



YOBE STATE ARREARS CLEARANCE FRAMEWORK 2019

DECEMBER 2018

**DEBT MANAGEMENT UNIT YOBE
MINISTRY OF FINANCE**

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Glossary

AfDF - African Development Fund
AMCON - Assets Management Corporation of Nigeria
ATM - Average Term-to-Maturity
ATR - Average Term-to-Refixing
BAS - Bond Auction System
BOF - Budget Office of the Federation
BMSC - Bond Market Steering Committee
CBN - Central Bank of Nigeria
CLM - Contingent Liability Management
CMC - Cash Management Committee
CLMC - Cash and Liquidity Management Committee
CRF - Consolidated Revenue Fund
CRR - Cash Reserve Requirements
CSCS - Central Securities Clearing System
DAS - Dutch Auction System
DMDs - Debt Management Departments
DMU - Debt Management UNIT
DRSD - Debt Recording and Settlement Department
DSA - Debt Sustainability Analysis
EMIT - Economic Management Implementation Team
FDI - Foreign Direct Investment
FEC - Federal Executive Council
FGN - Federal Government of Nigeria FIRS Federal Inland Revenue Service
FLAC - Fiscal and Liquidity Management Committee
FMDA - Financial Markets Dealers Association
FMF - Federal Ministry of Finance
FRA - Fiscal Responsibility Act, 2012
FRN - Federal Republic of Nigeria
FSS - Financial System Strategy
GDP - Gross Domestic Product
GS - Government Stockbroker
HMF - Honourable Minister of Finance

ICM - International Capital Market
IFC - International Finance Corporation
IMF - International Monetary Fund
IPPIS - Integrated Personnel Payroll Information System
ISA - Investment and Securities Act, 2007
ISPO - Irrevocable Standing Payment Order
IT - Information Technology
MDAs - Ministries, Departments and Agencies
MDD - Market Development Department
MDGs - Millennium Development Goals
MFPCC - Monetary and Fiscal Policy Coordinating Committee
MPR - Monetary Policy Rate
MTDS - Medium-Term Debt Management Strategy
MTEF - Medium-Term Expenditure Framework
NAICOM - National Insurance Commission
NASS - National Assembly
NBS - National Bureau of Statistics
NDMF - National Debt Management Framework
NEMT - National Economic Management Team
PDMI - Public Debt Management Institute
PDMMs - Primary Dealer Market Makers
PENCOM - National Pension Commission
PMD - Portfolio Management Department
SEC - Securities and Exchange Commission
SND - Sub-national Debt
SNGs - Sub-national Governments
SPD - Strategic Programmes Department
SPG - Special Programmes Group
TBs - Treasury Bonds
TCs - Treasury Certificates
TSA - Treasury Single Account
US\$ - United States Dollar
WB - World Bank

Background

Introduction

The Yobe State Debt Management UNIT (DMU) was established by act of State House of Assembly following the passage into law of the Yobe State Fiscal Responsibility Law 2016. This is with the aim of managing the State debt and arrears situation by: -

- (i) Establishing and operationalizing a Debt Management UNIT;
- (ii) Undertaking a validation and reconciliation exercise of Yobe State's internal and external debt database with all creditors;
- (iii) Negotiating with creditors and the development partners for arrears clearance, debt relief and new financing; and
- (iv) Leveraging Yobe State's natural resources in pursuit of debt relief.

This is with the aim of achieving the following objectives amongst others to:

- I. Make public debt management a visible instrument for growth, development and poverty reduction;
- ii. Maintain public debt sustainability; and,
- iii. Strengthen the existing legal, institutional and policy frameworks for efficient debt management in the State.

