Economic and Financial Review

Volume 29 | Number 3 Article 1

9-1991

Viability of Debt Equity Swaps as Instruments for Stimulating Private Investments in Nigeria

E. I. K. Sule
Central Bank of Nigeria

VIABILITY OF DEBT EQUITY SWAPS AS INSTRUMENTS FOR STIMULATING PRIVATE INVESTMENTS IN NIGERIA

E.I.K. SULE*

This paper reviews the concepts and strategies for debt-equity swaps, presents the Nigerian experience and assesses the outcome, problems and performance noting the role it plays in stimulating private investment. The study shows that although Nigeria's debt conversion programme is similar to other developing countries' programmes, it is principally targeted at debt-equity and debt for conversion. Preliminary outcome so far shows that the cumulative debts eliminated from Nigeria's debt portfolio, through the DCP was $606.7 million (as at October 1991) representing approximately 5.2 per cent of debt service obligations. Ninety-nine (99) projects attracting a cumulative sum of ₦2,400.8 million benefited from investment under DCP. The slow pace of patronage of the debt equity swap programme was attributed to some factors among which were the need to forestall excessive growth in monetary aggregates, and hesitation on the part of the private sector as to the future direction of the programme. In concluding, the paper notes that there is a good potential for stimulating private investment in Nigeria through the DCP given the magnitude of outstanding foreign debt.

In August 1982, Mexico announced that it was no longer able to satisfy the terms on its foreign debt commitment and was followed by other third world countries having similar problems. The debt crisis crystallised, affecting international financial market ever since. Debt restructuring, involving governments of debtor and creditor countries, international organisations as well as commercial banks' represented the main response to the debt crisis. However, two developments have stood out as a direct result of the debt crisis—asset trading and debt conversion. These two activities are closely related and can be said to represent the asset and the liability sides, respectively, of the market response to the debt crisis.[1] Asset trading is the trading on claims of highly indebted countries between creditors. The borrower is not directly involved. Debt conversion, on the other hand, implies a change in the liability of the borrower. The change is facilitated if there is agreement between the lender and the borrower. The instruments associated with these activities are the main elements in the secondary market for debts of the developing countries.

Beginning from the 1980s, the Nigerian debt crisis reached unmanageable proportion. Despite the successful negotiation of debt refinancing and reschedule agreements, the debt service burden was very high, and the prospect of improvement was slim, given the deterioration in the external balance of payments. Aside from the

* Mr. E.I.K. Sule is a Deputy Director of Research in the Central Bank of Nigeria. The views expressed in this paper are those of the author.

adoption of the structural adjustment programme in 1986, it was apparent that an innovative debt management strategy would need to be adopted to cope with the external debt problem, while at the same time stimulating private investment, if the nation was to recover from the economic crisis. Consequently, Nigeria introduced a debt conversion programme in 1988. This paper therefore reviews Nigeria's Debt Conversion Programme (DCP) and assesses the role it plays in stimulating private sector investment.

The rest of this paper is divided into three parts. Part I gives an over-view of the concepts and strategies of debt equity swap programmes adopted by the highly indebted countries to manage external debts. Part II presents Nigeria's debt swap programme taking into consideration the design and implementation strategies adopted. Part III assesses the operation of the Debt Conversion Programme and the major outcomes especially in relation to its capacity for stimulating private investment. A final section summarises and concludes the paper.

I. REVIEW OF CONCEPTS AND STRATEGIES FOR DEBT-EQUITY SWAP PROGRAMMES

In the course of the continuing debt crisis, a number of highly indebted countries such as Chile, Mexico, Brazil, Argentina and the Philippines have implemented more active debt conversion programmes than other developing countries with similar crisis. In a typical debt conversion deal, an investor, foreign or national, purchases a title to a foreign currency-denominated debt at a discounted price in a secondary market. The investor then presents this title to the government authorities in the country which originally contracted the loan. The national authorities then issue the face value in local currency to the investor, a portion of which may be retained by the government as a means of capturing for herself part of the secondary market discount. Finally the investor spends the local currency to implement an approved equity investment project in the debtor country.

