

SENATE OF THE FEDERAL REPUBLIC OF NIGERIA

REPORT OF THE AD HOC COMMITTEE

ON

THE STATE OF THE NIGERIA ECONOMY

27TH SEPTEMBER, 2016

REPORT OF THE SENATE AD HOC COMMITTEE ON THE STATE OF THE ECONOMY OF NIGERIA.

1. INTRODUCTION

Sequel to the conclusion of the two-day debate on the State of the Nigeria Economy by the Senate of the Federal Republic of Nigeria at its plenary on 22nd September, 2016, an Ad Hoc Committee of the Senate was constituted and mandated to harmonize the recommendations made by the Senators during debate, and report to Senate on Tuesday 27th September, 2016. The debate was initiated by the Senate President, Senator Abubakar Bukola Saraki, CON in his speech to welcome Senators back from their legislative annual recess on 20th September, 2016. The welcome address focused on the excruciating sufferings and hardship the people of Nigeria have been facing due to unbearable pains inflicted upon them by the current economic downturn in the country. The Senate, therefore, considered it necessary, expedient and patriotic duty to make critical interventions, undertake emergency actions devoid of partisan loyalty to pull the Nigeria economy out of recession and save Nigerians from its devastating effects. These recommendations include a combination of fiscal, monetary and legislative actions that are capable of stimulating the growth and development of the Nigerian economy.

2.0 MEMBERSHIP OF THE COMMITTEE

1.	Senator Yahaya A. Abdullahi, OON	Chairman
2.	Senator Jibrin I. Barau	Member
3.	Senator Ben Murray-Bruce	Member
4.	Senator Rafiu A. Ibrahim	Member
5.	Senator Mohammed Hassan	Member
6.	Senator John O. Enoh	Member

3.0 METHODOLOGY

The Committee met on Monday 26th September, 2016 and considered extracts from the welcome address of the Senate President, the well-informed analysis of the causes of the recession and far reaching solutions and recommendations proffered by the Senators during debate, as well as written submissions made to the Committee by some Senators.

4.0 HIGHLIGHTS OF SENATORS CONTRIBUTIONS

Contributions made by Senators mainly bordered on the causes of the recession. Many Senators laid the blame for the recession on the structure of an economy that is nearly totally dependent on the export of a single commodity-oil, for over 90% of its revenue. Any adverse shift in the international price of that commodity is bound

to have negative impact on the economy. The almost total dependence of the economy on the importation of foreign manufactures undermined its employment capacity, rendering millions of our youths to a life time of unemployment, under-employment and penury. This was made worse by the failure of the managers of the economy to save for the rainy days. So when the inevitable price crash came, there was no cushion to absorb the shock. Further challenges to the economy in the form of militant agitation and sabotage of oil assets in the oil producing region of the Niger Delta were also highlighted. The problem of corruption and indiscipline in the management of national resources by successive governments were keenly debated. Many Distinguished Senators were concerned about the degeneration of the nation's socio-economic status, the level of insecurity, corruption and divisive partisanship in the polity.

In the course of the robust debate, Senators, offered many astute recommendations on the ways and means by which economic recovery can be attained. Most contributors subscribed to using the Keynesian model to spend our way out of the recession. While Senators were divided on certain measures proffered, such as, the reversal of the Treasury Single Account (TSA); high interest rates; restrictive Foreign Exchange regime; sale of government assets to

shore-up the foreign exchange reserves; the need for Cabinet reshuffle; government restructuring; etc. there was, however, a measure of consensus on the following:

- the immediate adoption and near-total implementation of the TSA without palliative mechanisms and restrictive monetary policies led to cash liquidity crunch in Banks and in circulation;
- the restrictions on foreign exchange deposits and transactions sent wrong signals to investors (local and foreign) and caused massive withdrawal of Dollars from the Banks, and collapse of the economic and business activities in the country;
- some Senators canvassed for proper placement and assignment of Ministers based on their areas of professional competence and expertise as this could facilitate proper coordination and efficient service delivery and good governance; and
- the methods adopted in the operation of the agencies charged with the anti-corruption drive should be such that would not bring the image of the country into disrepute and scare both local and foreign investors.

