

2nd  
Agreed Minute

AGREED MINUTE  
ON THE CONSOLIDATION OF THE DEBT  
OF THE FEDERAL REPUBLIC OF NIGERIA

**I- PREAMBLE**

1. The representatives of the Governments of Austria, Belgium, Brazil, Denmark, 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 March 2 and 3, 1989 with representatives of the Government of the Federal Republic of Nigeria in order to examine the request to alleviate Nigeria's external debt service obligations. Observers of the Governments of Canada and Finland as well as the International Monetary Fund, the International Bank for Reconstruction and Development, the Secretariat of the U.N.C.T.A.D. and the Organization for Economic Cooperation and Development also attended the meeting.

2. The Delegation of the Federal Republic of Nigeria described the serious economic and financial difficulties faced by their country and its strong determination to reduce the economic and financial imbalances, and to attain the targets of the program supported by the stand-by arrangement with the International Monetary Fund.

3. The representatives of the International Monetary Fund described Nigeria's economic situation and the major elements of the adjustment program undertaken by the Government of the Federal Republic of Nigeria and supported by the stand-by arrangement with the International Monetary Fund approved by the Executive Board of the Fund on February 3, 1989. This stand-by arrangement, covering the period ending on April 30, 1990, involves specific commitments in both the economic and financial fields.

4. The representatives of the Governments of the Participating Creditor Countries noted the measures of adjustment in the economic and financial program undertaken by the Government of the Federal Republic of Nigeria and stressed the importance they attach to the continued 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**

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

x **1. Debts concerned**

The debts to which this reorganization will apply are the following:

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.

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.

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c) repayments in principal and interest due as a result of the consolidation agreements concluded according to the Agreed Minute dated December 16, 1986.

d) commercial credits guaranteed or insured by the Governments of the Participating Creditor Countries or their appropriate institutions, having an original maturity of one year or less, pursuant to a contract or other financial arrangement concluded before December 31, 1988.

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.

It is understood that debt service due as a result of debts described above in the present minute and effected through special payment mechanisms or other external accounts is included in the present reorganization. Creditors will reschedule, refinance, or take other appropriate measures to assure that this category of debt is treated in a manner comparable to other debt subject to this Agreed Minute.

**2. Terms of the consolidation**

The debt relief will apply as follows :

**A/ As regards amounts due from January 1, 1989 up to April 30, 1990 inclusive :** *CP, CI*

100 % of the amounts of principal and of interest (excluding late interest) due from January 1, 1989 up to April 30, 1990 inclusive and not paid on loans, credits and agreements mentioned in paragraphs 1 a), 1 b) and 1 c) above will be rescheduled or refinanced.

Repayment by the Government of the Federal Republic of Nigeria of the corresponding sums will be made in 10 equal and successive semi-annual payments, the first payment to be made on February 28, 1995 (end of the grace period) and the final payment to be made on August 31, 1999 (end of the repayment period).

**B/ As regards amounts due as at December 31, 1988 and not paid :** *AI AF*

a) 100 % of the amounts of principal and of interest (including late interest) due as at December 31, 1988 inclusive and not paid, on loans and credits mentioned in paragraphs 1 a) and 1 b) above, will be rescheduled or refinanced.

Repayment by the Government of the Federal Republic of Nigeria of the corresponding sums will be made in 10 equal and successive semi-annual payments, the first payment to be made on February 28, 1995 (end of the grace period) and the final payment to be made on August 31, 1999 (end of the repayment period).

b) 100 % of the amounts of principal and of interest (including late interest) due as at December 31, 1988 inclusive and not paid, on credits mentioned in paragraph 1 d) above, will be rescheduled or refinanced.

Repayment by the Government of the Federal Republic of Nigeria of the corresponding sums will be made in 10 equal and successive semi-annual payments, the first payment to be made on June 30, 1990 (end of the grace period) and the final payment to be made on December 31, 1994 (end of the repayment period).

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\*c) The amounts of principal and of interest (including late interest) due as at December 31, 1988 inclusive and not paid, on consolidation agreements mentioned in paragraph 1 c) above, will be rescheduled or refinanced, up to a limit of 60% of the total amounts which fell due before December 31, 1988 inclusive.

