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Genesis of Nigeria's debt problems: problems and prospects for debt conversion.

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"GENESIS OF NIGERIA'S DEBT PROBLEMS: PROBLEMS AND PROSPECTS FOR DEBT CONVERSION"*

BY

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Introduction

Mr. Chairman
Distinguished Guests,
Ladies and Gentlemen,

It gives me great pleasure to have been invited to participate in, and to deliver a paper at this Workshop organised by Continental Merchant Bank Nigeria Limited to deliberate on "The Proposed Operations of Nigeria's Debt Conversion Programme". I would like to recall that in his 1988 Budget Speech, the President and Commander-in-Chief stated among other things that as part of our strategy to reduce our external debt burden, authentic debts owed to willing foreign creditors, would be considered for conversion to equity investment especially in new high-priority projects which would use local raw materials and provide employment for our people. This Workshop could not have come up at a more opportuned time than now that the guidelines and institutional arrangements and safeguards to ensure the success of this laudable programme are being worked out as earlier promised by the President.

I have been specifically requested to deliver a paper on "The Genesis of Nigeria's External Debt Problems: Problems and Prospects for Debt Conversion Programme for Nigeria" as a background to the central theme of the Workshop. The presentation is divided into four sections. Part I deals with the Genesis of Nigeria's Debt Problems. Part II highlights the rationale of Debt Conversion and the general problems associated with it. Part III sketches the Prospects of Debt Conversion in Nigeria while Part IV contains the Summary and some concluding remarks.

PART I: THE GENESIS OF NIGERIA'S DEBT PROBLEMS

The Sources, Magnitude and Trend in Nigeria's External Debt 1970 – 1987

The sources, magnitude and trend in Nigeria's external debt outstanding from 1970 to 1987 are illustrated in Table 1. The size of Nigeria's external debt was very low in the period up to 1977. Even at the end of the civil war, in 1970, Nigeria's external debt outstanding was only ₦488.8 million (US $684.3 million). Thereafter, external debt declined sharply to ₦234.5 million ($308.9 million) in 1971 and then rose only gradually to ₦496.9 million ($762.9 million) at the end of 1977. Up to this period, debts were contracted in relatively small amounts and were largely to supplement domestic resources for the provision of infrastructural facilities and agricultural projects.

Following the emergence of the glut in the international crude oil market in 1978 with the attendant strains on the balance of payments, external reserves and government finances, Nigeria, for the first time had recourse to borrow in larger chunks and shorter maturities from the International Capital Market (ICM) at higher and variable interest rates. A number of ICM jumbo loan were negotiated in 1978 and 1979 for balance of payments support purposes, and for the establishment of a domestic steel industry. Many more such ICM loans were raised, especially as funds from bilateral and multilateral institutions became increasingly inadequate to the needs of government. Consequently, ICM loans rose rapidly from ₦1.0 billion in 1979 to ₦5.5 billion in 1982 and to ₦40.5 billion in 1987, when it constituted 40.2 per cent of total external debt. In the same period, State governments joined the bandwagon of external borrowing.

However, the single largest and most insidious source of increase in Nigeria's external debt and the ensuing debt crisis is accumulated trade arrears which emerged in 1982. Subsequent debt service difficulties had led to the refinancing of some of the arrears. Total trade arrears grew rapidly from ₦2.0 billion in 1982 to ₦47.6 billion or 47.2 per cent, constituting the single largest source of debt.

Following from the trend described above, Nigeria's total external debt outstanding rose from ₦1.3 billion ($2.2 billion) in 1978 to ₦10.6 billion ($14.1 billion) in 1983 and rose rapidly to ₦100.8 billion ($23.4 billion) respectively in 1986 and 1987 following exchange rate depreciation.