The advantage of debt equity conversion is that it provides a debtor country an opportunity to repay her foreign debt at a discount within the framework of debt restructuring arrangements in addition to promoting foreign investment through a preferential exchange rate. The conversion creates a cash bonus for an investor equal to the difference between the secondary market price and the redemption price received after the government has taken its share. This bonus can be effective for attracting new foreign investment. Debt conversion can also facilitate public enterprise restructuring programmes (such as privatisation), channel investment funds into priority sectors and encourage the return of flight capital. However, debt equity conversions may have adverse macro-economic effects such as creation of excess liquidity, fueling domestic inflation and accentuating balance of payments problems. These costs could be mitigated, however, through adequate sterilization of excess liquidity and the pursuit of a tight monetary policy.

Debt equity swaps come in various forms. Ever since (in winter of 1982), a group of investment bankers in New York had the idea of enabling one bank with excess of restructured loans to a given country to swap with another so that both banks would end up with a more evenly spread portfolio of loans, a number of large transactions involving the swapping of loans to Mexico and Brazil, amounting to hundreds of millions of dollars have occurred. Typically, in debt conversion, the Central Bank of a borrowing country repays a foreign currency dominated public sector loan in local currency on condition that these local currency proceeds are used for specifically defined domestic purposes. The variations and main terms are: relending, debt for debt, debt for cash, debt for equity, debt for export, etc. The key role in debt conversion is usually played by the Central Bank of a debtor country. Agreement is usually reached with the foreign currency lender to change the nature of the country's liability from a foreign currency debt liability to some form of domestic currency liability.

The essence of debt conversion is the repayment in local currency by the Central Bank on certain conditions. The steps which usually precede the payment—where the original owner of the claim (debt) sells it at a discount to another creditor—do not change anything in the liability of the debtor. For the borrowing country or Central Bank, it makes no difference whether bank A, or bank B or investor C is the owner of a foreign currency claim on it; the liability remains unchanged, according to the terms of the original loan agreement. The liability of the debtor country changes only when the creditor agrees with the debtor on cancellation of the foreign currency liability against some form of local currency pay out. When the foreign currency debt to be cancelled is part of a syndicated loan, it will usually be necessary to obtain the prior agreement of the other creditors before such a partial prepayment in local currency/cancellation can take place. For this reason most debtor countries often include provisions in the agreements they reached with foreign commercial banks about restructuring of debt which allow such partial prepayment in local currency. The various forms of debt conversion may now be examined more closely.

Relending

The logic in relending as a form of debt conversion is that the original borrower of a rescheduled foreign currency loan will, in many instances, have repaid the loan punctually but the Central Bank will have been unable to transfer the foreign currency. In such cases, the Central Bank in the debtor country will have received the local currency equivalent of the foreign currency repayments punctually but did not have sufficient foreign currency to pay the creditor in the agreed currency. Hence the foreign creditor becomes the owner of the local currency deposit with the Central Bank that would have been paid to him in foreign currency. A large portion of commercial banks' 'blocked' loans in debtor countries are in the form of such Central Banks deposits. In relending, the Central Bank allows the foreign bank to use these deposits to fund a new loan to a borrower in the country. In this way the foreign bank would extend a new loan to a borrower in the same country denominated again in foreign currency but disbursed in the local currency equivalent of the foreign currency amount. The bank would be free to choose the type of new borrower—public or private—but the terms of the loan would not be harder than those of the original deposit with the Central Bank.

Debt for Debt

This method allows a country's external debt in, say dollars, to be redenominated in the local currency of the debtor country. Repayment can thus be much easier and redemption can be used by an investing multinational to inject money into its locally domiciled subsidiary.

Debt for Exports

A certain percentage of goods of the debtor country can be used to redeem debt directly. The creditors accept goods directly and redeem that portion of debts in their books. This can be targeted at specific export commodities which the government wishes to promote as a move to diversify the economy. Obviously, where there is a ready cash alternative, the exporter will not be interested in this rather cumbersome procedure. For the export of goods which would otherwise not easily take place, or for new, additional exports, the system has obvious attractions. Also certain groups of creditors—who do not find other opportunities to use their blocked foreign currency claims—may put pressure on a debtor government to agree to a debt for exports arrangement.

Debt for Cash

This method is ideal for multinationals in indebted third world countries. They can buy up such debts from the creditors' bankers, and as they are redeemed in local currency, such funds are injected into their subsidiaries to serve as useful working capital.

