

Educational

NIGERIA EXITS THE LONDON CLUB

Following Nigeria's exit from the Paris Club, attention was focused on Nigeria's London Club Debts. Consequently, about US\$1.406 billion (N182.78 billion) was paid to exit the London Club debts, while a further US\$1.487 billion, to redeem the par bonds between November and December 2006. An additional 1 per cent commission was paid to the Central Bank of Nigeria (CBN) amounting to US\$14.868 million. The US\$1.487 billion par bonds payments was made in three tranches of US\$813 million on November 10, 2006; US\$300 million on December 29, and US\$373.849 million on December 29. Other payments for the par bonds covered transaction costs of US\$61,432 (paid on November 21, 2006) and collateralised interest payment by the CBN (US\$91.922 million). Of the US\$1.487 billion par bonds repaid, the London Club refunded US\$747.82 million, being proceeds on collaterals, bringing the total exit payment for the par bonds to US\$845.88 million. Holders of the promissory notes were paid US\$476.595 million on February 26 through Merrill Lynch of the United States, while US\$349,006.0 was paid as transaction costs. The government re-purchased 369,154 oil warrants at US\$220.0 each on March 30, amounting to US\$81.671 million. Other payments on the warrants included professional legal fee of US\$695.721 to Gottlieb, dealer manager fee of US\$260,326 to Citibank, and financial advisory fee of US\$215,005 to Lazard. This brought the total transaction costs to US\$1.201 million, and total oil warrant exit payments to US\$82.872 million.

The composition of the debt is as follows:

Par Bonds: These are mainly arrears of commercial bank term loans, plus some arrears of letters of credit, bills for collection, etc. accumulated during the 1980s.

- The par bonds were Issued in 1992, collateralized with US Treasury zero coupon bonds maturing in 2020
- Interest rate of 6.25% paid semi-annually amounting to \$90 million a year

- Par Bond holders were issued with additional debt instruments-oil warrants

Oil Warrants: Issued along with the Par Bonds.

- Approximately 2 million oil warrants issued along with Par Bonds in 1992 maturing in 2020.
- Semi annual interest payment subject to rise in oil price above reference price of \$28 consistently for 6 consecutive months, but capped at \$15.
- Current payment liability amounts to \$52.7 million per year

Promissory Notes: Issued through the CBN, resulting from uninsured short-term trade debt, accumulated in the early 1980s.

- Verification exercise carried out by Chase Manhattan in the mid-1980s.
- Original amount= \$4,891.3million. Amount currently outstanding=\$649.8million
- quarterly payments totaling \$170.85 million a year; to be fully amortized/paid off in 2010