Other contributions were:

- Introduction of immediate economic stimuli: reduction in banks interests rates; incentives on foreign direct

investments; ban on importation of agricultural produce and textile materials; cancellation of multiple taxation policies and regimes amongst the Federal States and Local Governments; borrowing to stimulate manufacturing and increase export drive for foreign exchange; adequate funding of the 2016 Appropriation and release of funds to local contractors; review of the minimum wage to empower low income earners; and dialogue with the Niger Delta militants to generate higher oil revenues and economic activities to thrive in the area were canvassed;

- Diversification of the economy away from oil into areas of agricultural development for food sufficiency and export; manufacturing for import substitution, export and foreign exchange earnings; solid mineral extractions and processing; and, investment Science, Technology, Arts, Culture and Tourism development;
- Re-constitution of Board memberships of various government agencies and quest for a stronger and more inclusive economic team made up of experts in economic management for proper advice and coordination of economic policies and

restoration of confidence in the conduct of government business;

- Restructuring of the government to diffuse more socio-economic powers to States and Local Governments for grassroots development rather than dependence of these tiers of Governance on monthly handouts from the Federal Government;
- Development of critical infrastructure such as roads construction and maintenance, improvement on electricity generation and distribution, and adequate funding for higher education to curb loss of foreign exchange occasioned by massive exodus of Nigerians abroad for studies, and transformation of the health sector to check medical tourism, and
- Institute adequate legislative framework including amendment of the Constitution to aid governance and economic structure and strengthen proactive fight against corruption.

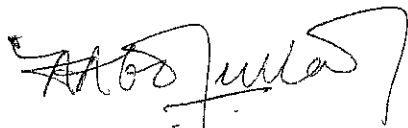
5.0 CONCLUSION

The Committee having considered the welcome address of the Senate President alongside the above comprehensive and non-partisan contributions of the Senators, is convinced that urgent intervention of Legislature is required to jointly work with the Executive to find concrete and sustainable solutions to the current recession. The Committee, therefore decided to use the address of the Senate President as the template for drawing out its recommendations titled, **Senate Ad Hoc Committee Recommendations on the Current Economic Recession, and the Way Forward**, attached hereto as Annex A for your consideration, approval and onward transmission to the executive for implementation.

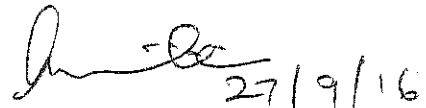
While confident that every crisis represents an opportunity for change and progress, we urge our compatriots to support the commitment of this Government to chart a new direction for the national economy through diversification, away from total dependence on oil revenues, rebuilding our national infrastructure to enhance our national economic independence and sustained prosperity.

The Committee wishes to express its profound gratitude to the Senate President for finding us worthy to undertake this assignment on behalf of the Senate.

Senate is therefore invited to consider the annexed **Senate Ad Hoc Committee Recommendations on the Current Economic Recession and The Way Forward.**



Sen. (Dr) Yahaya A. Abdullahi, OON
CHAIRMAN

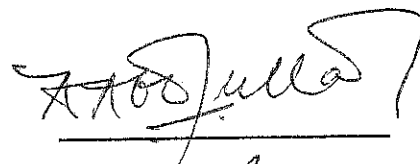

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Chidinma R. Osuagwu, Esq
COMMITTEE CLERK

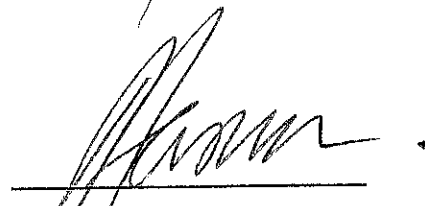
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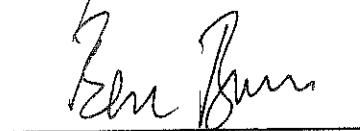
Senator (Dr.) Yahaya A. Abdullahi, OON
Chairman



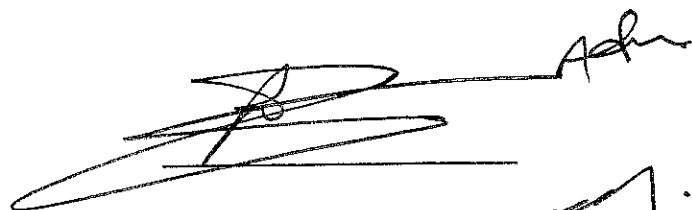
Senator Barau I. Jibrin
Member



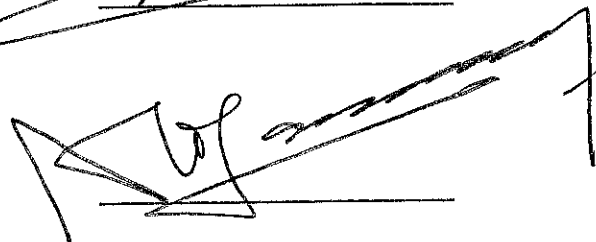
Senator Ben Murray-Bruce
Member



Senator Rafiu I. Ibrahim
Member



Mohammed Hassan
Member



Senator John Owan Enoh
Member



Chidinma R. Osuagwu, Esq
Committee Clerk


27/9/16

ANNEX A

SENATE AD HOC COMMITTEE RECOMMENDATIONS ON THE CURRENT ECONOMIC RECESSION AND THE WAY FORWARD

The Senate of the Federal Republic of Nigeria conducted a two-day intense and wide ranging debate on the state of the Nigerian Economy. It observed that negative GDP growth of 0.36% and 2.06% in the 1st and 2nd Quarters of 2016, technically plunged the national economy into recession.

