

THE SENATE
FEDERAL REPUBLIC OF NIGERIA

COMMITTEE ON LOCAL AND FOREIGN DEBTS

REPORT

ON

PROPOSED PIPELINE PROJECTS FOR 2016 – 2018
MEDIUM TERM EXTERNAL BORROWING (ROLLING)
PLAN FOR STATE GOVERNMENTS

JULY 2017.

1.0 BACKGROUND

The Senate of the Federal Republic of Nigeria at its sitting on Wednesday, 5th July, 2017 considered the request of Mr. President, Commander-in-Chief of the Armed Forces of the Federation, for the approval of the 2016-2018 External Borrowing (Rolling) Plan on separation of states projects and referred same to the Committee on Local and Foreign Debts for further legislative action.

External borrowing plan is an essential component in the Medium-Term Expenditure Framework (MTEF) prescribed in the Fiscal Responsibility Act, 2007 as a pre-requisite for the approval of National Budget by the National Assembly.

The provision of Sections 41, 42, 44 and 47 of Fiscal Responsibility Act, 2007 prescribe conditions for borrowing and verification of compliance limit upon which the approval of the National Assembly will be premised.

Equally, Sections 16, 20 and 21 of Debt Management Office, Act, 2003 gives the National Assembly powers to approve External Borrowing Programme for the succeeding year under certain terms and conditions.

2.0 MANDATE OF THE COMMITTEE

The Committee was mandated by the Senate to consider the request of Mr. President for the separation of states project from items in the 2016 – 2018 External Borrowing (Rolling) Plan:

3.0. MEMBERSHIP OF THE COMMITTEE

3.1 The membership of the Committee is as follows:-

- | | | | |
|----|---------------------------|---|------------------------|
| 1. | Senator Shehu Sani | - | Chairman |
| 2. | Senator Philip A. Gyunka | - | Vice Chairman |
| 3. | Senator David A.B. Mark | - | Member |
| 4. | Senator Ahmed Rufai Sani | - | Member |
| 5. | Senator Sulaiman Nazif | - | Member |
| 6. | Senator Aliyu M. Wammakko | - | Member |
| 7. | Senator Joseph O. Ogba | - | Member |
| 8. | Senator Ovie-Omo Agege | - | Member |
| 9. | Muhammad Bello Musa | - | Clerk to the Committee |

4.0 **METHODOLOGY**

4.1. The Committee received briefs from the following Ministry, Departments and States in the course of its work.

- (1) The Honourable Minister, Federal Ministry of Finance
- (2) The Director General, Debt Management Office
- (3) The Chairman, Fiscal Responsibility Commission
- (4). The Honourable Commissioner of Finance, Kaduna State
- (5). The Honourable Commissioner of Finance, Ogun State
- (6). The Honourable Commissioner of Finance, Ebonyi State
- (7). The Honourable Commissioner of Finance, Abia State
- (8). The Honourable Commissioner of Finance, Katsina State
- (9). The Honourable Commissioner of Finance, Jigawa State
- (10). The Honourable Commissioner of Finance, Kano State
- (11). The Honourable Commissioner of Finance, Enugu State
- (12). The Honourable Commissioner of Finance, Plateau State
- (13). The Honourable Commissioner of Finance, Ondo State.

4.2. The Committee also relied on the following documents in the course of the assignment:

- (i). the Fiscal Responsibility Act, 2007
- (ii). the Debt Management Office Act, 2003
- (iii). the Debt Sustainability Analysis published by the Debt Management Bureau, 2016.

5.0. PROPOSED PROJECTS

The following projects are listed under their respective
Creditors in the Borrowing Plan

STATES

(A) WORLD BANK ASSISTED PROJECT

- | | |
|--|--------|
| i. Kaduna State Development Policy Operation (DPO) | Kaduna |
| ii. Ogun State Development Policy Operation (DPO) | Ogun |

(B) AFRICAN DEVELOPMENT BANK

- | | |
|--|--------|
| i. Ebonyi Ring Road Project (to be co-financed with Islamic
Development Bank) | Ebonyi |
| ii. Rural Access and Mobility Project (RAMP) | Abia |

