
EDITORIAL: TOWARDS A DEAL FOR NIGERIA & BUT WHAT KIND OF DEAL, AND WHEN?



We will be frank: Nigeria finally going to the Paris Club to negotiate a comprehensive debt cancellation can be interpreted as a success. The fact that Nigeria's long-standing need for debt relief has been finally officially recognized by the G8, and then the Paris Club in its June 29th special session, is the proof that NGOs in Africa and in the North have been right all along when claiming that a young democracy whose citizens are surviving on 1.16 US\$ per day per head should receive at least the same treatment that others with similar situations already have, for instance with the HIPC Initiative.

We believe that once at the negotiating table at the Bercy, the envoys from President Obasanjo will be able to stand their ground and bargain for the best possible deal for their citizens, pushing back excessive demands from a group of creditors who are not in a position to extract further blood from this country. If needed making full use of the threat - politically unsustainable for the creditors - of walking away from the table and showing the world the real face of rich countries governments. With solid bargaining by the Nigerian government we are confident that it will be impossible even for the Paris Club creditors cartel to grant Nigeria a worse deal than the one Iraq received only 9 months ago an 80 percent cancellation - when all the comparisons play in favour of the African country.

Sure, we can expect a tough stance and some very hard bargaining from those 19 creditors, especially on two fronts: arrears clearance and the market related discount post Naples that are mentioned in the communiqué of June 29th. Regarding the first issue, we believe that it is simply outrageous, if what has been reported in the press is to be believed, that to be allowed to talk to its creditors Nigeria will have to pay upfront an amount of around 6 billion US\$ to clear its arrears. Since a major part of Nigeria's debt is of odious nature, asking the present government to fork out reserves accumulated and saved thanks to exceptionally high oil prices and therefore not to devote them to fighting poverty is simply wrong. In a simple analysis it means, as Nigerian civil society groups such as the **African Network for the Environment and Economic Justice (ANEEJ)** have pointed out, it will take Nigeria at least 4 years to benefit financially from this debt cancellation. (Nigeria currently pays just over \$1.5 billion in annual debt service). ANEEJ made this point, among others, at the successful round-table meeting held in collaboration with Eurodad in Edinburgh earlier this month. (For more comments by ANEEJ on the issue see piece below)

Regarding the discounted debt buy-back, the negotiation will not be

easy either since many non-G8 creditors such as the Netherlands and Austria are extremely unhappy at what they feel is an unacceptable imposition from the G8. Therefore, they will try to minimize the haircut their credits are to receive. This is likely to happen by pushing for a phasing of the cancellation, and also the size of the discount on the buy-back of the 33% of debt remaining after the Naples treatment. Here it is important to mention that it makes a big difference whether such discount is calculated at the beginning of the process or after the first operation has already taken place. In the latter case the market value would jump up close to the nominal value of the debt, thereby making the gain for Nigeria much smaller than reasonable.

Again, we are sure that the Nigerian government will have fine advisors on all these arcane financial calculations, but we also urge them to have clear in mind that they have all reason on their side to stand firm on a position that must allow them to obtain the needed resources for the attainment of the Millennium Development Goals. They shouldn't be afraid to have their counterparts spend days and days of sleepless negotiation, and they should know that it would be unthinkable for Northern governments to have to face the political shockwave created by the failed forgiveness to a country which is much poorer than Iraq.

But unfortunately we aren't in Paris yet. This month the Club will not convene a quite unusual decision - and neither will it do so in August because of summer recess. Hence Nigeria will be put on the backburner until at least September, but more probably October or November. It is as if officials see little urgency, while NGOs such as ANEEJ point out that thousands of children will die of preventable diseases in the next few months alone.

A major reason for the delay is the timetable for the International Monetary Fund to approve the operationalization of the Policy Support Instrument (PSI), the new monitoring device strongly advocated by the United States Administration. This new instrument is supposedly intended to serve as a non-disbursing tool for the IMF to follow up on an economic program designed by the scrutinized government without the IMF lending money. (Unfortunately this is just intelligence gathered at an informal level: the PSI was supposed to be discussed by the Board on July 6th, but since the launch of the new multilateral cancellation initiative by the G8 all staff energy has been redirected to the straightening of its technicalities and all somehow related matters have been put on hold. The latest word is that the PSI document will be produced just before the summer recess of the Bank/Fund boards starting 9th August). The uncertainty is made worse by the fact that the actual contents and guidelines of the PSI are still unknown, and that there will be much wrangling by those Executive Directors who are forcefully opposed to an instrument which is supposed to be limiting conditionalities to a bare minimum, both from a qualitative as well as from a temporal point of view.