Debt for Equity

This is the most known of all the debt swap methods. It essentially involves the conversion of a portion of a country's external debts into equity. The local currency proceed of the conversion is used to pay for local currency denominated equity in local companies. From the debtor country's point of view, the essence of the conversion is to direct the foreign investments to priority areas for private sector investment. The local company which receives the local currency in exchange for the shares to be issued may use the proceeds only for local expenditures. The Central Bank will be especially careful to ensure that the local currency proceeds are not used to buy foreign currency denominated imports in order to avoid "round-tripping" which is the paramount risk of all conversions. From the point of view of the foreign company making a new or additional investment in the equity of a subsidiary in the debtor country, debt/equity conversion implies a substantial lowering of the cost of the equity portion of its investment (considering the discount obtained in secondary market for debts). The savings to be realised will roughly equal the percentages of the discount in the secondary market for the types of debt which the Central Bank will allow to be converted into equity. An essential point in debt/equity conversion is the repatriation rights accorded to equity investment which results from the conversion. As a general rule, payment of dividends and payment of principal (following liquidation or sale) will be allowed at a rate which corresponds to the payments of interest and principal on the loan which was the subject of conversion. There are, however, many differences in the regulation between countries with a debt/equity conversion system as there are possibilities for slightly different kinds of debt/conversion arrangements.

In any of such arrangements, some of the objectives include the following:

— reduction of external debt burden

— attraction of foreign capital and skill

— boost to exports

— promotion of stability and growth.

These are the main ones although it has been proffered that the scheme should be used to speed up privatisation programme.

II. NIGERIA'S DEBT-EQUITY SWAP PROGRAMME

Nigeria's debt swap variety known as debt conversion programme (DCP) was introduced in July 1988 with a debt conversion committee (DCC) to implement it.[2]

Objectives and Management Structure

The objectives of the DCP are in consonance with the aims of debt/equity swaps programmes in general. Specifically, they include the following:

— reduction of Nigeria's external debt by reducing foreign currency denominated debt in order to alleviate the debt service burden;

— improvement of economic environment in order to attract foreign investment;

— serving as additional incentive for the repatriation of flight capital;

— stimulation of employment-generating investment in industries with significant dependence on local inputs;

— encouragement of the creation and development of export-oriented industries, thereby diversifying the export base of the economy; and

— increasing access to appropriate technology, external market and other benefits associated with foreign investment.

The Nigerian DCP is managed by a committee whose membership is drawn from institutions whose responsibilities include debt and investment management. These are the Central Bank of Nigeria, Federal Ministry of Finance and Economic Development, the Cabinet Office, Federal Ministries of Industries and Justice and the Honourable Minister of State for Special Duties, Office of the President.

The primary functions of the DCC are to design and implement an efficient conversion programme; establish clear and concise approval procedures; and review and approve applications and transactions of debt-equity swaps within reasonably specified time.

Eligibility Criteria for Convertible Debts, Transactions and Participants

The government guidelines on DCP provide that the debts eligible for conversion shall be the dollar denominated promissory notes issued under the CBN Circular of 18th April, 1984 and promissory notes issued by the Federal Ministry of Finance and Economic Development, restructured and refinanced debts owed to The London Club (i.e. debts with maturities exceeding one year).

Four categories of transactions are eligible under the CDP. They are: first, conversion into cash for the purpose of making a gift/grant to Nigerian non-profit making entities such as educational institutions, research centres, charitable organisations, religious bodies, charitable trusts and foundations; second, conversion for acquisition of naira denominated debt instruments issued by the CBN, such as naira notes, development stocks and other local debt instruments designed specifically for the DCP; third, conversion into equity, preference shares, debentures and loans stocks of existing companies for the purpose of acquisition, expansion or recapitalisation of existing projects and/or companies in Nigeria and for financing investments in privatised enterprises; and finally, conversion for investment in completely new projects.

Within the eligible transactions stated above, the following economic activities will be given priority in the following order[3]

— investment in production process based on at least 70 per cent local raw material, especially in the development of agriculture and agro-allied industries; production for export and production of raw materials and other requirements of local industries;

— investment with high employment generation capacity;

— investment for extracting and exploiting for commercialisation of Nigeria's mineral, forestry and other natural resources; and

— investment that will seek to improve our use of existing inventions and discoveries in Nigeria relating to new machinery, new products or new processes or with technology component appropriate or adaptive to the Nigerian situation.