2. This contraction was largely the result of falling oil revenues from an average of about \$110 in 2014 to \$30 in January, 2016 and \$46 today. This fall in revenue was further exacerbated by the vandalization of the nation's oil asset in the Niger Delta region that nearly halved the nation's oil production and export from 2.1 million barrels per day to just about 1 million barrels per day. All this was happening in the absence of any saving from the high oil prices of the last decade that saw the nation's foreign

exchange reserves plummeting from more than \$60 billion dollars in 2007 to about \$24 billion to day.

Members of the Senate who are just resuming from the summer recess, were witnesses to the adverse and devastating impact of the recession on the lives of their constituents. Hence, the Senate is unanimously committed that urgent action must be taken by the government to get out of the recession and put the economy back on the path of stability, growth and development.

3. The Senate is very much aware of the effort of the Economic team of the Government and the National Economic Council under the leadership of the Vice President in fighting the recession and charting a new course for the national economy. In this regard the Senate notes the following initiatives:

- Diversification of the economy away from about 90% dependence on oil revenue through renewed investment in agriculture, mining and construction.

- Huge investment in the development of national infrastructure in the area of power, transportation, housing, etc.
- Import restriction on a range of items to conserve foreign exchange and
- Proposal to sell some of the assets of the nation to shore up the foreign currency reserves of the nation in order to have the strength to garner the confidence of the international market and foreign investors.
- Preparation of fiscal stimulus package to revive the real sector of the National economy in the form of accelerated releases of funds to facilitate the implementation of the 2016 budget and attempts to obtain foreign loans to cover revenue short-falls that could undermine full budget implementation.

4. Senate is equally aware of the decision of the monetary authority, i.e. the monetary policy committee of the Central Bank of Nigeria to retain the MPR at 14 basis point in spite of the clamour by the fiscal authority to reduce interest rates. While lauding the courage and demonstration of

independence by the MPC, Senate is of the opinion that it is still important to think out of the box through innovative initiatives that could lower interest rates for the real sector without further damage to the value of the Naira and fueling inflation, which is currently at 17%

5. Senate further notes that the value of the Naira had been plummeting from ₦197 per USD to ₦309 after the float. Today the Naira exchanges for ₦430 to the Dollar in the parallel market, thus our currency is currently undervalued.

6. Consequently, the Committee recommends as follows:

- a. The Executive should, as a matter of urgency, prepare an Economic Stimulus Bill containing all the fiscal stimulus packages, investments, and incentives designed to pull the Country out of recession, to the National Assembly for accelerated consideration and passage.

- b. The fiscal and monetary authorities must meet to harmonize all policies that lower interest rates for genuine investors in the real sector as well as medium and small scale farmers and processors.
- c. Urgently raise capital to shore up the nation's foreign reserves in order to discourage currency speculation and stabilize the economy. In this regard, Senate is aware of the controversy the issue of the sales of assets has generated. But we still believe that given the severity of the crisis that faces the nation, this issue deserves sober reconsideration. It may involve parting with moribund and loss-making assets in sales agreements that contain buy-back clauses; partial sale of interests in on-going ventures and financial institutions, etc. This very sensitive issue should be approached from a commitment to protecting the common patrimony of Nigerians by preventing the assets from falling into the hands of sharks, assets strippers and cannibilizers while also guarding against the fueling of further inequities in the society and polity.

