

YOBE STATE ARREARS CLEARANCE FRAMEWORK 2021

DECEMBER 2021

**DEBT MANAGEMENT UNIT
YOBE MINISTRY OF FINANCE**

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Glossary

ACF – Arrears Clearance Framework

CRF - Consolidated Revenue Fund

DMU - Debt Management UNIT

DSA - Debt Sustainability Analysis

FAAC- Federation Account Allocation Committee

GDP - Gross Domestic Product

IGR – Internally Generated Revenue

MDAs - Ministries, Departments and Agencies

MTDS - Medium-Term Debt Management Strategy

MTEF - Medium-Term Expenditure Framework

NGN – Nigerian Naira

VAT – Value Added Tax

USD - United States Dollar

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 are the projected arrears as at 30th June 2021: -

Contractors: - ₦ 2,794,882.00

Pension & Gratuity: - ₦3,126,438,834.26

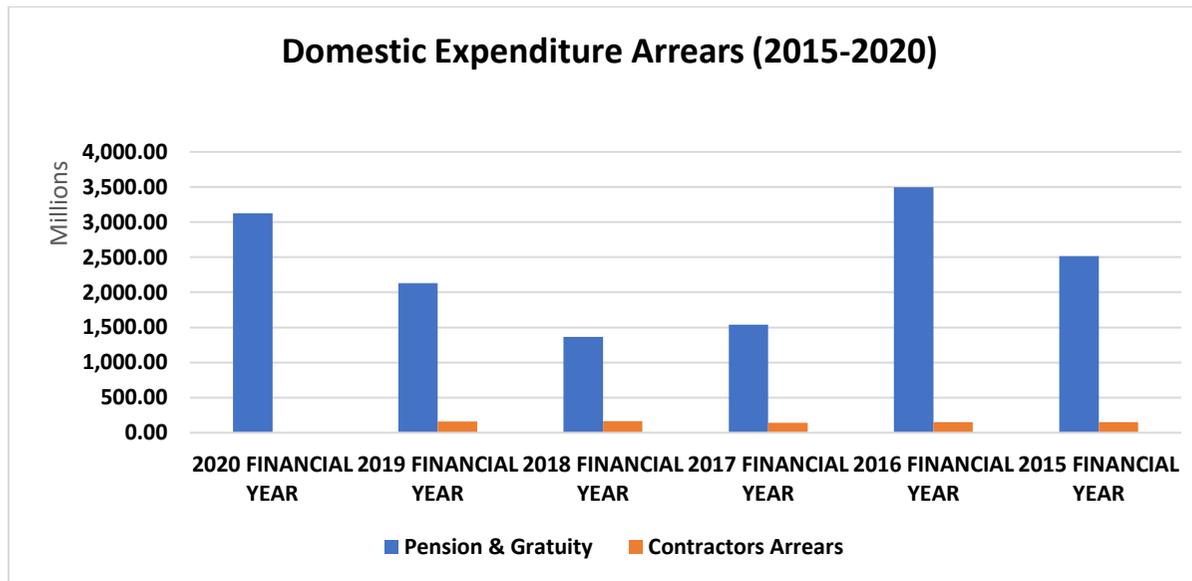
Table 1 Debt Position as at 31st December 2020

Debt Sustainability Analysis

A	DSA RATIO SCENARIOS:	Sustainability Thresholds	As at 31st December 2020
	Solvency Ratios		Percentage
1	Total Domestic Debt/Total Recurrent Revenue	50%	94.23%
2	Total Domestic Debt/IGR	150%	805.56%
3	Total External Debt/Total Recurrent Revenue	50%	17.33%
4	Total Public Debt/Total Recurrent Revenue	100%	111.57%
5	Total Public Debt/State GDP Ratio	40%	No GDP Figure Available
	Liquidity Ratios		
6	External Debt Service/Total Recurrent Revenue	10%	0.60%
7	Total Debt Service/Total Recurrent Revenue	15%	5.98%
8	Domestic Debt Service/IGR	10%	46.00%
9	External Debt Service/FAAC	40%	0.67%
			2020 Actual
B	PUBLIC DEBT DATA AS AT 31st DECEMBER 2020		Naira
1	Total Domestic Debt		54,866,197,723.00
2	Total External Debt		10,090,443,369.00
3	Total Public Debt		64,956,641,092.00
4	Total Domestic Debt Service 2020		3,132,745,355.70
5	Total External Debt Service in 2020		346,721,397.30
6	Total Public Debt Service		3,479,466,753.00
C	STATE GDP FOR 2020		
1	State GDP		0

