INTERIM REPORT OF THE AD HOC COMMITTEE ON

PROMISSORY NOTE PROGRAMME AND A BOND ISSUANCE TO SETTLE INHERITED LOCAL DEBTS AND CONTRACTUAL OBLIGATIONS

SUBMITTED TO THE SENATE

JUNE, 2018

INTERIM REPORT OF THE *AD HOC* COMMITTEE ON PROMISSORY NOTE PROGRAMME AND A BOND ISSUANCE TO SETTLE INHERITED LOCAL DEBTS AND CONTRACTUAL OBLIGATIONS

1.0 INTRODUCTION:

The Senate at its sitting on Wednesday, 9th May, 2018 considered the request of Mr. President, Commander-in-Chief of the Armed Forces of the Federal Republic of Nigeria, on the Establishment of a Promissory Note Programme and a Bond Issuance to Settle Inherited Local Debts and Contractual Obligations; constituted an Ad-hoc Committee for further legislative action.

2.0 MEMBERSHIP:

1. Senator Francis A. Alimikhena - Chairman
2. Senator Samuel N. Anyanwu - Member
3. Senator Emmanuel I. Paulker - Member
4. Senator Shehu Sani - Member
5. Senator Mohammed D. Goje - Member
6. Senator Rafiu I. Ibrahim - Member
7. Senator Monsurat J. A. Sunmonu - Member

2.1 SECRETARIAT

1. Abdullahi El-Rasheed - Clerk, Adhoc Committee

3.0 COMMITTEE ACTION:

The Adhoc Committee met and resolved to hold interactive session with the identified Ministries, Departments and Agencies (MDAs) and other stakeholders relevant to its assignment.

The interactive session was conducted on Tuesday, 15th May, 2018. The Honourable Minister of Finance; Head of Civil Service of the Federation; Accountant General of the Federation; Director General, Debt Management Office; and Executive Secretary, Petroleum Products Pricing and Regulatory Agency (PPPRA) made submissions/presentations on the significance of the programme.

The Adhoc Committee also had an interactive session with representatives of States Government with outstanding claims and liabilities for execution of Federal highways on behalf of Federal Government on 4th June, 2018 to ascertain and have a factual evidence on all claims and liabilities.

4.0 FINDINGS:

After exhaustive deliberations on the presentations and submissions by the relevant stakeholders, the Ad hoc Committee findings are as follows that:

a. The promissory Note and Bond Issuance is meant to clear unpaid debts in various sectors of the economy;

b. The total public debt of the country as at 31st December, 2017 was ₦21.725 trillion (USD 70.999 billion);

c. Settlement of these obligations will significantly enhance liquidity in critical sectors of the economy;

d. Section 41(1)(a) of the Fiscal Responsibility Act (FRA), 2007 provides that, "Government at all tiers shall only borrow for capital expenditures and human development, provided that such borrowing shall be on concessional terms with low interest rate and with reasonably long amortization period subject to the approval of the appropriate legislative body where necessary";

e. Unpaid Obligations to pensioners (PENCOM, PTAD, Military Pension); Unpaid Salaries and 3rd Party Deductions (NHF, Cooperatives, UNION & PAYE (OAGF)); Staff claims from the Office the Head of Civil Service of the Federation (OHCSF); and Nigerian Airways Claims constitute part of recurrent expenditure;

f. Contractors and suppliers debts; Subsidy Arrears, Interest Accrued & Foreign Exchange Differentials; Export Expansion Grants (EEG) Scheme debts; refund to State Governments for projects undertaken on behalf of the Federal Government; Major Contractors Debts; DISCOS & GENCOS debts; and Judgements Debts constitute part of capital expenditure;

g. The total amount needed to settle liabilities and obligations submitted by the Executive that are capital in nature is in the sum of N1.957 Trillion;

h. The total amount needed to settle obligations and liabilities submitted by the Executive that are recurrent in nature is in the sum of N741 Billion;

i. Twenty-Five (25) States Government had outstanding claims and liabilities for executing Federal Highways on behalf of Federal Government;

j. The total outstanding claims and liabilities for States Government for projects executed on behalf of the Federal Government stands in the sum of **₦584,983,966,973.18 Billion** as submitted by the Ministry of Finance;

k Some States Government claim to have more outstanding debts than what was submitted by the Ministry of Finance, this is evident from the documents presented by the States during the interactive session; and

l. Section 41(1)(a) of the Fiscal Responsibility Act (FRA), 2007 has to be amended before recurrent expenditure can be financed through borrowing.

6.0 RECOMMENDATION:

It is important to approve the obligations in order to stimulate the economy, however to avoid inflation, all of the obligations cannot be approved at once.

In view of the above, after due consideration of the submissions made, the Senate do approve the Issuance of Promissory Note Programme and Bond Issuance to settle outstanding claims and liabilities to States Government for executing Federal Highway Projects on behalf of the Federal Government in the sum of ***N396,009,751,944.23***

Details of State by State refunds are as follows:

1.	Adamawa	-	N4,246,066,934.37
2.	Kwara	-	N11,254,122,239.21
3.	Plateau	-	N12,151,757,849.35
4.	Jigawa	-	N10,719,886,226.16
5.	Gombe	-	N6,928,232,240.35
6.	Ondo	-	N4,332,176,434.50

7.	Ekiti	-	N11,684,116,185.64
8.	Edo	-	N10,430,866,508.50
9.	Lagos		N114,606,162,088.77
10.	Zamfara	-	N39,919,202,374.58
11.	Osun	-	N13,291,242,697.40
12.	Ebonyi	-	N15,446,979,230.04
13.	Kano	-	N4,425,410,099.16
14.	Enugu	-	N13,563,954,759.44
15.	Niger	-	N333,859,462.44
16.	Benue	-	N3,026,347,340.40
17.	Imo	-	N2,897,234,425.31
18.	Anambra		N37,970,048,097.03
19.	Akwa-Ibom		N78,782,086,751.58

7.0 CONCLUSION:

The Ad hoc Committee sincerely expresses its appreciation to the Senate leadership, and the entire Senate for the opportunity to serve in this capacity. It is our sincere hope that the Senate of the Federal Republic of Nigeria would approve the Adhoc Committee's recommendations.

Thank you.

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SIGNATURE PAGE

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Chairman

Senator Samuel N. Anyanwu
Member

Senator Emmanuel I. Paulker
Member

Senator Shehu Sani
Member

Senator Mohammed D. Goje
Member

Senator Rafiu I. Ibrahim
Member

Senator Monsurat J. A. Sumonu
Member

Abdullahi El-Rasheed
Clerk, Adhoc Committee