All legitimate holders or assignees of designated debts, including Nigerians and foreign nationals, whether corporate bodies or individuals, resident or non-resident, provided that the foreign exchange required for the purchase of the debt from an original or previous holder originated from abroad and not from foreign exchange purchased in the Nigerian foreign exchange market or derived from Nigeria in any other way. Enterprises financed with proceeds from debt conversion shall be registered under existing Nigerian company laws at the time of transaction.

Modalities of the Nigerian DCP

Under the Nigerian DCP, conversion is by auction, but the DCC may grant special dispensation for conversion outside the auction market.

A prospective converter formally applies to the DCC which grants approval-in-principle if the application is in order. Thereafter, the applicant may participate in the auction. Successful applicants are required to surrender their debt instruments for cancellation within a specified period (now 15 working days). A transaction commission of 2.5 per cent on the discounted value of debt converted is payable to the CBN.

Preliminary Outcomes (1988 to October 1991)

The first auction under Nigeria's DCP was held on 30th November 1988. A total of 40 participants took part with seven of them fully successful and one partially successful. The bids totalled $187.9 million out of which $40.0 million was converted. The weighted average discount for the successful bids at the first auction was 40.16 per cent. A second auction was held in December 1988 with 18 successful participants which accounted for the value of $30 million conversion. Since then, 23 additional debt auctions have been held bringing the total to 25 as at October, 1991. Eight auction sessions were held in 1989, six in 1990 and nine as at October, 1991. A profile of the 25 auction sessions showing the number of participants, the bids, amount redeemed, the discounted value and the applicable discounts, etc. is given in Table 1.

As at end-October 1991, the cummulative number of applications received since the inception of the DCP totalled 221, with a value of US $3,360.5 million (see Table 2). Applications which were given approval-in-principle went to the manufacturing and agricultural sectors, which accounted for the respective shares of 36.1 per cent and 20.0 per cent of total approvals.

Debts converted outside the auction market as at end-October 1991 amounted to $160.1 million, a level attained since March 1991. The conversions for such debts were carried out at an average discount of 45.6 per cent, in line with guidelines on out-of-auction conversions.

As at October 1991, the cummulative debts eliminated from Nigeria's debt portfolio through the DCP was $606.7 million. The value of discounts offered by the redemptors amounted to $287.8 million while the programme has induced an additional inflow of $7.8 million into the economy through commissions received (see Table 4).

Since its inception a total number of 99 projects attracting a cumulative sum of ₦2,400.8 million have benefited from investment under the debt conversion programme. A breakdown of the 99 projects shows that 58 are manufacturing concerns, 16 projects are agricultural and agro-allied, 5 for hotel and tourism, 5 in building and construction, etc. (see Table 5). This means that in addition to reducing Nigeria's external debt burden, the programme has attracted foreign investment and induced inflow of foreign exchange through commission paid during the auction. Actual disbursements for the manufacturing and agricultural sub-sectors were ₦917.0 million and ₦333.6 million, respectively.[4]

III. DCP AND THE STIMULATION OF PRIVATE INVESTMENT IN NIGERIA

In this section, the thrust of analysis is to appraise the performance and problems of Nigeria's DCP and evaluate the country's experience in using debt/equity conversion to promote new private investment and/or privatisation of public enterprises.

An Assessment of the Performance and Problems of Nigeria's DCP

Nigeria's DCP has offered the Federal Government opportunity to reduce at a discount, the absolute amount of external debt service burden, through the conversion of a portion of the debt into equity and the transfer of some of the repayment liability from the government to the private sector while promoting private investment at the same time. As at end-October, 1991, total debt cancelled since the inception of the DCP in 1988 is US $606.7 million, representing only 1.8 per cent of Nigeria's total current debt of $33,099 million.