Repayment by the Government of the Federal Republic 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 31, 1990 (end of the grace period) and the final payment to be made on July 31, 1992 (end of the repayment period).

The remaining amounts of principal and interest which would exceed the limit of 60 % mentioned above will be paid on January 31, 1990. Late interest will be charged on those amounts.

\*d) As concerns the creditor countries with which the consolidation agreement implementing the Agreed Minute dated December 16, 1986 was not signed before December 31, 1988, the provisions of c) above will apply to the amounts of principal falling due before December 31, 1988 inclusive according to the Agreed Minute dated December 16, 1986 and to the amounts of interest accrued as at December 31, 1988 on the corresponding consolidation agreement.

\*e) The amounts mentioned in paragraphs b), c) and d) above will be excluded from any further consolidation.

f) Each payment mentioned in paragraph c) will be made at the scheduled date even when the bilateral agreement implementing the present Agreed Minute is not concluded at that date.

C/ Late interest charges are those interest charges accruing between the contractual payment dates of principal and interest due and not paid, and a date to be fixed in the bilateral agreements concluded for the implementation of the present Minute.

**3. Rate of interest**

The rates and the conditions of interest on the financial arrangements covered by this Minute will be determined bilaterally between the Government of the Federal Republic 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 as applications made at that time for transfer were in compliance with the Nigerian Law.

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**III - GENERAL RECOMMENDATIONS**

1. In order to secure comparable treatment of public and private external creditors on their debts, the Government of the Federal Republic of Nigeria commits itself to seek 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 inequality between different categories of creditors. The Government of the Federal Republic of Nigeria will inform in writing the Chairman of the Paris Club not later than September 30, 1989 of the progress made for this purpose in negotiation with other creditors.

2. The Government of the Federal Republic 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 the Federal Republic of Nigeria agrees not to accord any such Creditor Country repayment terms more favourable than those accorded to the Participating Creditor Countries.

3. The Government of the Federal Republic of Nigeria agrees that it will promptly negotiate rescheduling or refinancing arrangements with all other creditors on debts of a comparable term.

4. The provisions set forth in this Agreed Minute do not apply to Creditor Countries with principal and interest falling due during the reorganization period on debts specified in Article II paragraph 1 (including arrears), of 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 should be made as soon as possible and, in any case, not later than September 30, 1989.

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 the Federal Republic of Nigeria which implements this Agreed Minute. The Government of the Federal Republic of Nigeria acknowledges this arrangement.

6. Each of the Participating Creditor Countries agrees to indicate to the Chairman of the Paris Club the date of the signature of its bilateral agreement, the interest rates and the amounts of debts involved. The Government of the Federal Republic of Nigeria acknowledges this arrangement.

7. The Government of the Federal Republic of Nigeria will keep the Chairman of the Paris Club informed of the content of its bilateral agreements with creditors mentioned in paragraphs 1, 2 and 3 above.

8. The Government of the Federal Republic of Nigeria undertakes to pay all debt service due and not paid as at the date of the present Agreed Minute, on consolidations, on loans or on credits extended or guaranteed by the Governments of the Participating or Observer 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, 1989. Late interest will be charged on those amounts.

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.

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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 accomplished by bilateral agreements to be concluded by the Government or the appropriate institutions of each Participating Creditor Country with the Government of the Federal Republic of Nigeria on the basis of the following principles:

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

- either refinance debts by placing new funds at the disposal of the Government of the Federal Republic of Nigeria according to existing payment schedules during the reorganization period and for the above mentioned percentage of payments. These funds will be repaid by the Government of the Federal Republic 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 the Federal Republic of Nigeria and the Governments of the Participating Creditor Countries or their appropriate agencies or institutions.

✓ As regards debts referred to in paragraph II.1 d) above, those for which insurance claims have been or will be paid out by an appropriate institution of a Participating Creditor Country will be deemed accepted for their entire value by the Government of the Federal Republic 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 September 30, 1989, evidence of its ineligibility is produced.

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 the Federal Republic 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 September 30, 1989.

