

THE SENATE
FEDERAL REPUBLIC OF NIGERIA
COMMITTEE ON LOCAL AND FOREIGN DEBTS

REPORT

ON

**ISSUANCE OF USD2.5 BILLION TO FINANCE THE
2017 APPROPRIATION ACT
AND
USD3.0 BILLION TO RE-FINANCE DOMESTIC
DEBTS**

NOVEMBER, 2017

1.0 BACKGROUND

The Senate of the Federal Republic of Nigeria at its sitting on Thursday 12th October, 2017 considered and referred to the Committee on Local and Foreign Debts for further legislative action the request of Mr. President, Commander-in-Chief of the Armed Forces of the Federation, for the approval of External Loans for:

- i. Implementation of the External Borrowing Approved in the 2017 Appropriation Act and
- ii. External Borrowing to Re-Finance maturing domestic debts through the issuance of USD3.0 Billion Eurobond in the International Capital Market or through a loan syndication.

The request of Mr. President is in compliance to relevant provisions of the Fiscal Responsibility Act, 2007 specifically. 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.

Additionally, Sections 16, 20 and 21 of Debt Management Office Act, 2003 gives the National Assembly powers to approve External Borrowing Plan 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 approval of External Loans for:

- i. Implementation of the External Borrowing Approved in the 2017 Appropriation Act and
- ii. External Borrowing to Re-Finance maturing domestic debts through the issuance of USD3.0 Billion Eurobond in the International Capital Market or through a loan syndication.

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. Wamakko | - Member |
| 7. Senator Joseph O. Ogba | - Member |
| 8. Senator Ovie-Omo Agege | - Member |
| 9. Senator Andrew I. Uchendu | - Member |
| 10. Muhammad Bello Musa | Clerk to the Committee |

4.0 METHODOLOGY

The request of Mr. President is in furtherance of the implementation of the 2017 Appropriation Act. It would be recalled that the Act projected a deficit of N2.356 trillion which was to be financed through domestic borrowing in the sum of

N1.254trillion and External borrowing of N1.067 trillion (about USD3.5 Billion).

The Committee in carrying out this mandate received briefs from the following officials:

- (i) The Honourable Minister of Transportation;
- (ii) The Honourable Minister of Finance;
- (iii) The Honourable Minister of Power, Works and Housing;
- (iv) The Honourable Minister of Aviation (State);
- (v) The Director General, Debt Management Office; and
- (vi) The Director General, Budget Office of the Federation.

2. Also, in course of the consideration of the Borrowing Plan, the Committee relied on the following documents:

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

5.0 PROPOSED PROJECTS

The proceeds from the proposed issuance of USD2.5 billion (Eurobond and/or Diaspora bond and a balance of 700 million External Loan will be partly used to finance the 2017 budget gap and also fund critical projects such as:

- i. Mambilla Hydropower Project.
- ii. Construction of a Second Runway at the Nnamdi Azikiwe International Airport-Abuja.
- iii. Counterpart funding for the Rail Projects and
- iv. Construction of Bodo-Bonny road with a Bridge across the Opobo Channel.

The importance of these projects when completed on the socio-economic development cannot be overemphasized considering the urgent need of the present administration to develop critical infrastructure that will engender economic growth.

6.0. FINDING AND OBSERVATIONS

- (i) That the terms and conditions of the loan are favorable and do not pose any compromise of the integrity, independence and interest of Nigeria and its citizens.
- (ii) That the projects are essential for rapid economic and social development of Nigeria.
- (iii) That the projects when completed will create jobs through a chain of downstream economic activities.
- (iv) The construction of the second runway in the Nnamdi Azikiwe International Airport will enhance the safety of the Air passengers, increase the use of the Airport by International Airlines thus increase the revenue base of government.
- (v) That the rail projects, when completed will reduce the use of roads, its attendant congestion and thus minimize the cost of road maintenance.
- (vi). The Mambilla Hydropower project which had long been abandoned, when completed will add substantially to the national grid thus improve on power output of the country.
- (vii) That the projects will improve Federal Government revenue.