The Causes of Nigeria's Debt Problems

The causes of Nigeria's debt problems include domestic and external factors. It should be mentioned however, that the exogenous factors over which the Nigerian authorities have no control complicated the inherent weaknesses in both the structure and management of the Nigerian economy to impose a severe debt problem on the country. A major defect of the Nigerian economy is the heavily dependence on the export of one major commodity – oil. In 1980, the oil sector which accounted for only 22 per cent of the GDP provided about 80 per cent of government revenue and over 96 per cent of export earnings. This feature is still very much the same today. Nigeria is also highly dependent on the industrialised countries for industrial and consumer goods import as well as the finance required for the prosecution of development programmes. These attributes of the Nigerian economy make it vulnerable to external shocks as is the case with most third world countries. The glut in the international oil market in 1978 and the protracted collapse in crude oil prices in the market since 1982 is a case in point. This is further aggravated by the declining

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terms of trade in all other Nigerian export commodities. As noted earlier, the resultant balance of payment difficulties and dwindling reserves and government finances led the authorities to resort to ICM medium-term jumbo loans – with higher interest rates and the involuntary accumulation of import arrears. The resultant shift in the term-structure of Nigeria's external debt, shortened loan maturities and created the problem of bunching of debt service obligations. Bunching in turn created the problem of default and the rapid build up payment arrears.

When the debt crisis surfaced the desperately needed foreign loans to tidy over, dried up. Creditors who considered Nigeria under-borrowed and were eager to lend liberally during the oil boom suddenly became critical if not cynical of the policies of a country they had goaded into the debt trap.

On the domestic front, some of the debt problems can be attributed to excessive reliance on external debt and, with the eye of hind-sight, on inappropriate fiscal, monetary and external debt policies. For example, worthwhile industrial projects such as steel and paper mills were financed with short and medium-term loans with amortisation falling due before project completion. Some borrowed funds have been used to finance prestigious projects or allegedly diverted to unintended uses. Inappropriate monetary and fiscal policies arose from the fact that the initial signals of external shocks were considered to be temporary. The expansionary monetary and fiscal policies as well as the rigid exchange rate and pricing policies pursued, led to serious adverse consequences for the economy in the form of domestic inflation, over-valuation of the Naira exchange rate, capital flight, distortion in relative prices, encouragement of imports and discouragement of production for export and other depressant effects on the domestic economy.

The Magnitude and Severity of the Debt Problem

Following the sharp increases in external debt, amortisation and interest payments rose significantly and debt service payments increased correspondingly. As shown on Table 2, debt service payments rose from ₦101.6 million in 1980 to ₦1.3 billion in 1983 and then to ₦3.6 billion in 1987.

The magnitude and severity of the Nigeria's debt problem is more forcefully demonstrated by the examination of certain debt ratios. As shown in Table 3, all the ratios have risen rapidly especially since 1982, indicating that the debt burden has increased substantially. For instance, the debt/export ratio rose from only 13.3 per cent in 1980 to 486.9 per cent in 1986 before it declined to 333.3 per cent in 1987. The ratio of debt to the gross domestic product at factor cost rose monotonously from only 3.8 per cent in 1980 to 94.1 per cent in 1987. Similarly the debt burden as measured by the ratio of debt service to exports of goods and services rose rapidly from 0.7 per cent in 1980 to a peak of 33.2 per cent in 1985. Thereafter, it fell to 29.4 and 11.9 per cent in 1986 and 1987, respectively. This ratio would have risen above 65 per cent since 1986 but for payment defaults and subsequent debt restructuring and debt rescheduling.

The heavy debt problem has disrupted economic development and has created other serious socio-economic problems. Heavy debt service payments and attempts to minimise balance of payments deficits and prevent the depletion of external reserves had led to very drastic curtailment of imports. For example, the value of imports which rose by 47.4 and 42.0 per cent in 1980 and 1981, respectively declined by an annual average of 15 per cent from 1982 to 1986. At ₦5.5 billion in 1986, merchandise imports were only 42.4 per cent of the 1981 peak of ₦12.9 billion. Import compression led to severe reduction in development projects and industrial production. These in turn led to curtailment of domestic production, scarcity of goods and services and spiralling inflation. With the exception of 1985, real GDP growth rates were negative from 1982 – 1986. Poor economic performance worsened the unemployment situation and aggravated social problems.

