they are notified to the Central Bank of Nigeria by the appropriate institutions of the Governments of the Creditor countries. By mutual consent, one or more of these debts can be removed from this Agreement if, before the end of 1987, evidence of its ineligibility is produced.

b) already qualified as "approved" in the context of the implementation of the Circular dated 18th April 1984 and issued by the Central Bank of Nigeria will not be subject to any further reconciliation ; such debts will be deemed to be eligible for reorganization pursuant to this Agreed Minute ;

c) or other debts added to this Agreement by mutual consent.

3. All other matters involving the rescheduling or the refinancing of the debts will be set forth in the bilateral agreements which the Government of Nigeria and the Governments or the appropriate institutions of the Participating Creditor Countries will seek to conclude with the least delay and in any case before June 30, 1987.

4. The provisions of the present Agreed Minute shall apply as soon as the stand-by arrangement approved in principle by the Executive Board of the International Monetary Fund on December 12, 1986 enters into force. They will continue to apply during the consolidation period, provided that the Government of Nigeria continues to have an arrangement with the International Monetary Fund in the upper credit tranches. For this purpose, the Government of Nigeria agrees that the International Monetary Fund inform the Chairman of the Paris Club regarding the status of Nigeria's relations with the International Monetary Fund.

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5. To facilitate the implementation of this Agreed Minute, the Government of Nigeria will make deposits on the first of each month in the period from April 1987 to January 1988 inclusive in the special interest bearing account to be established with the Bank of England. The minimum deposit made each month from April to September 1987 will be 40 million SDR, with a minimum of 180 million SDR for each quarter. The minimum deposit made each month from October 1987 to January 1988 will be 60 million SDR.

The Government of Nigeria will arrange to have the Bank of England notify the Chairman of the Paris Club as soon as each deposit has been made. The total amount approximates the amount estimated to be payable to all Participating Creditor Countries during the period ending on December 31, 1987. The Government of Nigeria will draw on the special account to meet payment due according to the present Agreed Minute ; no drawing will be made on the special account for any other payment before all payments due until December 31, 1987 under the bilateral agreements have been made. Any drawing on this account will be made after a previous 15-day notice to the above said Bank, which this Bank will notify immediately to the Chairman of the Paris Club. This scheme should continue to be maintained for subsequent years by agreement between the Parties.

6. In response to the request of the representatives of the Government of Nigeria, the Participating Creditor countries agreed in principle to a meeting to consider the matter of Nigeria's debt service payments falling due after December 31, 1987 relating to medium and long term loans or credits pursuant to a contract or other financial arrangement concluded before October 1, 1985 provided :

- that Nigeria continues to have an arrangement with the International Monetary Fund in the upper credit tranches.

- that Nigeria has reached with banks and other creditors effective arrangements meeting the conditions described in section III paragraphs 1, 2 and 3 above and has reported in writing to the Chairman of the Paris Club, pursuant to section III paragraph 7 above.

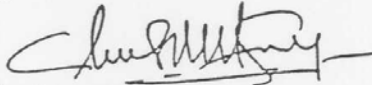
- and that Nigeria has complied with all conditions set out in this Agreed Minute.

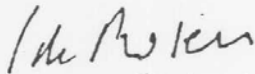
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7. The representatives of the Government of each of the Participating Creditor countries and of the Government of Nigeria agreed to recommend to their respective Governments or appropriate institutions that they initiate bilateral negotiations at the earliest opportunity and conduct them on the basis of the principles set forth herein.

~~X~~ // Done in Paris, this 16 th day of December 1986 in two versions, english and French, both texts equally authentic,

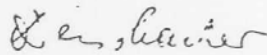
The Chairman of the Paris Club

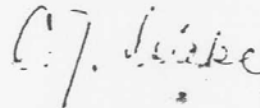

The Head of the Delegation of Nigeria



Delegation of Austria


Delegation of Denmark





Delegation of Belgium

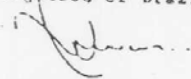
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