

THE HOUSE OF REPRESENTATIVES
FEDERAL REPUBLIC OF NIGERIA

*Considered
approved
& adopted*

HOUSE COMMITTEE
ON
AIDS, LOANS AND DEBT MANAGEMENT

REPORT ON

**PROPOSED EXTERNAL BORROWING REQUEST
FOR NIGER STATE GOVERNMENT UNDER THE
2016-2018 EXTERNAL BORROWING (ROLLING) PLAN**

(FOURTH BATCH: MAY 2019)

1. BACKGROUND

The Speaker of the House of Representatives of the Federal Republic of Nigeria on Tuesday the 25th of October 2016 read a communication from the President of the Federal Republic of Nigeria dated 20th October 2016 forwarding a request for approval of Federal Government 2016-2018 external borrowing (Rolling) plan.

Following the above and on Tuesday the 6th of June 2017, Mr. Speaker read a follow up communication, from the Acting President of the Federal Republic of Nigeria, Prof. Yemi Osinbajo SAN dated the 25th of May 2017.

This communication requests that the House separate the States' Projects from the items submitted earlier for the 2016-2018 External Borrowing (Rolling) Plan, in order to give the States' requests accelerated consideration. Both Communication were referred to the Committee on Aids, Loans and Debt Management for further legislative action.

The request of Mr. President is in compliance with the provisions of the Debt Management Office (Establishment) Act 2003 (DMO) and the Fiscal Responsibility Act 2007 (FRA) which both enjoin the President to seek and obtain the approval of the National Assembly in respect of the External Borrowing programme of the Federation and the States.

The provisions of the above statutes together with the Revised guidelines for External and Domestic Borrowing issued by the DMO pursuant to its powers under the DMO Act requires that all Tiers of Government of the Federation shall borrow only under the following conditions:

1. Shall specify the purpose for which the borrowing is intended which shall only be for long term Capital Expenditure and Human Capital Development.

2. Such borrowing shall be on concessional terms with low interest rate and with a reasonably long amortization period.
3. Shall present a cost benefit analysis detailing the economic and social benefit of the purpose for which the intended borrowing will be applied.
4. Shall provide satisfactory proof of the existence of prior authorization in the Appropriation Law for the purpose for which the borrowing is to be utilized.
5. Such borrowing shall have the Approval of the relevant Executive Council.
6. Such borrowing shall be approved by a Resolution of the relevant Legislative Assembly.
7. Such External Borrowing shall be executed for and on behalf of the Federal Government by the Minister of Finance or any other person the minister may designate in writing.

Financial Institutions and Development agencies are required by the above Statutes to request and obtain proof of compliance with the provisions of Part X of the Fiscal Responsibility Act before lending to any Government in the Federation.

The Act provides that failure to do so is an offence and may render the facility unlawful, thus unenforceable, among other sanctions.

2. MANDATE OF THE COMMITTEE

The Committee has the mandate of the House to consider the above request and make appropriate recommendation for consideration and approval by the House of Representatives.

3. METHODOLOGY

Due to the enormity of the task before the Committee, a phased approach was adopted in order to give thorough and detailed attention to the request in order to ensure that a genuine need to borrow and ability to repay is established.

The Committee has previously laid three interim reports based on its interaction with the respective states, and interactive session with the key stakeholders who were invited to appear before it for briefing:

1. The Federal Ministry of Finance
2. The Debt Management Office of the Federation
3. The Government of Niger State
4. Lending Institution, Islamic Development Bank

4. REFERENCE/WORKING DOCUMENTS

The following reference/working documents were relied upon by the Committee in the course of its assignment:

- a. The Fiscal Responsibility Act, 2007
- b. The Debt Management Office Act, 2003
- c. Revised (2012) External and Domestic Borrowing Guidelines for Federal and State Governments and their Agencies issued by the DMO
- d. Documents presented by the various stakeholders

5. PROPOSED PROJECT

S/NO.	DONOR AGENCY	STATE	AMOUNT
A.	<u>Islamic Development Bank</u> <u>Assisted Projects</u> (i) Dualisation of Minna - Bida Road	Niger	\$266m

7. COMMITTEE FINDINGS AND OBSERVATIONS

- i. The request for Niger State was contained in the master list submitted by Mr. President's letter of 20th October 2016 and was inadvertently omitted in the follow up of the Acting President in his communication of 25th May 2017.
- ii. The Federal Ministry of Finance in Letters dated 18th July and 24th July 2017 conveyed the necessary clarifications in respect of the Niger State Loan for the Dualisation of Minna-Bida road.
- iii. The Dualisation of the 82 kilometer Minna-Kataeregi-Bida road is a major infrastructural project with the potential of unlocking and enhancing the economic and social activities of 5 out of the 25 Local Governments in Niger State.
- iv. The Government of Niger State intends to Toll the road as a means to recoup its investment and to support the continuous maintenance of the road.
- v. There are alternative routes for citizens who do not wish to pay the Toll.
- vi. The indicative terms of the Loan subject to contract are as follows:

Loan Amount:	\$266m
Tenure:	30years
Moratorium:	5 years
Interest Rate:	2%
Commitment Fee:	Subject to negotiations
Management Fee:	Subject to negotiations
Counterpart Fund:	Subject to negotiations

- vii. The State Executive Council has approved the borrowing from Islamic Development Bank in the Sum of \$266m.
- viii. The State House of Assembly has given its approval in principle for the Government to proceed and conclude negotiations for loan request with the Islamic Development Bank.

- ix. The Niger State Appropriation Law of 2019 has made provision for the utilisation of part of the proceeds of this facility.

9. RECOMMENDATIONS

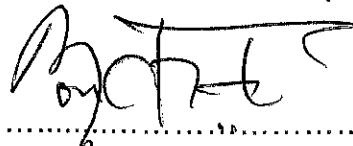
1. *That the House do approve the ongoing negotiation of external borrowing not exceeding the sum of \$266m for Niger State for the dualisation of Minna - Bida Road under the 2016-2018 Medium Term External Borrowing (Rolling) plan.*
2. *That the terms and conditions of the loan from the Islamic Development Bank, be forwarded to the National Assembly prior to the execution of same for proper documentation and concurrence.*
3. *That the State should establish a Special Purpose Vehicle (SPV) specifically for the loan and project to ensure optimal utilization and non-diversionary activities.*

10. CONCLUSION

The Committee wishes to sincerely express its appreciation to the House Leadership for the opportunity to serve in this capacity.



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Rep. Adeyinka AJAYI
Chairman



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Emeralo B. C
Deputy Director/Committee Clerk