The accumulation of import payment arrears and default on debt service payments, especially since 1983 threatened credit worthiness and solvency which culminated in the refusal of foreign correspondent banks to open lines of credit for Nigerian importers in early 1986. Nigeria gradually began to regain its credit worthiness on the adoption of an IMF and World Bank-supported Structural Adjustment Programme, operative July 1986 to June 1988.

Debt restructuring which has been adopted to provide debt relief have created other sets of problems. Restructuring, for example does not eliminate the debt but pushes it to a later date. Besides, restructuring exercises are complex and expensive. For example, a Paris Club exercise involves an intricate negotiation and agreement with the Club. Such an agreement, however does not constitute debt restructuring. Actual debt restructuring then involves protracted negotiations with each creditor nation. Such exercises sap the energies of top government functionaries and divert their attention from the more important issues of growth and development. It may also be mentioned that debt restructuring turns private and unguaranteed debts into federal government and/or Central Bank obligations. Despite the inconvenience and the direct and indirect costs of debt restructuring, the much orchestrated "new money" which forms part of the negotiated packages are rarely provided. This has tended to aggravate the burden of adjustment required to implement the economic reforms and which constitutes a major condition for debt restructuring.

PART II: THE PROBLEMS OF DEBT CONVERSION

The Emergence of Debt Conversion

The increased awareness of the debt problems facing many developing countries since 1982 has led to concerted efforts on the part of both creditor and debtor nations to design measures to alleviate it. More importantly, it has become increasingly recognised that the best solution to the debt problem lies in the revival of economic growth and recovery in normal market assess. However, prevailing international economic and financial environment as characterised by falling commodity prices, deteriorating terms of trade, high real interest rates and the reluctance of creditor banks and nations to increase their exposure to debtor countries has militated against growth. The relief provided by the traditional approach to debt restructuring has not only been slow, insufficient and unsatisfactory, the associated financial flows have been grossly inadequate. The over-publicised "new money" packages included in economic reform programmes, debt restructuring packages and other arrangements such as the "Programme for Sustained Growth" in the "Baker Plan" seldom materialise.

Consequently, growth rates are stunted at below programmed levels and the burden of adjustment has been increased. In the circumstances, increasing number of debt-ridden countries, notably Brazil, Chile, Costa Rica, Ecuador, Mexico, The Philippines and Turkey, have one after the other adopted Debt Conversion Programmes as one of the approaches to further ease their debt burden and stimulate growth-induced investment.

The Concept and Types of Debt Conversion

Debt conversion involves exchanging external debt for domestic debt or equity. The redemptor, if he is not the original creditor, uses foreign exchange to purchase a country's debt at a discount, either from the original creditor or in the secondary market. He then negotiates with the agency charged with the responsibility of managing the conversion programme in the debtor country, usually the Central Bank, to exchange the acquired debt for local currency or local debt.

The following are among the basic types of debt conversion scheme currently in use:

(i) **Debt for Equity Conversion**: entailing the exchange of a country's foreign currency debt for local currency that can be used for the establishment of new enterprises, or for the purchase of equity shares in existing private sector concerns and privatised publicly owned enterprises.

(ii) **Debt for Debt Conversion:** the exchange of foreign currency debt for domestic debt which may be sold for cash in the secondary market.

(iii) **Debt for Cash Conversion**: exchange of debt for local currency which can be used for local working capital, loan repayments and local tax payments.

(iv) **Debt for Exports**: under which exports are paid for in a combination of cash in foreign currency and debt.

The Problems of Debt Conversion

The main problems of debt conversion largely relate to a number of adverse macroeconomic implications of a debt conversion programme (DCP). Some of the problems are summarised below.

(i) **Money Supply and Inflation:** Arising from the fact that most debt conversion transactions involve the release of local currency, there could be unplanned increase in money supply leading to inflationary and exchange rate pressures.

(ii) **Round Tripping And Exchange Rate Pressures:** A DCP offers opportunity for round tripping which involves the conversion of part or all of the redemption proceeds into foreign exchange in the official foreign exchange market or in the paralled market for exportation immediately or at a later date. This problem has serious consequences for the exchange rate and the balance of payments. Balance of payments pressures could also arise when local currency proceeds are used excessively on the foreign exchange market to source the offshore costs of local investment.

