

LEAD DEBATE ON THE REVENUE MOBILISATION, ALLOCATION AND FISCAL COMMISSION ACT CAP R7 LFN 2004 (AMENDMENT) BILL 2018.

Sponsored by Senator Francis Alimikhena (*Edo North*)

Mr. President, Distinguished Colleagues, permit me to lead the debate on the general principles of this very important Bill which was read the first time on Thursday, 9th March, 2017.

This Bill seeks to amend Section 6 (1) (a) of the Revenue Mobilization, Allocation and Fiscal Commission Act, Chapter R7, Laws of the Federation of Nigeria, 2004 in order to empower the Commission to disburse the revenue accrued in the Federation Account to the three tiers of Government in the source currency component (dollar and naira) of the Federation Account. This will accord with section 162 (3) of the 1999 Constitution and will hopefully reverse the continued depreciation of the naira against the dollar as the three tiers of Government will have direct access to the dollar components of their respective share from the Federation Account which they may draw from time to time and convert to naira to meet their personnel and other running costs and also for direct transfer to third parties to meet dollar denominated financial obligations. The Bill recognizes the negative impact of the continued allocation of naira equivalent to the three tiers of Government despite the fact that the Federation Account consists of both naira and dollar source currency components.

Mr. President, Distinguished Colleagues, the enactment of this Bill into law will be a major transformation in the nation's fiscal and monetary modeling as the dollar/naira disparity will be restored.

Section 162 (1) of the 1999 Constitution of the Federal Republic of Nigeria states that the Federation shall maintain a special account to be called the "Federation Account" into which shall be paid all revenues collected by the Government of the Federation ... etc.

While section 162 (3) states that "any amount standing to the credit of the Federation Account shall be distributed among the Federal, State and the Local government councils in each state on such terms and in such manner as may be prescribed by the National Assembly". The practice is that the CBN determines what is the equivalent amount as the dollar component of the Federation Account and is converted and distributed accordingly.

Mr. President, Distinguished Colleagues, it is important to remind us that the

Federation Account consists of two components, the naira component into which revenue earned in naira are swept into by the CBN every month; and the dollar component into which dollar revenue earned from oil and gas operations and other sources are also swept into by the CBN from Accounts maintained with foreign Banks (JP Morgan Chase, etc).

This practice has greatly harmed the value of the naira over the years as the same naira is taken back to the CBN by the respective federating units for exchange into dollars whenever they have to meet their foreign currency obligations at lower exchange parity with the dollar.

Mr. President, Distinguished Colleagues the three tiers of Government together no doubt, constitute the biggest spenders in the Nigerian economy. Their expenditure (particularly the capital expenditure) has foreign input components which must be paid for with FOREX. What obtains currently is that because the Federal, States and Local governments do not have domiciliary accounts for their share of the dollar revenue, when they need to pay for their foreign inputs (which can be very significant in value), they go back to the CBN with the Naira earlier created by the same CBN from their dollar revenue and "beg" the CBN to sell the same dollars to them! **This is the worst form of round tripping** and it has remained one of the major reasons why the Naira continue to depreciate against the dollar even when the price of crude is very high and will remain so until the provisions of section 162 of the 1999 Constitution are complied with, thereby denying the Federating units their rightful share of dollar revenue is like cutting ones nose to spite his face! The damage done to our economy by this practice is unquantifiable and it must stop if we ever hope to arrest the continued depreciation of the naira.

This Bill therefore is a patriotic call to reverse the trend. We must remember that in the early 1980s, the naira exchanged for less than 70 kobo to the dollar! Today it is somewhere around 360 to the dollar! What a fall for the national currency of a nation that has been adjudged the biggest economy in Africa! We must critically look at this issue with a high sense of patriotism. We cannot afford to bequeath a near worthless national currency to the future generations of this great country. Our children will not forgive us. We are at crossroads today as far as the medium of exchange in the economy is concerned and calls for increased production and productivity will mean very little if we need to use a wheel barrow of naira to go to the market to buy a tuber of yam! We can make a difference and be remembered for repositioning our economy by making the naira strong again as a respected medium of exchange and store of value. The

monetary authorities (the CBN) has experimented with various FOREX models since 1986 and is still experimenting till today yet no solution has been found. Madness, they say, is doing the same thing over and over again and expecting a different result.

The enactment of this amendment Bill will empower the federating units to open and maintain Domiciliary Accounts with the CBN into which their share of dollar revenue accrued in the Federation Account is paid into. When they have settlements to meet in foreign currency, they simply do with corporate entities do and apply to the CBN to transfer from their domiciliary accounts to the foreign beneficiaries. Of course necessary controls will be put in place to ensure the system is not abused.

Again, when the Federating units need more Naira to augment their Naira revenue share from the Federation Account to meet their local obligations, they also apply to the CBN *who need not create new Naira notes which fuels inflation* but sell the dollars to the public and withdraw Naira from them for use by the Federating units. In this way the naira is being recycled and inflation is automatically controlled. The harmful effect of official round tripping at the sub-national and national levels due to the substitution of dollar revenue for naira before sharing to the Federating units will be eliminated and this will no doubt enhance the value of the Naira

This Bill is therefore a solution package to rescue the naira from its free fall and solve a national economic malaise that has appeared to defy solution.

I therefore urge you to support this Bill for second reading.

Thank You.