



FEDERAL MINISTRY OF FINANCE

Office of the Honourable Minister

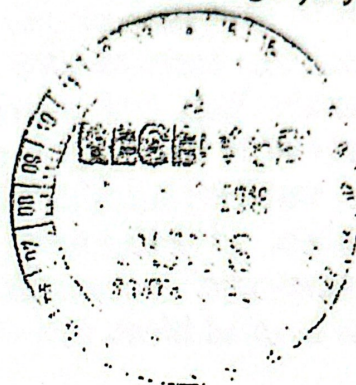
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FMF/HMF/SH/PRES/PC/FINAL/2018

5th July, 2018

His Excellency
Muhammadu Buhari
President, Federal Republic of Nigeria
State House
Abuja



Dear Excellency

RE: REPORT ON FINAL RECONCILIATION OF CLAIMS FOR REIMBURSEMENT OF OVER DEDUCTIONS OF PARIS CLUB LOANS FROM THE ALLOCATIONS OF STATE AND LOCAL GOVERNMENTS

Your Excellency, I write further to the directive received from the Chief of Staff in the memorandum with caption SH/COS/08/B/782 of June 28, 2018, with regard to the above and have respectfully noted Your Excellency's various approvals and observations.

2. I am now writing for further approval to commence the conditional and phased payment of agreed Paris Club obligations to the various State Governments.

3. I have taken into cognizance the Chief of Staff's observations with regard to fiscal buffers, which I raised in May 2017 in my letter with reference FMF/HMF/SH/PRES/OB-ODFLO/ST/2017/1. At that time, Your Excellency will recall the specific prevailing economic circumstances. The nation was firmly in recession, oil prices remained stubbornly low at US\$49 (Forty-Nine Dollars) per barrel and our foreign reserves were less than US\$30Bn (Thirty Billion Dollars). FAAC revenues stood at N450Bn (Four Hundred and Fifty Billion Naira) per month and at the same time, the

State Governors were campaigning for a complete repayment in bullet form.

4. Our economic fortunes now look considerably brighter and whilst we remain fiscally challenged, there is a measurable improvement, FAAC now averages N650Bn (Six Hundred and Fifty Billion Naira) per month, reserves have grown to US\$47Bn (Forty-Seven Billion Dollars) and we have exited recession. I do believe that we can adopt a cautious phased approach to the payment of this obligation. This can be done concurrently with our resumption of savings into the Excess Crude Account (ECA).

5. I am therefore recommending that the repayment be phased over a maximum of six (6) months in tranches with attached conditions. These conditions shall relate to payment of salary and staff related arrears, commitment to the commencement of the repayment of Budget Support Loans and clearing of amounts due to the Presidential Fertiliser Initiative. It is also strongly recommended that commitments be made to clear matching grants from Universal Basic Education Commission (UBEC), where some States have available funds which could be used to improve primary education and learning outcomes.

6. I have also taken into account your observations on Adamawa State and have removed this State from the schedule. The adjusted gross amount thus, is now US\$2,689,279,365 (Two Billion, Six Hundred and Eight-Nine Million, Two Hundred and Seventy-Nine Thousand, Three Hundred and Sixty-Five Dollars).

7. I shall be notifying Kwara and Taraba States of their respective positions and invite them to propose a suitable repayment plan, failing which, we will effect direct deductions from their Federal Allocations.

8. I have consulted with the Attorney General of the Federation on the legal case and he confirms that he has consulted with all the State Attorney Generals and has their mandate to co-ordinate the response to this matter.

9. My recommendation that funds in the sum of US\$350M (Three Hundred and Fifty Million Dollars) remains with the added commitment that full account shall be given of disbursement and any unspent portion shall be repaid to the State Governments. Your Excellency is also invited to note that further litigation threats have been received from Consultants engaged by the State Governments. These matters will equally be resolved by the Attorney General led process.

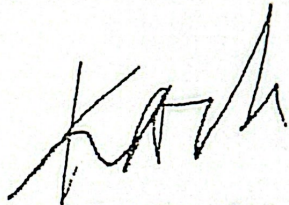
10. Prayers

Your Excellency is respectfully invited to:

- i) Note that the issue of Paris Club Loan Overdeduction dates back to the period 1995 to 2002 and has been a long standing dispute between the Federal Government and the State Governments.
- ii) Recall that Your Excellency directed that the claims should be formally and individually reconciled by the Debt Management Office.
- iii) Recall that to alleviate the financial challenges of the States during the recent downturn, Your Excellency graciously approved that fifty percent (50%) of the amounts claimed is paid to the States to enable them clear salary and pension obligations, as part of the fiscal stimulus.
- iv) Note that the sum of US\$3,410,525,479 (Three Billion, Four Hundred and Ten Million, Five Hundred and Twenty-Five Thousand, Four Hundred and Seventy-Nine Dollars) has been paid in respect of (iii) above.
- v) Note that the Debt Management Office concluded the reconstruction exercise but that a number of disputes remain unresolved.
- vi) Note that to remedy (v) above, the Ministry of Finance created a dispute resolution process, which has resulted in twenty-seven (27) States agreeing to proposed figures, whilst work is ongoing with the remaining nine (9) plus FCT.
- vii) Note that the reconciled amount for the twenty-seven (27) States, in full agreement, as detailed in Appendix 1 is US\$1,969,106,059 (One Billion, Nine Hundred and Sixty-Nine Million, One Hundred and Six Thousand and Fifty-Nine Dollars).
- viii) Note that the maximum amount payable to the nine (9) States plus FCT, for which reconciliation continues stands at US\$720,173,306 (Seven Hundred and Twenty Million, One Hundred and Seventy-Three Thousand, Three Hundred and Six Dollars) be paid at Appendix 2.

- xvii) Approve that as a pre-condition, all States shall formally commit to the commencement, from August 2018, of the repayment of the Budget Support Loans which were advanced to the States during the economic recession.
- xviii) Approve that that this payment shall be in full and final settlement of all claims relating to the Paris Club Loans.
- xix) Approve that no further correspondence relating to Paris Club Loans shall be entertained with any State.

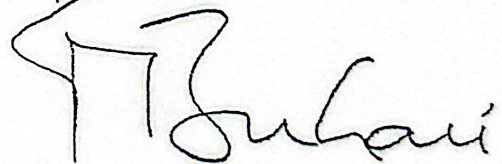
11. Your Excellency, please be assured of my highest regards.



Kemi Adeosun (Mrs)
Honourable Minister of Finance

HALF
Pay from

excess crude account



29-08-18-