(iii) **The Degree of Additionality:** The degree of "additionality" present in a debt conversion programme refers to the ability of debt swaps to attract foreign equity investment and flight capital which otherwise would not have come to the country. Thus the advantages associated with DCP depend on the degree of additionality, in the absence of which only modest benefit would result from debt-equity conversion.

(iv) **The Determination of an Optimal Transaction's Effective Exchange Rate:** The transaction's effective exchange rate is determined by a combination of factors such as the discounted purchase price of the debt to be converted, any taxes or conversion charges and the exchange rate applied. This transaction's effective exchange rate must be sufficiently attractive to the investor to make a DCP worthwhile: e.g. it should approximate the official rate or the parallel market rate. On the other hand, an excessively favourably transaction's effective exchange rate creates problems, two of which are highlighted here:

(a) Large implicit subsidy is given to converted debts which will inadvertently introduce a distortion in resource allocation in the economy.

(b) The inherent distortions in relative prices (exchange rate and asset prices) would tend to encourage round tripping e.g. by encouraging the purchase of foreign exchange in the parallel market for the purchase of discounted debt which will then be converted into local currency through official channel.

(v) **Danger of Structural Change in Business Ownership** DCP tends to increse fears about the possibility of a radical change in the structure of business ownership in favour of foreigners. Such fears tend to generate political sensitivity about the proposed programme.

Minimising the Disadvantages of Debt Conversion

As crucial as the problems highlighted above may be, they are not insurmountable. Nigeria can draw amply on the experiences of other countries to minimise or eliminate them in the design of a workable conversion programme.

For example, the problem of money supply and the attendant inflationary pressures can be alleviated in various ways including:

(i) the setting of limits on the amount and type of debt to be converted;

(ii) blocking the redemption proceeds in an account with the Central Bank from which releases would be made over time according to the cash requirements of the investment projects;

(iii) minimal use of debt for cash conversion and maximum use for productive investment or uses which do not create new money but make use of existing liquidity such as the issue of special long-dated local currency denominated debt instruments which can be traded in the local secondary market. Similarly, foreign debts can be swapped for share participation in the proposed government privatisation programme;

(iv) domestic credit policy could be used to dampen the inflationary impact of increase in money supply. Demand for domestic credit by already established business would be reduced to the extent that they benefit from redemption proceeds. New enterprises benefiting from redemption proceeds are not likely to depend much at least initially, on credit from the domestic banking system. Consequently, an appropriate scaling down of credit ceiling may not adversely affect credit demand by the private sector. The reduced credit ceiling could be accompanied by increase in banking cash reserve and liquidity ratio requirements.

There is no way to completely eliminate "round tripping". However, its incidence can be minimised by:

(i) favouring redemption for purposes such as investment which can be easily monitored to ensure that redemption proceeds are used exclusively for approved purposes;

(ii) requesting beneficiaries under the programme to show evidence of import financing.

(iii) setting minimum time before capital and dividends can be repatriated. Such time limits are usually related to the maturity of the redeemed debt;

(iv) requirement that participating residents must show evidence that foreign exchange used for acquiring debt had been obtained from a foreign account and not from the foreign exchange market.

The determination of an optimum transaction's effective exchange rate is an intricate issue that cannot be fully addressed in this presentation. Suffice it to mention that available evidence show that Nigeria's promissory notes have been selling at heavy discounts in the secondary market. For example, the discounted value of these notes are as low as 28 to 34 of their face value. That is, one US dollar promissory note was being traded for 28 to 34 Cents. This price was only marginally higher than that of the Zairean debt among the 19 countries sampled (see table 4). Consequently, it should be possible to convert these notes under an official programme at sizeable discounts plus conversion charges or taxes and yet obtain attractive transaction's effective exchange rate.