The naira proceeds of the conversion are credited to a blocked account in the Central Bank. From this account, disbursements are made as and when required for investment in the designated priority areas of the economy. The amounts that have been released for investment in various sub-sectors are as follows: ₦333.6 million for agriculture and agro-allied, ₦917.0 million for manufacturing, ₦393.3 million for hotel and tourism, ₦163.1 million for building and construction, etc. (see Table 5). Thus, the DCP has been helpful in terms of broadening the productive base and encouraging investment in employment-generating activities. However, the value of applications approved-in-principle as at end-October 1991 as a proportion of total debt outstanding in the same period is put at 5.2 per cent. In other words, debt converted within the first four years of the DCP is quite insignificant in relation to total debt outstanding. The relatively slow pace of progress of the DCP is understandable considering that it is a new concept and strategy in Nigeria.

The DCP must necessarily operate within the context of on-going monetary policy measures. Debt conversion thus has limitations in terms of how much debt may be converted at given periods and the sequencing of the flows from such funds into the system. In order to maintain stability, in 1990 when the system was over liquid, debt auction had to be temporarily suspended from October 1990 in order not to undermine Central Bank's liquidity mop-up exercise via stabilization securities and other measures.

Another constraint has been that all the successful bidders had not taken up their winnings. Sometimes, this is due to sharp fluctuations in the exchange rate which make redemptors to defer actual conversion. It is believed that as the DCP becomes more familiar, it would attract a higher level of performance and patronage. It is the belief that most prospective investors are watching to see if the system would stabilise, given the dynamic posture of the present administration which has introduced very many innovations into the programme within a short space of time.

Stimulation of Private Investment

Available information on the 99 projects that have benefited from investment of conversion funds indicates that only four projects—Okomu Oil Palm, Taraku Vegetable and Animal Feeds, Adapalm and Imo Rubber Estate—utilised proceeds of conversion to acquire equity shares as a result of the Nigerian privatisation exercise. This is not necessarily a rejection of equity swaps as instruments of privatisation in Nigeria. The primary reason for the few number of projects is that the Nigerian Debt Conversion Committee indicated four economic activities as priority areas that are to benefit from the investment of conversion funds. Also in privatising designated government enterprises, provision is made for "wide geographical spread of ownership" of the equity shares in consonance with S7(2) of Decree No. 25 of 1988. So far, there has been no under-subscription to shares of the companies being privatised; instead, the experience has been that of over-subscription to the shares. There is therefore no pressure on the Technical Committee on Privatisation and Commercialisation (TCPC) to look for avenues to dispose of the shares, although there are other reasons why capital inflow is desirable in Nigeria.

Much has been accomplished in recent times to attract foreign investment into Nigeria. The Nigerian Enterprises Promotion Decree (NEPD) 1972, as amended in 1977, contains only one short-list of scheduled enterprises exclusively reserved for Nigerians instead of the original three schedules. The amendment was designed to encourage capital inflow. Foreigners and Nigerians alike can now own 100% equity separately or in partnership in any of the unscheduled enterprises. Indeed, foreigners are welcome to invest in the so-called scheduled enterprises with a minimum capitalisation of ₦20.0 million. These provisions, necessary as they are, together with the investment climate in Nigeria may probably be the other constraining factors to foreign capital inflow.

In three cases out of the remaining 95 projects, funds realised from the conversion were invested in government treasury bills, i.e. debt for debt conversion. The remaining 92 projects that have benefited from DCP investment are in the private sector of the economy. Available information on 58 of the 92 projects indicates that 20 beneficiaries are new projects, 2 are charitable organisations while the remaining 36 are existing companies. The investment in the existing companies invariably went for resuscitating operations through the purchase of new machinery and equipment and employing more hands, capitalisation, restructuring, expansion, etc.

Flight capital may probably account for a good proportion of the conversion funds that are being invested but this is difficult to quantify. Flight capital that is invested contrasts with foreign capital inflow because while flight capital does not attract future foreign exchange repayments, foreign capital does in respect of repatriation of dividends and capital in case of liquidation or sale of the investment. However, DCP has been helpful in resuscitating businesses and attracting foreign technology. Going by the fact that foreign investment had dried up almost entirely before the commencement of Nigeria's structural adjustment programme which paved the way for the DCP, the investments that have accompanied conversions are not investments that would have taken place without the conversion exercise.

The DCP operation in Nigeria has avoided certain pitfalls. Nigeria has so far minimised the negative spin-offs of debt conversion which include the possibility of high inflation rates as a result of excessive growth in monetary aggregates when conversion funds are not effectively sterilised, adverse balance of payments effects, decline in capital inflow and pressure on the exchange rate due to incidence of "round tripping". This has been due to the fact that conversion funds are effectively controlled by the Central Bank of Nigeria and so have not led to excess liquidity in the system.