(c) ISLAMIC DEVELOPMENT BNK

- | | |
|---|---------|
| i. Health System Project | Katsina |
| ii. Integrated Rural Development Project | Jigawa |
| iii. Integrated Agricultural and Water Resources Development) | Kano |
| iv. Ebonyi Ring road Project (to be co-financed with the
African Development Bank) | Ebonyi |

(D) FRENCH DEVELOPMENT AGENCY

- | | |
|--|---------------------------------|
| i. Third National Urban Water Sector Reform Project,
(NUWSRP-III) | Enugu, Plateau,
Kano & Ondo. |
|--|---------------------------------|

6.0. OBSERVATIONS/FINDINGS

- 1) The Committee agrees that the loans will facilitate the provision of critical infrastructural and social amenities for citizens across these States;
- 2) The Committee however observes the need for a phased approval of the loan requests for the ten (10) States;
- 3) That the first phase of the loan request approvals includes Abia, Ebonyi, Enugu, and Kano, Ondo and Plateau States;
- 4) The Committee also observed, that there was a shortfall of \$100 million in the amount proposed in the President's borrowing plan for Abia State, which the Federal Ministry of Finance agreed to in their presentation;
- 5) That the remaining four States in the Borrowing Plan be deferred.

7.0 RECOMMENDATIONS

That the Senate do approve part of the 2016 - 2018 External Borrowing (Rolling) Plan totaling the sum of seven hundred and fifty million US Dollar (\$750M) as stated therein.

(A) AFRICAN DEVELOPMENT BANK

- | | | | |
|------|---|-------------------------------|---------------|
| i. | Rural Access and Mobility Project (RAMP) | Abia | USD200MILLION |
| ii. | Ebonyi ring road Project (to be co-financed with Islamic Development Bank). | Ebonyi | USD70MILLION |
| iii. | National Water Urban Sector Reform (NWUSR III) | Enugu, Kano
Plateau & Ondo | USD200MILLIO |

ISLAMIC DEVELOPMENT BANK

- | | | | |
|-----|---|--------|---------------|
| i. | Integrated Agricultural and Water Resources Development) | Kano | USD200MILLION |
| ii. | Ebonyi Ring Road Project (to be Co-Financed with (African Development Bank) | Ebonyi | USD80MILLION |

FRENCH DEVELOPMENT AGENCY

- | | | | |
|----|---|--------------|---------------|
| i. | Third National Urban Water Sector Reform Project (NUWSRP-III) | Enugu & Kano | USD100MILLION |
|----|---|--------------|---------------|

TOTAL = \$750MILLION

B. That the Senate do emphasize effective oversight by relevant Committees on the implementation of the projects for which these loans are being approved.

8.0 CONCLUSION

The projects are special initiatives of the Federal Government which if and when fully implemented will contribute to stimulating the economy, enhance development and create both direct and indirect jobs for Nigerians, particularly youths, in the concerned states.

We therefore move:

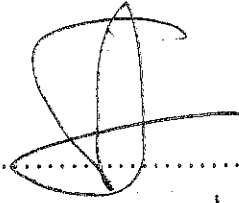
that the Senate do approve the Separation of States Projects from items in the 2016-2018 External Borrowing (Rolling) Plan totaling the sum of seven hundred and fifty million US Dollar (\$750M) as contained in the attached schedule.

We so move.

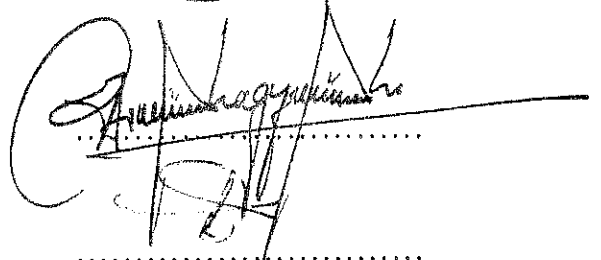
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MEMBERS OF THE COMMITTEE

1. Senator Shehu Sani
Chairman



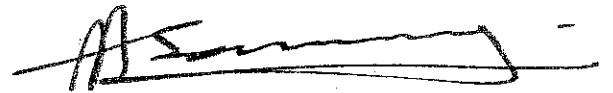
2. Senator Philip A. Gyunka
Vice Chairman