Advantages of Debt Conversion

At this point I would like to mention some of the advantages of debt conversion, especially from the standpoint of a debtor country. Debt conversion as a debt management tool serves to reduce a country's stock of outstanding debt and lighten the debt service burden without the use of the country's scarce foreign exchange resources. The size of the debt and the scale of the adopted conversion programme are crucial in this regard. Debt repayment capacity is also enhanced not only by virtue of the discount applied on swaps but also because returns on investments are pro-cyclical rather than counter-cyclical. In other words, the host country only makes foreign exchange available when an investment is profitable enough to generate dividends as opposed to interest payments which continue to accrue regardless of economic performance.

Debt conversion, and more specifically Debt/Equity conversion could serve as a tool for stimulating inward capital investment flows with the attendant beneficial effect on the level of economic activities and employment. A DCP can also assist the recapitalisation of the private sector. In other words, a debt conversion programme could become a vehicle to promote investment-led economic growth. A debt conversion programme can provide an incentive to the repatriation of flight capital or foreign exchange held abroad by nationals. Finally, a DCP can generate revenue for government at the time of conversion and from tax on profitable investments to which redemption proceeds are put.

PART III: PROSPECTS OF DEBT CONVERSION IN NIGERIA

Given the advantages and the devises available for minimising the problems of debt conversion, and given the increasing acceptability of debt conversion as a new instrument of debt management and economic growth in debt-ridden countries of comparable structure and level of economic development as Nigeria, there are good prospects for a debt conversion programme in Nigeria. In fact the legal instruments which created the US Dollar denominated promissory notes issued since April 1984 had envisaged a debt conversion programme in Nigeria. Specifically, clause 7 of the terms and conditions of the promissory notes states among other things that:

"The holder of this Note may redeem this note at any time in whole or in part in Naira on such terms as may be mutually agreed between the holder and the Central Bank of Nigeria. . ."

"If the proceeds of the redemption under this condition 7 are applied by the holder for purpose of long-term investment in Nigeria specifically approved by the Republic such investment will be treated as having been made in foreign currency and accordingly will benefit from approved status . . ."

In fact based on these conditions, promissory notes worth US $35.4 million were redeemed in parts of 1986/87. The limited experiment was suspended in March 1986 following the avalanche of requests for conversion for which no adequate arrangement has been made. Thus, the President and Commander-in-Chief in his budget speech referred to earlier, stated that the guidelines and the institutional arrangements would be made to ensure that the laudable objectives of a Nigerian DCP does not run counter to the Nigerian Enterprises Promotion Decree and that it is not frustrated by those who may be scheming to re-convert such proceeds into foreign currency through the FEM for subsequent transfer abroad. From the foregoing, there is no doubt that official policy favours the adoption of a debt conversion programme in Nigeria. This leads us to the consideration of what should be the main features of such a programme.

A Nigerian Debt Conversion Programme should have clearly stated objectives which will be complementary to the ongoing efforts to revamp the economy and put it on the path to sustain economic growth. Redemption procedure, regulations, safeguards and controls to ensure the smooth operation of the programme should be well designed and clearly articulated. At this stage, some specific suggestions would be proferred, drawing largely on the experiences of other countries and reflections on the advantages and disadvantages enumerated as well as the measures that have been proposed for minimising such disadvantages.

Objectives

The objectives of a Nigerian DCP should include:

(i) the reduction of external debt and debt service burden;

(ii) the stimulation of investment in priority sectors for the generation of employment and the production and use of local raw materials;

(iii) the stimulation and encouragement of production for export.

Rules and Regulations

The rules and regulations should be comprehensive and yet easy to understand. Redemption procedure should be clearly stated and the redemption authority and location clearly designated. Eligible transactions to which redemption proceeds could be applied should be comprehensive and flexible but with prominence given to investments which are in line with the earlier stated objectives. Eligible participants should include foreigners and nationals who have notes to redeem. Neither of them should have access to the FEM for the purchase of debt instruments to be converted.

Controls and Safeguards

The volume of debt to be converted should be subject to control consistent with other monetary and fiscal policy objectives of government.

Appropriate remittance restrictions should be imposed on the repatriation of interest, dividend and capital in line with the maturity structure of the redeemed debt.