- (viii) That the USD3.0 Billion for re-financing of the nation's domestic debts will not lead to an increase in the public debt portfolio. However, it will reduce the cost of the debt.
- (xi) Agrees that the proposed re-financing of the nation's domestic debt stock with this relatively cheaper and long-term. The re-financing with external loan will create a significant decrease in the cost of financing the nation's debt stock, while creating more borrowing space in the domestic market for the private sector to benefit from.
- (x) The Committee also observed that, substituting high interest, short-term domestic debt with less expensive long-term external debt will reduce the current high debt servicing/revenue ratio.

7.0 RECOMMENDATIONS

- A.** The Committee do recommend for approval by the Senate the issuance of USD2.5 Billion to finance the following projects in the 2017 Appropriation Acts;
 - i. Mambilla Hydropower Project.
 - ii. Construction of a Second Runway at the Nnamdi Azikiwe International Airport-Abuja.
 - iii. Counterpart funding for the Rail Projects and
 - iv. Construction of Bodo-Bonny road with a Bridge across the Opobo Channel.
- B.** That the Senate do approve the USD3.0 Billion for re-financing of the nation's domestic debts.
- C.** That the Senate do emphasize the effective oversight of the proposed projects.

8.0 CONCLUSION

The Committee expresses its gratitude to the Leadership of the Senate and the entire Members of the Senate for the confidence bestowed on it to do its work effectively and efficiently.

These projects when fully implemented are sure to stimulate economic development, and create both direct and indirect jobs for Nigerians, particularly the teeming Nigerian youths.

We therefore move:

that the Senate do approve the issuance of USD2.5 Billion to finance the 2017 Appropriation Act and the sum of USD3.0 Billion for the Re-financing of the Nation's domestic debts, totaling USD5.5 Billion (Five Billion, Five Hundred Million USD).

We so move.

SIGNATURE PAGE

MEMBERS OF THE COMMITTEE

1. Senator Shehu Sani
Chairman


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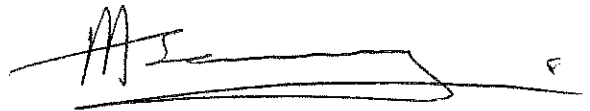
2. Senator Philip A. Gyunka
Vice Chairman

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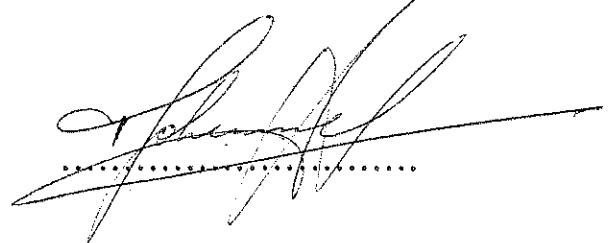
3. Senator David A.B. Mark
Member


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4. Senator Ahmed Rufai Sani
Member


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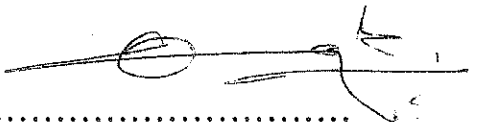
5. Senator Sulaiman Nazif
Member


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6. Senator Aliyu M. Wammakko
Member

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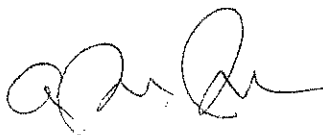
7. Senator Joseph O. Ogba
Member


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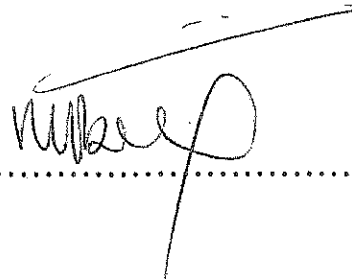
8. Senator Ovie-Omo Agege
Member

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9. Senator Andrew I. Uchendu
Member


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10. Muhammad Bello Musa
Committee Clerk


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