4. The provisions of the present Agreed Minute will continue to apply provided that the Government of the Federal Republic of Nigeria continues to have an arrangement with the International Monetary Fund in the upper credit tranches. For this purpose, the Government of the Federal Republic of Nigeria agrees that the International Monetary Fund inform the Chairman of the Paris Club regarding the status of the Federal Republic of Nigeria's relations with the International Monetary Fund, to include reports from the Managing Director regarding Nigeria's performance under the program supported by the present stand-by arrangement following the review scheduled to be completed not later than April 15, 1989 and the consultations to be completed by end-September 1989.

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5. To facilitate the implementation of this Agreed Minute, the Government of the Federal Republic of Nigeria will deposit in the special account established with the Bank of England the equivalent of at least SDR 45 million at the end of each month, commencing in April 1989 through April 1990 inclusive. The Government of the Federal Republic of Nigeria undertakes to have this bank notify the Chairman of the Paris Club as soon as each deposit has been made. The total amount approximates the amounts estimated to be payable to all Participating Creditor Countries through April 30, 1990 inclusive under the terms of the bilateral agreements concluded or to be concluded pursuant to this Agreed Minute. As specific payments under these agreements become due, the Government of the Federal Republic of Nigeria will draw on the special account to meet these payments; no drawing will be made on the special account for any other repayment before all payments due through April 30, 1990 inclusive under these agreements have been made. Any drawing on this account will be made after a previous 15-day notice to the Bank of England, which this bank will notify immediately to the Chairman of the Paris Club. This scheme should continue to be maintained beyond April 30, 1990 by agreement between the parties.

6. In response to the request of the representatives of the Government of the Federal Republic of Nigeria, the Participating Creditor Countries agreed in principle to a meeting to consider the matter of the Federal Republic of Nigeria's debt service payments falling due after April 30, 1990, and relating to loans or credits pursuant to a contract or other financial arrangement concluded before October 1, 1985 provided:

- that the Federal Republic of Nigeria continues to have an arrangement with the International Monetary Fund in the upper credit tranches;

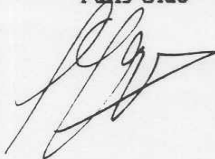
- that the Federal Republic of Nigeria has reached with banks and other creditors effective arrangements meeting the conditions described in Article III paragraphs 1, 2 and 3 above and has reported in writing to the Chairman of the Paris Club, pursuant to Article III paragraphs 1 and 7 above;

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

7. The representatives of the Governments of each of the Participating Creditor Countries and of the Government of the Federal Republic 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.

Done in Paris, on March 3<sup>rd</sup>, 1989  
in two versions, English and  
French, both texts equally  
authentic.

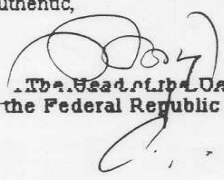
~~The Chairman of the~~  
Paris Club



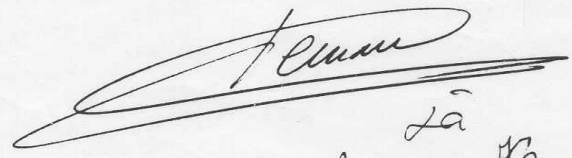
Delegation of Austria



The Head of the Delegation  
of the Federal Republic of Nigeria



Delegation of Belgium



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Delegation of Brazil

Maciel de Mendonça

Delegation of Israël

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Delegation of Denmark

C. J. Linke

Delegation of Italy

Carlo Felvaff

Delegation of France

J. M. L...

Delegation of Japan

Takahata Kanuo

Delegation of the Federal Republic  
of Germany

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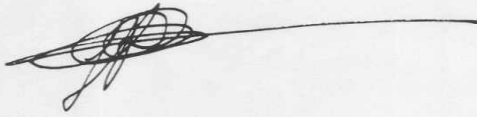
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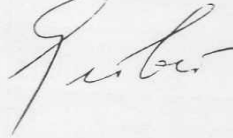
Delegation of Norway

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Delegation of Spain



Delegation of Switzerland



Delegation of Sweden



Delegation of the United Kingdom

Peter Mountfield

Delegation of the United States  
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William B. Milam