

Nigeria at risk of £17bn default

Time is running out for talks, warns delegation

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Nigeria is heading towards an Argentinian-style default on its \$33bn (£17bn) of overseas debt unless western creditors accept a deal to alleviate the country's financial burden, a delegation from west Africa's biggest economy said in London yesterday.

As part of a four-country visit, the senior politicians warned that public unrest was growing over the hardline approach adopted by the west and that time was running out for negotiations.

Farouk Lawan, the chairman of the finance committee in Nigeria's house of representatives, said: "It is unconscionable that Nigeria has paid £3.5bn in debt service over the past two years but our debt burden has risen by £3.9bn - without any new borrowing. We cannot continue. We must repudiate this debt."

Mr Lawan, who moved a resolution last month calling on the government of president Olusegun Obasanjo to repudiate the debt, said parliament might trigger a crisis by refusing to sanction the funds to pay creditors. "We are getting close to saying that we won't pay."

Britain is Nigeria's largest creditor, with 21% of its debt, and Gordon Brown has been backing an initiative to use Nigeria's windfall from higher oil prices to pay the creditors a fraction of what they are owed.

Treasury sources in the UK said that no figures were at present on the table, although the starting point for negotiation has been a paper from a Washington thinktank suggesting that Nigeria should pay 30 cents for every dollar owed. That would mean Nigeria paying around \$9bn from its \$17bn reserves.

The UK believes a strong Nigeria is vital for growth in the whole of west Africa, and has been seeking to broker a deal. Other creditors have questioned whether Nigeria has really overcome the corruption that has bedevilled the country for decades and have expressed concerns about the lack of an International Monetary Fund economic reform programme.

Another of the delegation, senator Udo Udoma, chief whip of the senate, sought to sell the idea of

forgiving some of Nigeria's debts. He said: "The best immigration policy is to invest in poor countries. As the Nigerians say, 'If your neighbour is hungry, your chickens are not safe'."

He added that the creditors would benefit in the long run because the country would grow more quickly and increase imports of western goods and technical expertise. "The debt is keeping us down. We are spending three or four times as much on debt service as we are on education and 15 times as much as we are spending on health. Time is running out. The level of frustration is very high."

The group said Nigeria's plight was far worse than that of Argentina, which this year presented its creditors with a take it or leave it offer to pay 30 cents for each dollar owed.

Mr Lawan said 79,000 children under five were dying every month through a lack of healthcare, clean water, food and shelter.

Todd Moss, of the Center for Global Development in Washington which came up with the proposals for the debt writedown, said the creditors should accept an offer.

"In 2005 Nigeria has an unusual amount of cash on hand and an opportunity finally to resolve its problem. The creditors also have solid political, strategic and humanitarian reasons to cut a deal. Missing this opportunity will not only lose creditors their best chance to collect this debt but could also threaten the economic and democratic reforms in one of Africa's largest and most pivotal countries."

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