Incidence of round tripping, a serious abuse of the conversion process, has been minimised so far. In debt swaps, investors who would otherwise retain earnings in the country are encouraged to take funds out and bring them back through swaps, taking advantage of the preferential exchange rate. Since round tripping occurs because of arbitrage opportunities, the Central Bank of Nigeria ensures that participants in debt conversion make use of foreign exchange that originated from abroad and not purchased in the Nigerian foreign exchange market or obtained from Nigeria in any other way. Besides, disbursement of converted funds which the Central Bank of Nigeria holds in a blocked account can only be effected if the Central Bank is satisfied with the immediate cash needs of the investors. Investors have to submit well in advance their implementation schedules showing their cash needs over the period of the execution of their projects. Funds are released to investors in accordance with this schedule, and Central Bank of Nigeria has to be satisfied that every demand is genuine and above board.

SUMMARY AND CONCLUSION

In this paper we have shown that Nigeria's debt conversion programme has the same objective as the debt swap programmes of other third world countries that utilise them for debt reduction, attracting investment into existing and/or new projects, etc. The Nigerian debt conversion programme has so far been used for debt equity conversion and debt for debt. Although only four projects out of the 99 discussed have been privatised in Nigeria using conversion funds, that fact is not by any means a rejection of equity swaps as instruments of privatisation in Nigeria. As was argued, the investment climate in the country or the investor's perception of gains in the short- to medium-term horizon may be the inhibiting factor. Probably there is a wait-and-see attitude as regards future stability. People are not sure of what the in-coming civilian regime will do. Also, the DCP is new. Higher levels of performance can be expected in future.

Given the antecedent of Nigerian DCP, there is no question of the conversions being mere substitutes for direct foreign investment that would have ordinarily taken place. If accompanied with appropriate fiscal and monetary policies, the DCP would achieve greater and better results. The conversions might have attracted flight capital but this is difficult to quantify.

The Nigerian DCP has avoided the pitfalls of conversion. It has not caused inflationary pressures because of careful handling of the proceeds of conversion. The inflation that is witnessed in the economy has been due largely to supply shortages, fiscal indiscipline and excess liquidity in the banking system. Other such side effects as adverse balance of payments and exchange rate depreciation/instability that are witnessed in the Nigerian economy have their origin in other causes.

In conclusion, it can be said that Nigeria is yet to use conversion as an effective instrument for stimulating private investment but its potentials are great given the magnitude of foreign debt to be reduced. Since the potency of conversion in reducing absolute level of the foreign debt is not in doubt, the process should be accelerated though it has to be carefully weighed against the sensitivity to excessive foreign ownership. The level of liquidity of the economy must be controlled in order to ensure stability and effective conversion. It cannot be over-emphasised that to ensure maximum benefits from the scheme, the problems associated with it should be isolated and dealt with decisively. In this regard, all the available options of debt swap programme, restructuring, refinancing conversion, etc. should be used to tackle Nigeria's huge debt.