Below is the arrears as at 31st Dec. 2019 : -

Contractors- N161, 238,572.46

Pension & Gratuity -N 2,130,241,704.59

Table 1 Debt Position as at 31st December 2019

Debt Sustainability Analysis

A	DSA RATIO SCENARIOS:	Sustainability Thresholds	As at 31st December 2019
	Solvency Ratios		Percentage
1	Total Domestic Debt/Total Recurrent Revenue	50%	46.60%
2	Total Domestic Debt/IGR	150%	340.94%
3	Total External Debt/Total Recurrent Revenue	50%	12.84%
4	Total Public Debt/Total Recurrent Revenue	100%	59.44%
5	Total Public Debt/State GDP Ratio	40%	No GDP Figure Available
	Liquidity Ratios		
6	External Debt Service/Total Recurrent Revenue	10%	0.64%
7	Total Debt Service/Total Recurrent Revenue	15%	3.52%
8	Domestic Debt Service/IGR	10%	21.06%
9	External Debt Service/FAAC	40%	0.75%
			2019 Actual
B	PUBLIC DEBT DATA AS AT 31st DECEMBER 2019		Naira
1	Total Domestic Debt		28,977,026,987
2	Total External Debt		7,982,350,205
3	Total Public Debt		36,959,377,192
4	Total Domestic Debt Service 2019		1,789,614,455
5	Total External Debt Service in 2019		401,026,827
6	Total Public Debt Service		2,190,641,282
C	STATE GDP FOR 2019		
1	State GDP		0

Planned Actions to clear Arrears

Multiyear funding plan to clear arrears

The Yobe State Government is committed to clear its debt stock arrears, avoid the accumulation of new arrears and to complete the implementation of reforms necessary. Furthermore, arrears clearance is also central to the debt relief process for any Country or State; without clearance of arrears by multilateral institutions, progress cannot be made in the development of the State. This is mainly dependent on the availability of strong economic policy and foresight.

Table 2: Yobe State Macroeconomic Framework

1qikn	2020	2021	2022	2023
National Inflation	14.13%	11.95%	10.94%	11.02%
National Real GDP Growth	-4.42%	3.00%	4.68%	3.86%
Oil Production Benchmark (MBPD)	1.7000	1.86	2.09	2.38
Oil Price Benchmark	\$20.00	\$40.00	\$40.00	\$40.00
NGN:USD Exchange Rate	360	360	360	360
Other Assumptions				
Mineral Ratio	27%	30%	35%	40%

Fiscal Framework	2020	2021	2022	2023
Treasury Opening Balance	2,223,232,298	6,000,000,000	3,145,787,192	3,447,863,558

Recurrent Revenue

Statutory Allocation	32,776,448,798	34,441,004,028	40,942,531,338	48,688,150,614
VAT	15,914,739,818	15,914,739,818	15,914,739,818	15,914,739,818
IGR	6,032,895,848	6,960,256,154	7,000,000,000	7,300,000,000
Other FAAC Revenues	2,201,000,000	4,100,000,000	4,100,000,000	4,100,000,000
Other Recurrent Revenues	-	1,500,000,000	1,000,000,000	1,000,000,000
Total Recurrent Revenue	56,925,084,464	62,916,000,000	68,957,271,156	77,002,890,432

Recurrent Expenditure

CRF Charges	6,678,796,228	10,000,000,000	9,540,000,000	8,585,000,000
Personnel	28,412,987,994	29,033,769,618	30,485,458,099	32,009,731,004
Overheads	16,802,718,534	17,659,714,034	18,039,714,034	18,039,714,034
Total	51,894,502,756	56,693,483,652	58,065,172,133	58,634,445,038

Transfer to Capital Account	7,253,814,006	12,222,516,349	14,037,886,216	21,816,308,952
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Capital Receipts

Grants	9,500,000,000	11,050,000,000	9,050,000,000	7,150,000,000
Other Capital Receipts	15,000,000	6,500,000,000	0	0
Total	9,515,000,000	17,550,000,000	9,050,000,000	7,150,000,000

