

THE SENATE

FEDERAL REPUBLIC OF NIGERIA

COMMITTEE ON LOCAL AND FOREIGN DEBTS

REPORT

ON

**THE OGUN STATE DEVELOPMENT
POLICY OPERATION (DPO) CREDIT
FACILITY FROM THE WORLD BANK**

November, 2017.

REPORT OF THE SENATE COMMITTEE ON LOCAL AND FOREIGN DEBTS ON THE OGUN STATE DEVELOPMENT POLICY OPERATION (DPO) CREDIT FACILITY OF USD350 MILLION FROM THE WORLD BANK

1.0 INTRODUCTION

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.

Following the Committee's recommendation, the Senate granted a phased-approval of Mr. President's loans request for six (6) States in the first phase. This second phase of the loans consideration is for Ogun State only.

Funds from the World Bank Development Operation (DPO) loan facility will be used to finance key programmes of Ogun State to stimulate internally generated revenue, develop critical infrastructures that will attract private investors to the State and thus increase employment opportunities in the State.

The World Bank Development Policy Operation (DPO) is a budget support facility used to finance budget gaps that governments normally encounter in implementing their annual budgets.

It is worthy to note that World Bank normally presents strict criteria for intending borrowing organization to fulfill as a prerequisite to assessing the facility.

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.

2.0 MANDATE OF THE COMMITTEE

Following the Senate approval of loans' request for six (6) States at its sitting on Thursday July 27, 2017 adopt the mandate in the first report to consider Ogun State Development Policy Operation (DPO) as contained in the 2016 - 2018 Approved External Borrowing Plan.

3.0. MEMBERSHIP OF THE COMMITTEE

3.1 The membership of the Committee is as follows:-

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|----|--------------------------|---|---------------|
| 1. | Senator Shehu Sani | - | Chairman |
| 2. | Senator Philip A. Gyunka | - | Vice Chairman |
| 3. | Senator David A.B. Mark | - | Member |

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| 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. | Senator Andrew I. Uchendu | - | Member |
| 10. | Muhammad Bello Musa | - | Committee Clerk. |

4.0 METHODOLOGY

4.1. The Committee received briefs from the following Federal and State Government officials 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, Ogun State

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

- (i). Fiscal Responsibility Act, 2007
- (ii). Debt Management Office Act, 2003
- (iii). Debt Sustainability Analysis published by the Debt Management Bureau, 2016
- (iv) The World Bank Implementation Completion and Results Report on Ogun State Development Policy Operation (DPO)

5. FINDINGS AND OBSERVATIONS

Based on the submissions and interactions with some of the invited Government officials, the Committee observed as follows:

- i. That the Ogun State Development Policy Operation, DPO (Budget Support) for USD 350 Million, was approved by World Bank in 2016 and was captured in 2016 - 2018 borrowing plan as approved by the National Assembly.
- ii. That the credit facility has an attractive low financing data of 1.25% interest; moratorium of 5 years and a 25 year maturity tenor.
- iii. That the facility is already captured in the 2016-2018 Medium Term Expenditure Framework (MTEF).
- iv. That Ogun State has a low and acceptable debt sustainability level, and therefore is eligible to borrow.
- v. That the Development Policy Operation (DPO) Loan is basically used to finance deficit in States' annual budget, thereby enhancing the capacity of the State Government to execute its key projects.
- vi. That the Ogun State Government have met the various conditions by the World Bank to qualify for the loan.

- vii. That the Ogun State Government has put in place institutions framework for transparent and accountable budgetary and financial process
- viii. That the various projects to be funded from the facility will engender economic growth; also increase revenue generation capacity of the State and create employment opportunities.
- ix. That Ogun State Government has shown a high degree of prudence in implementing her annual budget.

6. RECOMMENDATION

The Committee recommends that the Senate do approve the Ogun State Development Policy Operation (DPO) in the sum of USD 350 Million as contained in the 2016 - 2018 External Borrowing (Rolling) Plan of Mr. President, Commander-in-Chief of the Armed Forces.

7. CONCLUSION

The projects earmarked by the Ogun State Government to be funded from the credit facility when fully implemented will boost the Socio-economic development of the state.

The Committee wishes to express its gratitude to the President of the Senate, the leadership and Distinguished Senators for the confidence reposed in it to carry out the assignment.

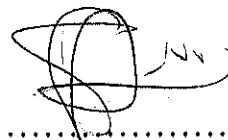
The Committee therefore moves:

That the Senate do approve the Ogun State Development Policy Operation (DPO) in the sum of USD 350 Million as contained in the 2016 - 2018 External Borrowing (Rolling) Plan of Mr. President Commander-in-Chief of the Armed Forces.

We so move.

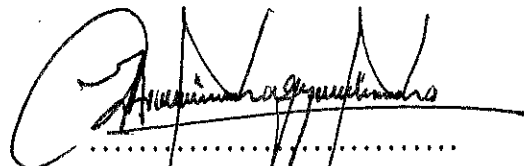
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MEMBERS OF THE COMMITTEE

1. Senator Shehu Sani
Chairman



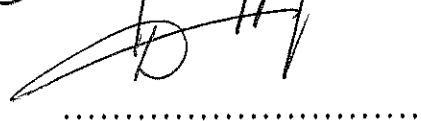
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2. Senator Philip A. Gyunka
Vice Chairman



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3. Senator David A.B. Mark
Member



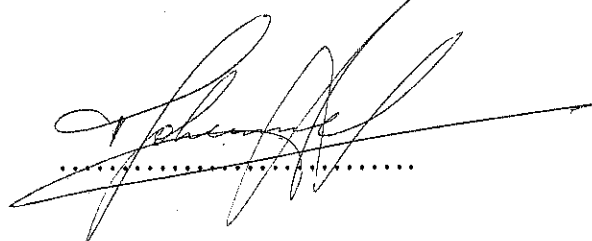
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4. Senator Ahmed Rufai Sani
Member



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5. Senator Sulaiman Nazif
Member

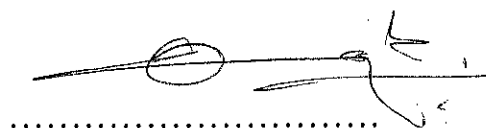


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6. Senator Aliyu M. Wammakko
Member

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7. Senator Joseph O. Ogba
Member

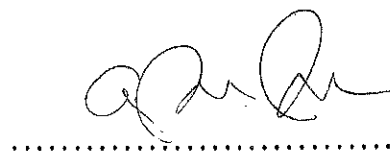


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8. Senator Ovie-Omo Agege
Member

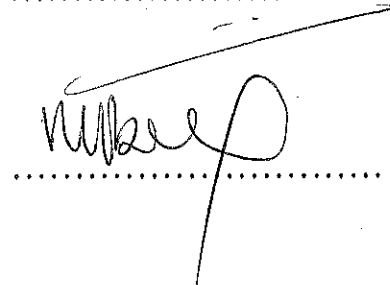
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9. Senator Andrew I. Uchendu
Member



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10. Muhammad Bello Musa
Committee Clerk



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