The Government should consider the needs of the economy and set itself a target amount to be met and raise funds to meet those targets.

d. In order to shore up our foreign reserves, Government should explore every avenue to restore the oil production target of 2.2 million barrels per day. Peaceful means should be immediately crafted and adopted to stop the vandalization of petroleum and gas assets in the Niger Delta Region.

e. In order to avoid flooding the market with excess liquidity, release of low interest funding under the stimulus package (Special Intervention Funds) should be calibrated, targeted and monitored in favour of specific industries and projects that add immediate value to the economy by way of job creation, cost reduction and import substitution. Such projects and programmes should include:

- Social safety-net programmes

- Immediate release of funds to address the humanitarian crises in the North East Zone.
 - Power generation, transmission and distribution
 - Agricultural value chain
 - Textile manufacturing and garment industry
 - National highway network construction and maintenance
 - Railway construction and maintenance
 - Motor vehicle assembly plants
 - Completion and commissioning of Ajaokuta Steel Complex and associated industries
 - Project and investments in the Arts, Science and Technology, particularly by raising the profile of our music and film industries and funding start-ups in new technology and ICT.
- f. Government must engage in meaningful and inclusive dialogue with the aggrieved Niger Delta Militants to avoid an escalation of the unrest in the region and ensure protection of our Nation's oil and gas assets to

facilitate increase in oil production and boost revenue therefrom. To this end, Senate advises Mr President to as a matter of urgency, appoint a Senior Special Adviser who should lead a team that coordinates the Government's engagement with all Stakeholders in the Niger Delta Region. This team should include Senators from the zone, and should oversee and advice on all the interventions and negotiations that are necessary to bring peace and stability to the Region.

- g. Urgently negotiate foreign concessionary borrowing instruments to provide funds to cover revenue shortfalls to ensure the full implementation of 2016 Budget and Government accelerated infrastructural development programme.
- h. Restrict and cap the issuance of local debt instruments (Bonds and Treasury Bills) so that the government does not crowd-out local investors from the market.

- i. Review and ensure the payment of all genuine domestic debts owed to local contractors who had satisfactorily completed the jobs ordered by the Government.
- j. Settle all outstanding salaries and pension liabilities.
- k. Leverage the use of pension and insurance funds to provide long-term capital for on lending to targeted agriculture, industry and housing projects
- l. The Executive should re-constitute the Board of the Central Bank of Nigeria (CBN) and all other critical Agencies in order to ensure that they operate in accordance with the enabling laws.
- j. Effort should be made through executive action or legislation to encourage the telecommunication companies to float their shares in the Nigerians stock market

- k. Fiscal Responsibility Act should be leveraged to encourage States and Local Governments to be prudent and accountable in their revenues and expenditures arrangements
- l. The current case of unaccounted oil export involving some companies need to be pursued vigorously to its logical conclusion.
- m. Pending the establishment of the North-East Development Commission, Government should immediately set-up an ad-hoc committee for the reconstruction of the North-East and rehabilitation and resettlement of all the Internally Displaced Persons (IDPs).
- n. The President should consider the establishment of Council of Economic Advisers made up of experts in economic management, to proffer advice on the initiation and co-ordination of economic policies, in

order to restore confidence in the conduct of government businesses.

- o. Eliminate the fear factor presently hurting the conduct of business relationships and driving away investors by: establishing a platform for a pro-business oriented leadership level engagement to boost market confidence, and conducting the anti-graft and financial crimes operations within the ambits of rule of law and avoid releasing information to the media before full investigation is concluded and evidence brought before a court of competent jurisdiction.
- p. Retool export promotion policy scheme with export incentives such as the resumption of the Export Expansion Grant (EEG), and introduction of export financing initiatives.
- q. On our part, the National Assembly shall:
 - i. Institute legislative framework with timeline for certain key government policies especially in area of

agriculture and mineral sub-sector, to boost investors' confidence in government and protect them against policy reversals likely to jeopardize their investments.

- ii. Examine, prioritize and fast track the consideration and passage of the following Bills capable of reviving the national economy and providing favourable level playing environment for both local and foreign investors:

- Petroleum Industry Bill
- National Development Bank of Nigeria (Establishment) Bill
- Nigerian Ports and Harbours Authority Act (Amendment) Bill
- National Road Fund (Establishment) Bill
- National Transport Commission Act, 2001
- Warehouse Receipts Act (Amendment) Bill
- Companies and Allied Matters Act (CAMA)
- Investment and Securities Act (ISA)

- Customs and Excise Management Act
- Federal Competition Bill
- National Road Authority Bill

iii. Immediately commence a sustained oversight drive to monitor the activities of the Executive in the implementation of the 2016 Budget. To this end, all Committees of the National Assembly will be empowered to undertake regular visits, checks and engagements that will ensure the full implementation of the Budget, and the Government's stimulus plan.

iv. National Assembly is always ready to engage the Executive in order to create the necessary synergy on all matters of economic and social interventions that are capable of bringing succor to Nigerians. In this respect, the President is urged to consider building and institutionalizing an enduring partnership with the Legislature for the promotion and sustenance of good governance and economic policy formation and implementation.