TABLE 1: DEBT CONVERSION SYSTEM: DCP AUCTION ANALYSIS AS AT OCT, 1991

No.	Applns.	Fully Succ.	Part Succ.	Total Bids (US $)	Amount Redeemed (US $)	Discounted Redeemed ($)	Discounted Redeemed (₦)	Highest Discount	Marginal Discount	Lowest Discount	Average Discounting Succ.	Weighted Disc. for Succ.	Value of Discount (US $)	Value of Discount (₦)	Commission (US $)
1	40	7	1	187,848,805	40,000,000	23,934,218	127,722,565	58.0000	36.0000	.0010	42.1376	40.1645	16,065,782	85,733.439	598,355
2	33	17	1	79,573,113	30,000,000	17,294,991	95,294,991	45.2001	37.2020	10.0000	40.7696	40.6594	12,197,835	65,295,008	445,054
3	25	4	1	66,980,279	25,000,000	13,057,913	94,639,836	50.0000	43.2580	10.0000	46.4446	47.7683	11,942,087	86,552,663	326,448
4	4	3	—	7,993,679	2,993,679	1,576,791	11,963,902	49.9998	45.0000	15.0100	47.3333	47.3293	1,416,888	10,750,634	39,420
5	22	13	—	66,244,145	33,555,611	16,900,920	128,351,973	53.8100	47.0100	20.0000	48.8527	49.3947	16,574,691	125,281,462	424,523
6	11	7	—	30,228,460	29,125,626	15,265,859	111,045,393	51.0110	43.0000	30.0000	48.5552	47.5862	13,859,767	100,817,328	381,646
7	15	7	1	61,003,328	36,505,508	17,808,220	130,000,000	55.0000	50.0100	45.0000	51.3890	51.2177	18,697,288	136,490,204	445,205
8	21	9	1	54,465,695	37,568,692	17,630,706	130,000,000	54.0120	50.0000	25.0000	51.3134	53.0707	19,937,986	147,012,740	440,768
9	13	11	1	31,969,417	31,128,488	17,275,748	130,000,000	58.0000	40.5000	20.0000	49.0647	44.5018	13,852,740	104,241,865	431,894
10	13	7	—	43,102,187	22,417,494	11,893,944	90,988.680	50.0100	46.1000	30.0000	47.6737	46.9437	10,523,650	80,505,925	297,349
11	15	8	—	28,841,999	17,206,063	8,988,361	70,832,271	51.7500	45.0000	30.0000	47.9951	47.7605	8,217,701	64,759,596	224,709
12	6	6	—	15,362,151	15,362,151	8,254,296	65,353,389	49.0010	45.0100	45.0100	47.2720	46.2686	7,107,855	56,276,443	206,357
13	11	4	1	50,353,055	23,538,108	12,594,458	100,000,000	49.0000	46.0050	41.0200	47.0170	46.4933	10,943,650	86,892,579	314,861
14	8	8	—	31,682,132	31,682,132	16,828,735	133,620,316	48.1100	46.5000	46.5000	47.1888	46.8825	14,853,377	117,935,812	420,719
15	11	10	—	27,172,185	25,556,393	13,447,056	106,769,632	48.5000	46.5000	45.0010	47.4024	47.3828	12,109,337	96,148,135	336,176
16	9	5	2	33,216,344	23,888,983	12,569,130	100,000,000	48.2250	46.5001	2.0000	47.2886	47.3852	11,319,553	90,060,747	314,228
17	25	6	1	104,362,559	26,741,998	13,082,013	120,000,000	52.0000	50.5100	43.0500	51.0586	51.0806	13,659,985	125,301,673	327,050
18	22	6	1	86,098,196	26,201,050	12,416,834	120,000,000	54.0110	51.5110	.0000	52.8978	52.8379	13,784,216	133,214,802	310,421
19	12	7	—	31,856,730	22,828,947	12,592,933	110,667,945	51.0000	40.0000	31.0000	43.0250	44.8379	10,236,014	89,955,119	314,523
20	14	—	—	50,352,329	—	—	—	38,0120	—	25.0000	—	—	—	—	—
21	15	6	1	49,288,665	17,668,456	11,423,024	120,000,000	40.0150	34.0001	1.0000	36.8364	35.3479	6,245,433	65,608,894	285,576
22	12	9	—	27,933,085	15,203,265	10,229,142	115,547,078	40.0000	31.0010	23.0000	35.7871	32.7175	4,974,123	56,332,939	255,729
23	11	4	1	47,832,371	16,666,594	11,041,488	120,000,000	34.0350	33.0100	1.0000	33.7180	33.7508	5,625,106	61,134,217	276,037
24	10	8	—	19,891,687	12,116,837	8,025,404	79,116,446	36.3200	31.5100	27.5001	33.6708	33.7665	4,091,433	40,335,395	200,635
25	6	2	1	39,128,066	17,504,937	12,165,204	120,000,000	31.0011	30.0000	27,5500	30.6674	30.5042	5,339,733	52,672,194	304,130
				1,272,780,661	580,461,112	316,884,584	2,532,216,918						263,576,529	2,079,309,813	7,922,115

Source : DCC Secretariat, CBN, Lagos, Nigeria.

