

October 21, 2005

# Nigeria in Deal to Pay Off Most of Its Foreign Debt

By [LYDIA POLGREEN](#)

DAKAR, [Senegal](#), Oct. 20 - [Nigeria](#) reached an agreement Thursday to pay off most of the debt it owes to foreign creditors at a steep discount. It is a significant breakthrough for a nation long deemed too wealthy with oil money and too corrupt to be granted relief from debt accumulated over years of misrule.

The deal with the Paris Club of creditors, which includes [Germany](#), [France](#), [Britain](#) and other wealthy nations, allows Nigeria to pay off about \$30 billion in accumulated debt for about \$12 billion, an overall discount of about 60 percent, according to a statement released by the club.

"There is some pain on both sides, but it is also a good deal for both sides," said Todd Moss, a fellow at the Center for Global Development, a nonpartisan research institution in Washington that proposed elements of the deal.

Under the terms of the agreement, Nigeria will pay about \$6 billion in arrears it owes the club at face value, and then be able to buy back the remaining \$24 billion at a discount. Profits from high oil prices will be used to pay the debt, Mr. Moss said.

Debt relief has become a central issue in the fight against poverty in recent years, culminating in the Group of 8 summit meeting in July in Gleneagles, Scotland. Nigeria, which owes about \$36 billion overall, is one of the most indebted nations in the world. And with a population of about 130 million, it has more impoverished citizens than any other African nation.

Yet Nigeria has until now not been among the nations that have received write-offs or at least discounts on their debts as part of a movement to reduce the indebtedness of poor countries. This is partly because of its reputation for corruption, earned by a succession of military governments that plundered the state treasury, and partly because Nigeria, with its oil wealth, is seen as being able to pay its obligations.

Groups that have campaigned for the debt cancellation of poor countries have said that the debt Nigeria owes was accumulated under military rulers, and that the current Nigerian government, which was

democratically elected and has made fighting corruption a priority, should not be forced to pay.

But much of Nigeria's debts came not from foolish lending to despots but from interest and late fees that accrued because governments did not service the debts. This neglect accounts for about 80 percent of what the country now owes to the Paris Club, Mr. Moss said.

Caroline Pearce, an official of the Jubilee Debt Campaign, a British group that advocates erasing all debts for poor countries, said it made little sense for Nigeria to hand over its oil wealth to rich countries.

"Nigeria had been setting aside that money for poverty reduction for its own people," Ms. Pearce said. "We would call for 100 percent cancellation."

[Iraq](#), which produces more oil and has far fewer people and less poverty, Ms. Pearce said, had even more of its debt canceled, about 80 percent.

- [Copyright 2005 The New York Times Company](#)
  - [Home](#)
  - [Privacy Policy](#)
    - [Search](#)
    - [Corrections](#)
      - [XML](#)
      - [Help](#)
    - [Contact Us](#)
    - [Work for Us](#)
    - [Site Map](#)
    - [Back to Top](#)