Nigerian NGOs such as **ANEEJ** and the **Economic Growth and**

Development Center Nigeria, plus many Eurodad members will be watching closely every step of this complicated process, which is far from over. We are backing demands for the active involvement of the Nigerian Parliament and Civil Society at all stages of the negotiations, as well as the publication of findings on export credit financed projects from Paris Club member countries to ascertain the legitimacy of the debt as the Obasanjo administration have openly acknowledged that most of Nigeria's debts are odious and dubiously contracted. We will monitor closely what creditors are going to do for Nigeria, and what they are going to try to impose on this impoverished and abused country, which is in large part paying the consequences of the North's unscrupulous dealings with corrupt dictators and elites.

For other Eurodad comments on the issue, see: A rational case for a Nigerian debt deal at <http://www.eurodad.org/articles/default.aspx?id=621>

VOICES FROM THE SOUTH: THE MISSING LINK IN PARIS CLUB DEBT RELIEF FOR NIGERIA

THE MISSING LINK IN PARIS CLUB DEBT RELIEF FOR NIGERIA

BY THE AFRICAN NETWORK FOR ENVIRONMENT AND ECONOMIC JUSTICE (ANE EJ)

The African Network for Environment and Economic Justice (ANE EJ), host of the Jubilee Campaign Secretariat in Nigeria welcomes the recent announcement by the Paris Club of Creditors to cancel 60 per cent of a total of \$30.515 billion owed to it by Nigeria.

We also wish to commend the government of President Olusegun Obasanjo for its steadfastness in seeking an exit from the Nigerian debt overhang since assuming office in 2003, particularly through the instrumentality of its economic team headed by Dr. Ngozi Okonjo-Iweala.

Also we laud the efforts of Civil Society, particularly the Jubilee Campaign that has championed the debt cancellation campaign for Nigeria and other heavily indebted poor countries of the world.

After a preliminary review of the communiqué issued by the Paris Club on 29, June 2005 announcing a debt treatment deal for Nigeria, ANEEJ

wishes to make the following observations and comments.

THE PARIS CLUB

1. We seek further clarifications on the contents of the national laws and regulations that will guide the negotiation process.
2. The Paris Club s decision did not acknowledge its role in the Nigeria debt overhang, which are largely illegitimate and tainted with corruption.
3. The Naples Terms option for resolving Nigeria s debt crises does not provide for an equitable and transparent mechanism for negotiation between the debtor and its creditors.
4. The six months period for negotiations mean:
 - (a) Some 477,000 children will die in the next six months as 79,500 Nigerian children die before the age of five every month
 - (b) As a result of unemployment and grinding poverty around 20,000 Nigerian youth and women flee the country to Western Europe every day.
5. The plan to use \$6 billion excess crude oil fund for the payment of arrears on the Paris Club debt lack fairness to the Nigerian people who have sacrificed to set aside the huge revenue.
6. Conditioning debt negotiation on a Policy Support Instrument (PSI) which will be approved by the IMF Board reinforces the power imbalance, injustice and opaqueness which Naples Terms is associated with.

MESSAGE TO THE NIGERIAN GOVERNMENT

1. The Nigerian government should ensure that during the period of negotiating with the Paris Club that the Nigerian laws and fundamental rights of its citizens are not compromised.
2. The Nigerian Parliament and Civil Society should be involved at all stages of the negotiations with the Paris Club.
3. Government should also factor in the interest of local creditors in the use of excess crude oil revenue to settle its debt burden.
4. Government should make public its findings on export credit financed projects from the Paris Club to ascertain the legitimacy of the debt as the Obasanjo administration have openly acknowledged that most of Nigeria s debts are odious and dubiously contracted .

We therefore urge both the Paris Club Creditors and the Nigerian authorities to take into cognizance these missing links as they prepare to go into negotiations.

For further information and briefing on CSO position on Paris Club Debt Relief for Nigeria. Contact: Rev. David Ugolor, In Nigeria call: 234-80-23448216 E-mail: david@aneej.org

THE PARIS CLUB COMMUNIQUE

June 29, 2005

Nigeria

The representatives of the Paris Club creditor countries met in Paris on 29 June 2005 and expressed their readiness, consistent with their national laws and regulations, to enter into negotiations with the Nigerian authorities in the months to come on a **comprehensive debt treatment**. They took note of the economic reform program implemented by the Nigerian authorities since 2003 and of their **willingness to take advantage of exceptional revenues** in order to finance an exit treatment from the Paris Club. This announcement takes place after Nigeria has recently been declared eligible to IDA-only borrowing status and at a time when Nigeria has decided to renew closer relations with the International Financial Institutions. Creditors welcomed Nigeria's willingness to conclude a policy support instrument (PSI) as soon as this new instrument is approved by the board of the IMF, **to pay all its arrears** towards Paris Club creditors and to treat them equitably. On this basis, this debt treatment would include **debt reduction up to Naples terms on eligible debts** and a **buy back at a market related discount** on the remaining eligible debts after reduction. This Agreement would be **phased** in relation with appropriate IMF review under the PSI. This **exceptional treatment** of Nigeria's debt would offer a **fair**, sustainable and definitive solution to Paris Club creditors and Nigeria. The significant debt relief would ensure long term debt sustainability and would represent an **important contribution by Nigeria's Paris Club creditors to its economic development**. It would **also** help Nigeria in its fight against poverty. Paris Club creditors are ready to invite Nigeria to negotiate in Paris **as soon as** it has concluded a **policy support instrument** with the IMF.