In order to minimise the balance of payments and exchange rate effects, safeguards should be provided for ensuring that participants have independent source of foreign exchange to cover part or all of the offshore cost of projects financed with the proceeds of a Nigerian DCP.

Adequate provision should be made for penalising transactions violating the provisions of the DCP.

PART IV: SUMMARY AND CONCLUSIONS

In this presentation, we have been discussing the genesis of Nigeria's external debt problems as well as the problems and prospects for debt conversion in Nigeria. The genesis of Nigeria's debt problem was traced to the substantial increases in the debt from 1978 when Nigeria resorted to borrowing large chunks of syndicated loans from the International Capital Market (ICM). The large loans were of shorter maturities, shorter grace periods, higher and variable interest rates leading to the bunching of debt and heavy debt service burden. Nigeria's debt problem was aggravated from 1982 by the rapid accumulation of trade arrears.

The debt problem was also traced to the fall in crude oil prices in 1978 and the protracted softening of the world oil market since 1982 with the resultant decline in foreign exchange earnings and balance of payments pressures. The simultaneous and continued worsening of the terms of trade and the drying up of external resources when they were most needed have worsened the debt problem. Other identified sources of Nigeria's debt problem include the inappropriate fiscal/monetary and exchange rate policy measures which were designed largely on the assumption that what was infact a fundamental structural problem was a temporary one.

The debt burden has disrupted economic development and has created serious socio-economic problems. The accumulation of import arrears and defaults on debt service has threatened the country's credit-worthiness and solvency. The protracted restructuring exercises have not only been complex, protracted and expensive, they have also tended to divert attention from the more important issues of growth and development. Moreover the "new money" packages in the restructuring rarely materialise, thereby making the problem of adjustment more burdensome. The problems of debt conversion were then considered. Drawing on the experiences of a number of debt-ridden countries which have embarked on debt conversion as an alternative approach of easing their debt burden and stimulating growth-induced investment, the main problems of debt conversion were summarised to include:

(a) unplanned increase in money supply creating inflationary and exchange rate pressures;

(b) round-tripping and exchange rate pressures;

(c) the problem of additionality;

(d) the problem of determining an optimal transaction's effective exchange rate; and

(e) the fear of increased foreign ownership of business and the associated political sensitivity.

More importantly, however, and as a guide to designing a Nigerian DCP, the paper offered some practical suggestions for minimising or preventing such problems. The suggestions include:

(i) setting of limits on the amount of debt to be converted;

(ii) blocking of redemption/proceeds with the CBN with releases made according to the cash requirements of approved projects;

(iii) minimal use of debt for cash conversion and greater use of debt for equity;

(iv) implementation of appropriate monetary and fiscal policies to mop-up excess liquidity;

(v) appropriate control on the repatriation of capital and profit of approved projects etc.,

(vi) setting of appropriate transaction's effective exchange rate, taking into consideration the heavy discounts at which Nigerian debt notes are currently sold in the secondary market.

After reviewing the possible advantages of a Nigerian DCP and government attitude and pronouncement, it was concluded that there are bright prospects for designing and operating a viable and beneficial DCP in Nigeria. Some practical suggestions were also made in relation to the objectives of and the procedure for such a programme as well as on the rules, regulations, controls and safeguards which should be featured in the proposed Nigerian programme. Such proposals include the following:

(i) the objectives of the Nigerian DCP should include the reduction in external debt burden, the stimulation of productive investment, the encouragement of the production of local raw materials, production for exports and the generation of employment;

(ii) the rules, regulations and procedure should be comprehensive and unambiguous, especially with regards to eligible instruments to be converted, approved projects and eligible participants – both foreign and nationals;

(iii) controls should be specified on redemption volume, remittance of profit and dividends, etc. and that

(iv) adequate provision should be made for penalising transactions violating the provisions of the programme.