Reserves

Contingency Reserve	0	0	0	0
Planning Reserve	0	0	0	0
Total Reserves	0	0	0	0

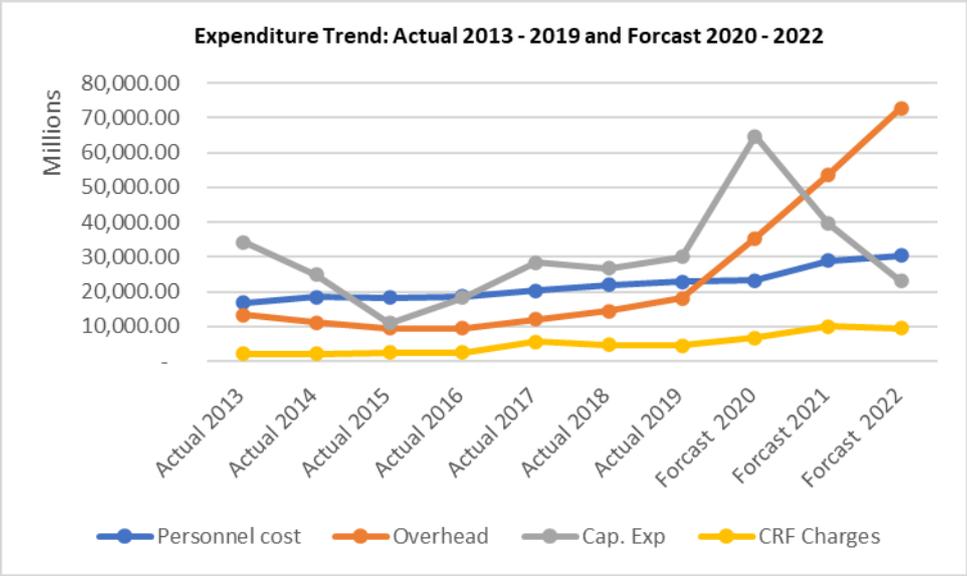
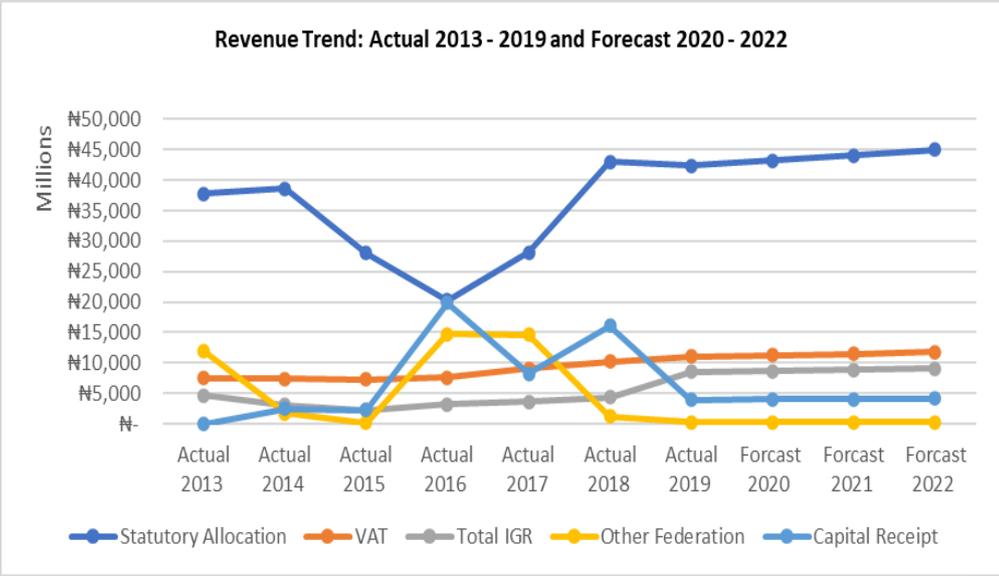
Capital Expenditure	34,154,608,349	39,672,516,349	23,087,899,024	28,966,308,952
Discretionary Funds	31,766,608,349	37,972,516,349	21,187,899,024	28,966,308,952
Non-Discretionary Funds	2,388,000,000	1,700,000,000	1,900,000,000	0