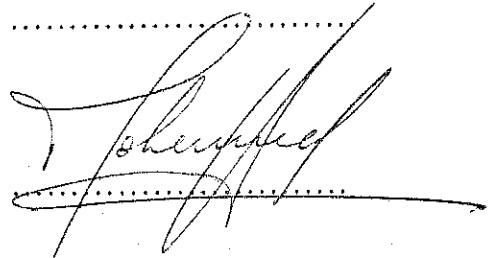
3. Senator David A.B. Mark
Member



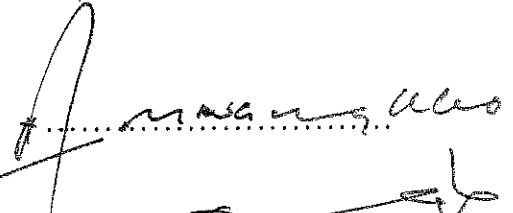
4. Senator Ahmed Rufai Sani
Member



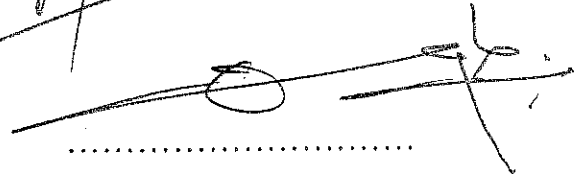
5. Senator Sulaiman Nazif
Member



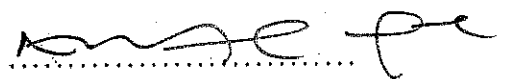
6. Senator Aliyu M. Wammakko
Member



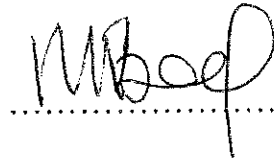
7. Senator Joseph O. Ogba
Member



8. Senator Ovie-Omo Agege
Member



9. Muhammad Bello Musa
Committee Clerk.



African Development Bank Supported Projects

S/N	Project Name	Credit Amount	Terms and Conditions of the Loan	Main Focus	Location
i	Ebonyi Ring Road Project co-finance with IDB	\$70m	Maturity: 20years Service Charge: 0.75% Commitment Charge: 0.5% Duration: up to 8 years Interest Rate: 1.127% Grace Period: 5 years	To construct a ring road in Abakaliki in Partnership with IDB	Ebonyi State
ii.	Rural Access and Mobility Project (RAMP)	\$200m	Maturity: 20years Service Charge: 0.75% Commitment Charge: 0.5% Duration: up to 8 years Interest Rate: 1.127% Grace Period: 5 years	This project aims at providing an asphaltic overlay type of rural roads with erosion control infrastructure in place combined with a solid waste management that could be re-recycled for energy production in Aba and/or Umuahia	Abia State
	SUB TOTAL	\$270M			

Islamic Development Bank (IDB) Supported Projects

S/N	Project Name	Credit Amount	Terms and Conditions of the Loan	Main Focus	Location
i.	Ring Road Project Ebonyi State (co-finance with ADB)	\$80m	Maturity: 25 years Grace: 7 years Service Charge: Not exceeding 2% Interest Rate: 2.5% Duration: 4 years	To ease road congestion and enable free movement of goods and people	Abakaliki – Ebonyi State
ii.	Integrated Agricultural and Water Resources Development Project	\$200	Maturity: 25 years Grace: 7 years Service Charge: Not exceeding 2% Interest Rate: 2.5% Duration: 4 years	Construction of earth dams for water supply and for irrigation to promote all year farming to increase agriculture production and incomes of farmers and create more jobs through Agriculture value-chain	Kano State
	SUB TOTAL	\$280M			

AFD SUPPORTED PROJECTS

S/N	Project Name	Credit Amount	Terms and Conditions of the Loan	Main Focus	Location
i.	National Water Urban Sector Reform (NWUSRPIII)	\$200m	Maturity: 15 to 20 years Grace Period: 4 to 7 years Interest Rate: 2.6 to 2.9% in USD based on Libor floating market rates (1.3% in Euros on Eurobond market rates) depending on loan maturity Commitment Fee: 0.5% Appraisal Fee: 0.5% of loan amount Duration: 5 years	To increase investments in urban water supply in States committed to improve water Boards performances	Enugu, Kano, Plateau Ondo States
	Sub Total	\$650M			
	Grand Total	\$750Million			