

THE SENATE
FEDERAL REPUBLIC OF NIGERIA

COMMITTEE ON LOCAL AND FOREIGN DEBTS

REPORT

ON

**PROPOSED FEDERAL GOVERNMENT 2016 –
2018 EXTERNAL BORROWING (ROLLING) PLAN**

JULY 2017

1.0 BACKGROUND

The Senate of the Federal Republic of Nigeria at its sitting on Thursday, 4th May, 2017 considered the request of Mr. President, Commander-in-Chief of Armed Forces of the Federation, for the approval of the Federal Government 2016-2018 External Borrowing (Rolling) Plan and referred same to the Committee on Local and Foreign Debts for further legislative action.

External borrowing plan is an essential component of 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 on 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**

The Committee resolved to consider the railway projects due to its importance and urgency to fast track the development of critical infrastructure in the country.

Rail system plays a pivotal role in the economic and social developments of any country. The importance of an operational and effective railway service in Nigeria cannot be over emphasized in the present millennium.

The Committee in considering this aspect of plan, received briefs from the following officials:

- (i) The Honourable Minister of Transportation
- (ii) The Honourable Minister of Finance
- (iii) The Director General, Debt Management Office
- (iv) The Chairman, Fiscal Responsibility Commission and
- (v) The Managing Director, Nigeria Railway Corporation.

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 Bureau, 2016; and
- (iv) Financing Agreement between Federal Republic of Nigeria and China-Exim Bank, 2016.

5.0 **PROPOSED PROJECTS**

The proposed projects to be funded by the **CHINA EXIMBANK** are as follows:

- i. Lagos-Kano Railway Modernization Project (Lagos-Ibadan Segment);
- ii. Lagos-Kano Railway Modernization Project (Kano-Kaduna Segment);
- iii. Coastal Railway Project (Lagos-Calabar Segment).

A. WORLD BANK SUPPORTED PROJECTS

- i. Polio Eradication Support and Routine Immunization Project;
- ii. Community and Social Development Project;
- iii. Nigeria States Health Programme Investment

- project;
- iv. State Education Programme Investment Project;
- v. Nigeria Youth Employment and Social Support Project; and
- vi. Fadama III Project.

6.0. FINDINGS AND OBSERVATIONS

- 1). That the terms and conditions of the loan for the projects: do no compromise the integrity, independence and interest of Nigeria and its citizens.
- 2). That the projects are essential for rapid economic and social development of Nigeria;
- 3). That the projects when completed will enhance the movement of persons, goods and service along the various corridors.
- 4). That the projects will bring about reduction in the cost of transport fares and freighting of goods;
- 5). That the rail projects will reduce the use of roads; its attendant congestion and thus minimize the cost of road maintenance;
- 6). That the rail projects when completed, will create jobs and enhance downstream economic activities;
- 7). That the projects will improve government revenue;
- 8). That the Board of the China-Exim Bank gave approval to, only the Lagos-Ibadan Segment of the Lagos-Kano Railway Modernization Project; and

- 9). That the China-Exim Bank put on hold other segments of the Rail Modernization Project, including the Kano-Kaduna Segment, the Coastal Railway Project (Lagos- Calabar Segment) and the Port Harcourt-Maiduguri line (the eastern corridor rail project).

7.0 **RECOMMENDATIONS**

- A.** That the Senate do recommend the immediate negotiation for the Eastern corridor (Port Harcourt-Maiduguri) and submit same for approval by the National Assembly.
- B.** That the Committee do recommend for approval by the Senate the remaining segments of the Rail Modernization Project as soon as these are approved by the Board of China-Exim Bank, namely: the Kano-Kaduna Segment, the Coastal Railway Project (Lagos- Calabar Segment) and the Port Harcourt - Maiduguri line (the eastern corridor rail project).
- C.** The Committee hereby recommend the Senate to approve Lagos-Kano Railway Modernization Project (Lagos-Ibadan Segment) as per the stated amount herein:
- D** That the Senate do approve part of the 2016 – 2018 External Borrowing (Rolling) Plan as it pertains only to the Lagos, Kano Railway Modernization project (Lagos-Ibadan Segment Double Track) and the World Bank supported projects on the reconstruction and rehabilitation of the North – East region

totaling \$1.806billion (One billion, Eight Hundred and Six Million USD).

- E.** That the Senate do emphasis effective oversight by relevant Committees on the implementation of all the projects for which these loans is being approved.

8.0 **CONCLUSION**

The Committee expresses its gratitude to the leadership of the Senate and the entire membership of the Senate for the confidence bestowed on the Committee 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 youth.

In particular, the World Bank-funded projects which are mainly proposed for the North East region, will facilitate the much needed rehabilitation and resettlement of the people of the region back to their respective homelands and allow schools to be re-opened, to get all the children off the street and back to school.