Net Financing	17,385,794,343	9,900,000,000	0	0
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Total Budget Size	86,049,111,105	96,366,000,000	81,153,058,349	87,600,753,990
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Closing Cash Balance				
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Ratios				
Growth in Recurrent Revenue	10.28%	-8.24%	9.60%	11.67%
Growth in Recurrent Expenditure	-44.60%	140.87%	2.42%	0.98%
Capital Expenditure Ratio	73.33%	41.17%	28.45%	33.07%
Deficit to Total Expenditure	2.42%	10.27%	0.00%	0.00%



Economic policy Framework and selected policy reform measures

The Medium Term Plan (MTP): 2020-2022 -The Medium Term Plan (MTP) is the premier economic and social policy framework set out to support the restoration of economic stability and growth in Yobe State. This framework has been developed on the foundations laid down and the 3 year Macroeconomic Policy and Budget Framework. The MTP sets out clearly the national priorities and investment programs for 5 years, from 2013 to 2022. The main target of the MTP is to ensure that the economy remains on a sustainable growth. The focus of the plan is on inclusive growth and balanced development. To attain objectives of the MTP, a number of reform measures are being implemented.

Debt Management

To address the debt and arrears situation, Government adopted an Accelerated Arrears Clearance, Debt and Development Strategy with the following key policy elements:

- (v) Establishment and operationalization of a Debt Management UNIT
- (vi) Undertaking a validation and reconciliation exercise of Yobe State's internal and external debt database with all creditors
- (vii) Negotiating with creditors and the development partners for arrears clearance, debt relief and new financing; and
- (viii) Leveraging Yobe State's natural resources in pursuit of debt relief.

Expenditure Rationalization

In view of the expenditure overrun on the wage bill, Yobe State Government plans to introduce the general freeze on civil service recruitment, with dispensations on critical areas and which warranted Treasury and relevant Public Services Commissions concurrence restrained foreign travel accompanied by other cost cutting measures, such as, forward purchasing of tickets and prioritized settlement of domestic arrears.

Human Development

Yobe State Government has instituted policies that enable the participation of women and youth in mainstream economic activities. Adoption of a number of National policies has been followed by establishment of several funding facilities such as SME Fund to facilitate access to skills training, affordable credit, as well as creation of employment opportunities.

Prioritization Criteria for Arrears to be settled in the implementation of the ACF

The government adopted the following prioritization criteria for Yobe state Government

Yobe
State
Year: 2019

Type of Arrears	Total stock at end of 2018	Criteria for allocation among types	Planned amount to be cleared in 2019	Prioritization criteria to be applied to arrears within each type of arrears
Contractors	162,445,156.40	Settlement in two installments after reconciliation	162,445,156.40	Based on reconciliation report
Pensions And Gratuities	1,365,156,785.03	Allocation of ₦100m Monthly	1,200,000,000.00	FIFO
Salaries	-			
Other	-			
Total	1,527,601,941.43		1,362,445,156.40	

Institutional Arrangements for overseeing the implementation of the ACF

Against the background of the deterioration of the economic and social situation, dialogue between donors and the Yobe State Government led to the creation of the Unit of the Special Adviser on Budget and Planning and Economic Development. The purpose of the Budget and Planning and Economic Development Office is to contribute to early recovery and development efforts in Yobe State by mobilizing donor resources and promoting donor coordination. Thus, from the outset the Budget, Planning and economic Development office aims at interventions that would save lives and protect assets; its therefore focused on infrastructure rehabilitation investments in water and sanitation, and energy sectors in line with the priorities of the progressive Government of the day. The Budget, Planning and economic Development Office will no doubt effectively see to the implementation of Arrears Clearance Framework (ACF) in Yobe State.