FACTS ON NIGERIA (from New Start Nigeria Campaign)

1. Seventy per cent of Nigerians are living on less than \$1 a day, the World Bank says.
2. One in five Africans is Nigerian.
3. Nigeria originally borrowed \$17 billion; it has repaid \$18 billion; but still owes \$34 billion (\$31 billion of which is owed to the Paris Club).
4. Some 79,500 Nigerian children die before the age of five EVERY MONTH.
5. Less than 60 per cent of primary aged Nigerian children attend school.
6. Nigeria's oil is worth only 50 cents a day per Nigerian
7. Nigeria gets \$2 in aid from rich countries a year but pays out \$12 to honour its debts
8. Nigeria's income per head is \$300 the average for Low Income Countries is \$430
9. Less than 50 per cent of the rural population has access to safe water.

10. Some 5 per cent of Nigerians are infected with HIV, over 10 per cent in some states.

11. Over 1 million children have already been orphaned by AIDS.

12. One birth in a hundred results in the death of the mother. In the UK, it is seven per 1000.

13. Women in Northern Nigeria have a one in fifteen chance of dying during pregnancy.

14. Nigeria's income fell catastrophically under successive military dictators. Now 80 to 90 million out of 133 million Nigerians live in absolute poverty.

15. The average westerner consumes 8,421 kilowatts of electricity; the average African consumes 456 kilowatts; the average Nigerian consumes only 82 kilowatts.

New Start Nigeria Campaign

<http://www.newstartnigeria.org/>

RELEVANT SOURCES

NGO

Nigerian Debt Relief Gains Traction

Proposals for Nigerian debt relief are gaining traction: work by CGD proposes two possible areas for action, changing Nigeria's IDA status and a discounted debt buyback.

<http://www.cgdev.org/Research/index.cfm?Page=Nigeria:%20%20Africa's%20Forgotten%20Debtor>

Odious Debts - No longer unforgivable.

Nigeria's debt challenges the legality and legitimacy of Third World countries' foreign debts.

<http://www.odioudebts.org/odioudebts/index.cfm?DSP=content&ContentID=12803>

Jubilee South

<http://jubileesouth.org/journal/nigeria.htm>

CADTM

http://www.cadtm.org/article.php3?id_article=1547

Interview with Nigeria Finance Minister on country's Debt Vanguard (Lagos)

By Emma Ujah

Published June 19, 2005 | Posted to the web June 20, 2005

<http://allafrica.com/stories/200506201121.html>

Nigeria's Debt Stock in Figures

This Day Online

Posted to the web June 19, 2005

<http://www.thisdayonline.com/nview.php?id=20399>

Does Nigeria Deserve Debt Cancellation?

Vanguard (Lagos)

By Paul Odili

Published June 15, 2005 | Posted to the web June 16, 2005

<http://allafrica.com/stories/200506160544.html>

Nigeria's debt - No longer unforgivable

Economist.com

Published Mar 17 2005

www.economist.com/displayStory.cfm?story_id=376739

Nigeria's debt

FT.com / Editorial comment

Published: April 26 2005 03:00 | Last updated: April 26 2005 03:00

<http://news.ft.com/cms/s/%209fa928de-b5f1-11d9-be59-00000e2511c8.html>

GOVERNMENT

Debt Management Office of Nigeria

<http://www.dmonigeria.com/>

REPORTS: DEBT AND OIL BRIEFING

A new report on debt and oil issues by OilChange International, IPPR, Jubilee USA and AmazonWatch examines the links between the issues and covers Nigeria, Ecuador and Congo-Brazzaville.

Drilling Into Debt. AN INVESTIGATION INTO THE RELATIONSHIP BETWEEN DEBT AND OIL

<http://www.priceofoil.org/DrillingIntoDebt.pdf>

EURODAD BRIEFING ON G7 DEBT DEAL

DEVILISH DETAILS: IMPLICATIONS OF THE G7 DEBT DEAL

Eurodad analyses and explains the details of the recent G7 debt deal

The full briefing can be accessed in english at:

http://www.eurodad.org/uploadstore/cms/docs/Overview_G7_debt_deal.pdf, in french at:

http://www.eurodad.org/uploadstore/cms/docs/G7_accord_FR.pdf, in spanish at:

http://www.eurodad.org/uploadstore/cms/docs/G7_acuerdo_español.pdf

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