In my closing remarks, I would like to comment briefly on the fears that have been expressed by some sections of the Nigerian public about foreign domination of Nigerian business as a result of DCP. The experience of other countries do not support the claim of foreign domination. Rather they have shown that only a small proportion of total debt outstanding get converted. For example, in the best known DCP in countries like Chile, Brazil, Mexico, the Philippines and Argentina, annual debt conversion has varied from only $300 million to $700 million. Although some aspects of a DCP may impinge on some of the existing provisions of the Nigerian Enterprises Promotion Decree we would be rest assured by the undertaking of the President and Commander-in-Chief in his Budget speech referred to earlier on that the laudable objective of a Nigerian DCP would not run counter to the Nigerian Enterprises Promotion Decree. Infact, going by the experience of the recent past, the fear to be entertained about a Nigerian DCP should be less about foreign domination of Nigerian enterprises and more about the few unscrupulous elements amongst us with tendency to be ready instruments in the hands of similarly few unscrupulous foreigners to milk Nigeria through round tripping and other dubious practices.

Although the procedures proposed earlier had made legal provision for malpractices, I would like to emphasise that the banking community has a major role to play in the implementation of a successful DCP. For example, the banks will not only play advisory roles to their clients they will also play equally vital roles to ensure that the rules and regulations are adhered to. The implementation and monitoring procedures which will devolve on them must be discharged with absolute diligence and integrity. In the long run, the success of the programme depends on all Nigerians, but more especially on the banking community. I have no doubt in my mind that this important role, more than ever before, will be creditably discharged.

I thank you for your attention.

Table I

NIGERIA'S EXTERNAL DEBT OUTSTANDING (END OF PERIOD) 1970 – 1987
(₦' MILLION)

Category	1970	1971	1972	1973	1974	1975	1976	1977	1978
SOURCES									
1. Bilateral	100.2	106.1	124.0	150.9	182.8	200.7	233.1	350.3	210.6
2. Multilateral	37.9	37.9	102.1	107.1	122.0	126.0	119.4	140.2	154.3
3. I. C. M.	–	–	–	–	–	–	–	–	641.0
4. Trade Arrears	–	–	–	–	–	–	–	–	–
(i) Refinanced	–	–	–	–	–	–	–	–	–
(ii) Unrefinanced	–	–	–	–	–	–	–	–	–
5. Others (unguaranteed State/Private loans)	350.7	70.5	37.3	18.9	17.6	23.2	22.1	6.4	259.8
Total	448.8	214.5	263.4	276.9	322.4	349.9	374.6	496.9	1,265.7
Type									
1. Medium & Long Term	429.0	214.5	263.4	276.9	322.4	349.9	374.6	496.9	1.265.7
2. Short Term	59.8	–	–	–	–	–	–	–	–
TOTAL	488.8	214.5	263.4	276.9	322.4	349.9	374.6	496.9	1,265.7

Table 1 (Cont'd)

NIGERIA'S EXTERNAL DEBT OUTSTANDING (END OF PERIOD) 1970 – 1987
(₦' MILLION)

CATEGORY	1979	1980	1981	1982	1983	1984	1985	1986[1]	1987[3]
SOURCE									
1. Bilateral	405.9	483.8	656.1	163.2	179.3	351.3	365.1	1,159.1	1,968.9
2. Multilateral	163.9	181.6	181.9	530.4	566.4	1,271.2	1,283.5	4,670.2	8,782.3
3. I. C. M. Loans	1,027.8	1,090.2	1,317.5	5,474.4	5,026.5	6,003.1	7,726.4	21,725.3	40,546.3
4. Trade Arrears	–	–	–	1,981.7	4,283.4	6,598.4	7,438.2	12,597.3	47,593.6
(i) Refinanced	–	–	–	–	(1,524.6)	(1,155.0)	(1,273.9)	(4,152.6)	(32,869.7)
(ii) Unrefinanced	–	–	–	(1,981.7)	(2,758.8)	(5,443.4)	(6,164.3)	(8,444.7)[2]	(14,723.9)
5. Others (unguaranteed States/private loans)	13.9	111.2	175.7	669.7	522.1	312.6	477.4	1,300.0	1,898.0
Total	1,611.5	1,866.8	2,331.2	8.819.4	10,577.7	14,536.6	17,290.6	41,451.9	100,789.1
Type									
1. Medium & Long Term	1,611.5	1,866.8	2,331.2	6,837.7	7,818.9	9,093.2	11,126.3	33,007.2	86.065.2
2. Short Term	–	–	–	1,981.7	2,758.8	5,443.4	6,164.3	8.444.7	14,723.9
TOTAL	1,611.5	1,866.8	2,331.2	8,819.4	10,577.7	14,536.6	17,290.6	41,451.9	100,789.1

