



SENATE OF THE FEDERAL REPUBLIC OF NIGERIA

VOTES AND PROCEEDINGS

Tuesday, 31st October, 2006

1. The Senate met at 10:20 a.m. The Senate President read Prayers.
2. **Votes and Proceedings:**
The Senate President announced that he had examined the Votes and Proceedings of Thursday, 26th October, 2006 and approved same.

By unanimous consent, the Votes and Proceedings were adopted.

3. **Message from Mr. President:**
The Senate President announced that he had received a letter from Mr. President, Commander-in-Chief which he read as follows:



PRESIDENT,
FEDERAL REPUBLIC OF NIGERIA

PRES/134

October 25, 2006

Senator Ken Nnamani,
President of the Senate,
Senate of the Federal Republic of Nigeria,
National Assembly Complex,
Abuja.

Dear Senate President,

• **LONDON CLUB DEBT EXIT-UPDATE**

*The Distinguished Senate President may please recall that folio wing our successful exit from Paris Club debts, I intimated the National Assembly about our desire to focus our attention on exiting the London Club debts. I am pleased to inform you **that** based on a thorough and comprehensive review of the strategic options available to us, we have initiated the process of redeeming our London Club debts.*

The London Club debt portfolio currently comprises of Par Bonds and Promissory Notes. The residual principal outstanding on these instruments amounts to US\$1,441,793,302 and US\$544,528,914 payments to be made when oil prices rise above \$28 per barrel consistently for six months. The Par Bonds

have their origin in the arrears of term loans owed to foreign commercial banks as well as some arrears of letters of credit, bills of collection, open accounts, etc which were accumulated by Nigeria in the 1980s. These Bonds are expected to be fully paid off on November 15, 2020. In the same vein, the Promissory Notes, which were issued by the Central Bank of Nigeria (CBN), resulted from uninsured short-term trade debt, accumulated in the early 1980s. An exhaustive verification of these debts was conducted by Chase Manhattan Bank in the mid-1980s following which a lot of dubious and doubtful debts were weeded out. The Promissory Notes which are currently held by numerous retail investors are scheduled to be fully paid off on January 15, 2010.

It is pertinent to note that in considering the strategic options open to us for redeeming the London Club debts, the challenges faced were that the benefits derivable from the London Club debt exit are not comparable with those obtainable under the recent Paris Club debt deal. First, the negotiation process entails dealing with numerous "faceless" creditors holding instruments whose ownership may have changed several times through trading in the international capital markets. Secondly, the holders of Par bonds will also not be **willing** to make additional concessions since substantial relief was granted to Nigeria in 1991 - 1992 when those debts were being restructured. In addition, these instruments contain several onerous legal terms which make it difficult or costly to default. In some instances, our sovereign immunity has been waived, which means that in the event of default, the holders of these instruments could obtain favourable judgment that will allow the attachment of Nigeria's assets abroad (including Central Bank and NNPC assets). In these instances, our leverage is considerably reduced. These debts have also hindered Nigeria's ability to have a benchmark that would spur foreign direct investment.

We have considered a number of options in addressing this issue of the London Club debts, which include:

- (a) A Call Option to secure a permanent exit from this debt. This involves calling the Par Bonds at Par value and paying off holders.
- (b) A Debt-for-Debt exchange which involves the existing holders of Nigeria's Par Bonds being required to exchange their current bonds for a new (say 15 years) US dollar—denominated bond equal to the tender value at the time of the exchange.
- (c) Call of existing bonds and re-issuance of new instruments.

After careful assessment of these options, we have opted for financing our London Club debt exit using our internally-generated resources to exercise the Call Option. This will allow us to retire all categories of Nigeria's London Club debts in the next few months.

We have evaluated the benefits of redeeming the London Club debt and found out that it would confer immediate financial and economic benefits to Nigeria. First, besides allowing a permanent exit from the London Club debt, it would generate savings in terms of interest burden. It would also serve to enhance our overall balance sheet in terms of our external debt stock thereby improving our economic profile.

As you well know, Federal Government officials have over the last few months worked closely with some representatives of the National Assembly on this issue. May I seize this opportunity to express my appreciation for this collaborative effort. We look forward to the continuous involvement and support of the National Assembly as we proceed with the implementation of the London Club exit strategy. You may also wish to note that we are engaging the participation of the States as key stakeholders in this process.

Let me conclude by reiterating the determination of our Administration to secure an exit from London Club debts with a view to leaving a lasting legacy for future generations of Nigerians.

Kindly accept the assurances of my highest consideration.

Yours sincerely,
Signed **OLUSEGUN**
OBASANJO

4. **Announcement:**

The Senate President commended the Senate for the manner in which the issue of the proclamation of State of Emergency in Ekiti State by the President, Commander-in-Chief was handled.

5. Valedictory Session For:

Late Senator Sule Yari Gandi (1966 — 2006) Sokoto East); and

Late Senator Badamasi Muhammadu Maccido (1961 — 2006) Sokoto North):

The following Senators paid tributes.

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| 1. Sen. Dalhatu S. Tafida | 17. Sen. Zik S. Ambuno |
| 2. Sen. Ibrahim Mantu | 18. Sen. Adeleke O. Mamora |
| 3. Sen. Udoma Udo Udoma | 19. Sen. Usman K. Umar |
| 4. Sen. T. U. Wada | 20. Sen. Mohammed Ibrahim |
| 5. Sen. Daisy U. Ehanire-Danjuma | 21. Sen. James Olagunju Kolawole |
| 6. Sen. Muktar Aruwa | 22. Sen. Nicholas Y. Ugbane |
| 7. Sen. Titus Olupitan | 23. Sen. Chris Adighije |
| 8. Sen. Jibril Aminu | 24. Sen. Ugochukwu Uba |
| 9. Sen. Patrick Osakwe | 25. Sen. Ibiapoye S. Martyns-Yellowe |
| 10. Sen. Ike Ekweremadu | 26. Sen. Felix O. Ibru |
| 11. Sen. Fred Orti | 27. Sen. Gbenga Ogguniya |
| 12. Sen. C. K. Awoyelu | 28. Sen. Olatokunbo O. Ogunbanjo |
| 13. Sen. David Mark | 29. Sen. Musiliu Obanikoro |
| 14. Sen. Mahmud Kanti Bello | 30. Sen. Isa Maina |
| 15. Sen. Isaiah C. Balat | 31. Sen. Hayatu Bello Gwarzo |
| 16. Sen. Ben Obi | 32. Sen. Lawan Jallo Zarami |

One minute in silence accordingly observed.

6. Adjournment:

Motion made and Question Proposed: That the Senate do adjourn till Tuesday, 7th November, 2006 at 10.00 a.m. (Senate Majority Leader).

Adjourned accordingly at 1.50p. m.

Ken Nnamani
President of the Senate