TABLE 2: SECTORAL BREAKDOWN OF APPLICATION RECEIVED IN OCTOBER 1991

Sectors	No. of Value of Applications Received for the Months of				Cumulative Figure Up to Date	
	October 1991		September 1991			
	No. of Applns	Amt. in US $ Million	No. of Applns	Amt. in $ US Million	No. of Applns	Amt. in US $ Million
Agric. & Agro Allied					43	1234.42
Manufacturing	1	3.40	3	20.80	122	760.03
Hotel & Tourism			1	5.00	7	321.62
Exploration & Mining					5	48.93
Cash Gift & Grants					18	237.99
Building & Const.					7	59.57
Services					2	2.27
Others					17	695.62
Total	1	3.40	4	25.80	221	3360.45

TABLE 3: SECTORAL BREAKDOWN OF APPLICATIONS WITH APPROVAL-IN-PRINCIPLE AS AT 31/10/91

Sectors	Approval in Principle Granted in the Month of October 1991		Cumulative Figure of Approvals Up to Date	
	No. of Applns	Amt. in US $ Million	No. of Applns	Amt. in US $ Million
Agric. & Agro Allied	—	—	45	355.94
Manufacturing	5	26.70	105	633.41
Hotel & Tourism	1	5.00	7	329.63
Exploration & Mining	1	20.00	5	48.63
Cash Gift & Grants	—	—	13	160.21
Building & Const.	—	—	6	60.10
Services	—	—	2	2.27
Others	—	—	4	144.00
Total	7	51.70	187	1,734.39

TABLE 4: STATISTICS ON TRANSACTION COMMISSION PAID AND DEBTS CANCELLED AS AT 31–10–91

Particulars	Amt. in US $ Millions	Amt. in Naira Millions
Transaction Commission Paid		
From Auction	6.02	4.10
Out of Auction	1.82	5.44
	7.84	5.44
Total Debts Cancelled	606.65	
A. From Auction	446.59	
i) Promissory Notes	298.52	
ii) Commercial Bank Debts	148.07	
a) Refinanced Debts	36.59	
b) Restructured Debts	111.48	
B. Out of Auction	160.06	
a) Promissory Notes	95.66	
b) Bank Debts	64.40	
i) Restructured	37.08	
ii) Refinanced	27.32	

TABLE 5: BENEFICIARIES OF INVESTMENT OF CONVERSION FUNDS

Sectors	Projects (To Date)	Oct. '91	Sept. '91	Cumulative Disbursement (₦) As at Oct. 1991
Agric & Agro Allied	16	—	—	333.64
Manufacturing	58	11.33	3.78	917.01
Hotel & Tourism	5	—	10.46	393.25
Cash Gift & Grants	10	—	14.94	382.07
Building & Construction	5	—	6.97	163.05
Services	2	—		9.23
Debt for Debt	3	—	0.41	213.91
	99	11.33	36.56	2,400.83

FOOTNOTES

1. Van Loon, F.D. (NMB Bank Amsterdam) "Asset Trading and Debt Conversion: A Banker's Perspective" in the *Bullion,* CBN publication, Vol. II, No. 4, Oct/Dec., 1987, p. 23.
2. Vide *Guidelines on Debt Conversion Programme for Nigeria.* Printed by the Federal Government Printer, Lagos.
3. *Ibid,* footnote 2, S2(3), pp. 3 and 4.
4. Conversion proceeds are set aside in a blocked account at the CBN, and funds are released from this account in tranches on the basis of the actual cash requirements of the beneficiaries.

REFERENCES

1. Clark, Lawrence (1987): "Debt Equity Conversion Programmes: Examples and Experiences of International Financial Institutions." National Conference on Debt-Equity Conversion organised by S.E.C.
2. Dalil, Abubkar A. (1987): "The Role of Financial Institutions in Debt-Equity Swap." *CBN Bullion,* Oct/Dec. 1987, p. 15.
3. Federal Ministry of Industries (1988); *Industrial Policy of Nigeria: Policies, Incentives, Guidelines and Institutional Framework.*
4. John D. Shilling, *et. al. Equity Conversion Analysis: A Case Study of the Philippines Programme.* 76; World Bank Discussion Papers, World Bank, Washington, DC, 1991.
5. Phillips, Toyin (1991); "Debt Conversion and Asset Trading: Their Role in Managing Nigeria's External Debt." *Mimeograph;* CBN, Lagos.