We therefore move:

that the Senate do approve part of the 2016 - 2018 External Borrowing (Rolling) Plan as it pertains only to the Lagos, Kano Railway Modernization project (Lagos-Ibadan Segment Double Track) and the World Bank supported projects on the reconstruction and rehabilitation of the North - East region totaling \$1.806billion (One billion, Eight Hundred and Six Million USD) as contained therein in the attached.

We so move.

WORLD BANK SUPPORTED PROJECTS

S/No.	PROJECTS NAME	AMOUNTS
i	Polio Eradication Support and Routine Immunization Project	\$125million
ii.	Community and Social Development Project	\$75million
iii.	Nigeria States Health Programme Investment Project	\$125million
iv	State Education Programme Investment Project	\$100million
v.	Nigeria Youth Employment and Social Support Project	\$100million
vi.	Fadama III Project.	\$50million
	TOTAL	\$575million

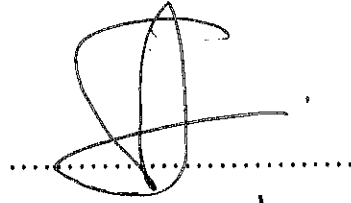
CHINA EXIMBANK SUPPORTED PROJECT

PROJECT NAME	CREDIT AMOUNT	TERMS & CONDITIONS OF THE LOAN	MAIN FOCUS	LOCATION
Lagos, Kano Railway Modernization Project (Lagos-Ibadan Segment double Track)	\$1.231billion	Maturity: 20years Moratorium: 7Yrs. Management Fee: 0.5% Interest Rate: 2.5% Commitment Fee: 0.2% Duration: 3years	Link the North to the South by rail to promote trade, create job and also reduce pressure on roads infrastructure. The project will be implemented in segments. Abuja-Kaduna phase is near completion.	(Lagos and Oyo States).
TOTAL	\$1.231billion.			

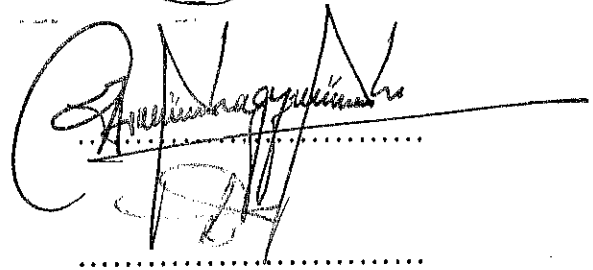
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MEMBERS OF THE COMMITTEE

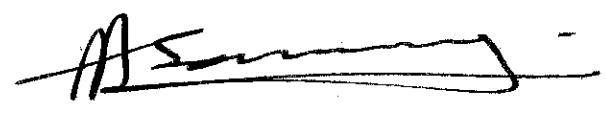
1. *Senator Shehu Sani*
Chairman



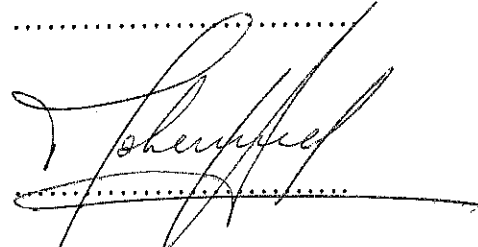
2. Senator Philip A. Gyunka
Vice Chairman



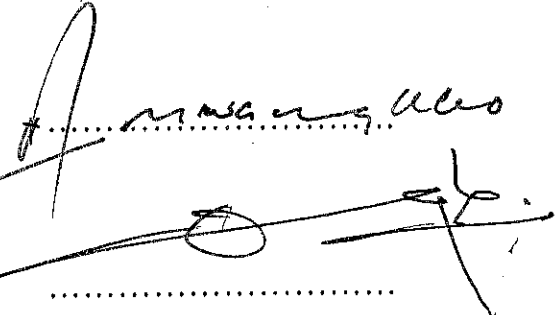
3. Senator David A.B. Mark
Member



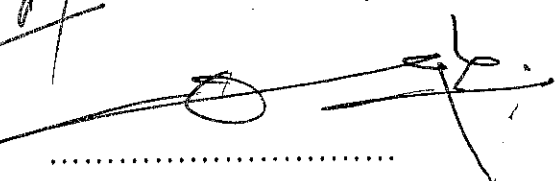
4. Senator Ahmed Rufai Sani
Member



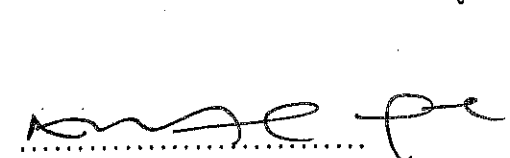
5. Senator Sulaiman Nazif
Member



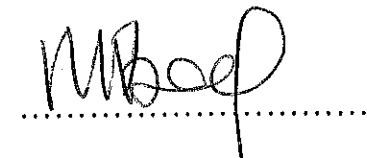
6. Senator Aliyu M. Wammakko
Member



7. Senator Joseph O. Ogba
Member



8. Senator Ovie-Omo Agege
Member



9. Muhammad Bello Musa
Committee Clerk.