1 First-tier rate at the end of December 1986 which was used stood at $1.00 = ₦2.5954 while in 1985 it was $1.00 = ₦1.0004
2 Exchange rate of $1.00 = ₦1.6010 ruling on September 26th 1986 is used.
3 Exchange rate of $1.00 = ₦4.2989 is used.

Table 2

NIGERIA'S EXTERNAL DEBT OUTSTANDING[1] AND TOTAL DEBT SERVICE 1970 – 1977

	Total Debt Outstanding ₦ Million	Total Debt Outstanding $ Million	Value of Export ₦ Million	Total Debt Service ₦ Million	Debt Service Ratio (%)
1970	488.8	684.3	885.4	31.0	3.5
1971	214.5	308.9	1,293.4	29.9	2.3
1972	263.4	400.4	1,434.2	26.2	1.8
1973	276.9	420.9	2,369.2	30.8	1.3
1974	322.4	523.3	5,794.0	29.1	0.5
1975	349.9	559.2	4,925.5	32.7	0.7
1976	374.6	593.6	6,709.8	34.4	0.5
1977	496.9	762.9	7,630.7	25.6	0.3
1978	1,265.7	2,163.8	6,064.4	160.8	2.7
1979	1,611.5	2,824.6	10,836.8	182.9	1.7
1980	1,866.8	3,444.8	14,077.0	101.6	0.7
1981	2,331.2	3,667.7	10,470.1	513.6	5.0
1982	8,819.4	13,124.1	8,722.5	775.2	8.9
1983	10,577.7	14,130.7	7,502.5	1,335.2	17.8
1984	14,536.6	18,034.1	9,088.0	2,640.5	29.1
1985	17,290.6	17,297.5	11,214.8	3,718.0	33.2
1986	41,451.9	18,631.3	8,513.0	2,502.2	29.4
1987	100,789.1[2]	23,445.1[2]	30,239.9	3,590.6	11.9

[1] End of period.
[2] End of October 1987.

Table 3

NICERIA'S PRINCIPAL DEBT AND DEBT SERVICE RATIOS 1980 – 1987
(in per cent)

Principal Ratios	1980	1981	1982	1983	1984	1985	1986	1987
Debt Export	13.3	22.3	101.1	141.0	160.0	154.2	486.9	333.3
Debt GDP	3.8	4.5	16.9	17.4	21.2	21.9	51.0	94.1
Debt Service Export	0.7	5.0	8.0	17.6	29.1	33.2	29.4	11.9

Table 4

SECONDARY MARKET LOAN PRICES

The following table is a summary of price ranges (as a percentage of the face amount of the debt) in the secondary market on the indicated days.

	10. 7. 87	11. 6. 87
Argentina	47 – 50	54 – 57
Brazil	58 – 60	60 – 62
Chile	67 – 69	67 – 69
Colombia	82 – 83	85 – 87
Ecuador	No bid–46	47 – 49
Egypt	No bid–50	No bid–50
Ivory Coast	64 – 66	64 – 66
Mexico	54 – 55	56 – 58
Morocco	64 – 66	64 – 66
Nigeria	28 – 30	31 – 34
Panama	65 – 67	65 – 67
Peru	No bid–14	No bid–14
Philippines	67 – 69	67 – 69
Poland	43 – 44	44 – 46
Romania	88 – 89	88 – 89
South Africa	60 – 62	64 – 66
Venezuela	68 – 70	71 – 72
Yugoslavia	74 – 76	74 – 76
Zaire	23 – 26	23 – 26

Source: Shearson Lehman Brothers Loan Transactions Group.