BREAKDOWN OF DOMESTIC EXPENDITURE ARREARS (2015-2020)

DOMESTIC EXPENDITURE ARREARS DETAILS	2020 FINANCIAL YEAR	2019 FINANCIAL YEAR	2018 FINANCIAL YEAR	2017 FINANCIAL YEAR	2016 FINANCIAL YEAR	2015 FINANCIAL YEAR
	₦	₦	₦	₦	₦	₦
Pension & Gratuity	3,126,438,834.26	2,130,241,704.59	1,365,156,785.03	1,537,223,487.12	3,493,933,564.76	2,513,040,670.65
Contractors Arrears	2,794,882.00	161,238,572.46	162,445,156.40	141,274,853.63	152,196,302.47	153,106,302.47
ANNUAL TOTAL	3,129,233,716.26	2,291,480,277.05	1,527,601,941.43	1,678,498,340.75	3,646,129,867.23	2,666,146,973.12
NOTE: The Arrears figures reported is in Naira (₦) and it is the total amount of each type of arrears as per domestic database for the year ending 31st December 2020						



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. Yobe state multi years plan is a financial plan of the state for clearance of her stock of arrears based on the total funds available for the state current budget year and budget year to come.

The State in its effort to achieve the clearance of her stock of arrears, constituted committees on verification of gratuity and reconciliation and verification of contract liabilities.

The state government shall clear her arrears using funds from any of the following sources:

- The State Internally Generated Revenue
- Grants from the Federal Government (FAAC)

Furthermore, arrears clearance is also central to the Debt relief process for any Country or State. Without clearance of arrears, 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

Item	2022	2023	2024
National Inflation	13.00%	11.00%	10.00%
National Real GDP Growth	4.20%	2.30%	3.30%
Oil Production Benchmark (MBPD)	1.8800	2.2300	2.2000
Oil Price Benchmark	\$57.00	\$57.00	\$55.00
NGN:USD Exchange Rate	410.15	410.15	410.15
Other Assumptions			
Mineral Ratio	30%	30%	30%

Fiscal Framework Table of Yobe State

Fiscal Framework

Item	2022	2023	2024
Opening Balance	3,500,000,000	3,500,000,000	3,500,000,000

Recurrent Revenue			
Statutory Allocation	38,643,642,465	43,886,794,111	41,989,736,547
VAT	20,525,503,792	20,525,503,792	20,525,503,792
IGR	20,180,802,773	15,180,802,773	15,180,802,773
Excess Crude/Other FAAC Revenue	2,982,338,710	2,982,338,710	2,982,338,710
Total Recurrent Revenue	82,332,287,740	82,575,439,386	80,678,381,822

Recurrent Expenditure

Personnel Costs	30,618,548,584	32,149,476,013	33,756,949,814
Social Contribution and Social Benefit	3,792,324,605	3,792,324,605	3,792,324,605
Overheads	26,330,466,900	26,593,771,569	27,125,647,000
Grants, Contributions and Subsidies	21,614,940	24,857,181	28,585,758
Public Debt Service	21,152,874,393	10,576,437,196	6,345,862,318
Total	81,915,829,422	73,136,866,565	71,049,369,495
Transfer to Capital Account	3,916,458,318	12,938,572,821	13,129,012,327

Capital Receipts

Grants	28,000,000,000	22,300,000,000	22,300,000,000
Other Capital Receipts	15,000,000,000	5,000,000,000	5,000,000,000
Total	43,000,000,000	27,300,000,000	27,300,000,000

Reserves

Contingency Reserve	0	0	0
Planning Reserve	4,291,614,387	4,303,771,969	4,208,919,091
Total Reserves	4,291,614,387	4,303,771,969	4,208,919,091

Capital Expenditure	47,624,843,931	40,934,800,852	41,220,093,236
Discretionary Funds	25,624,843,931	18,934,800,852	19,220,093,236
Non-Discretionary Funds	22,000,000,000	22,000,000,000	22,000,000,000

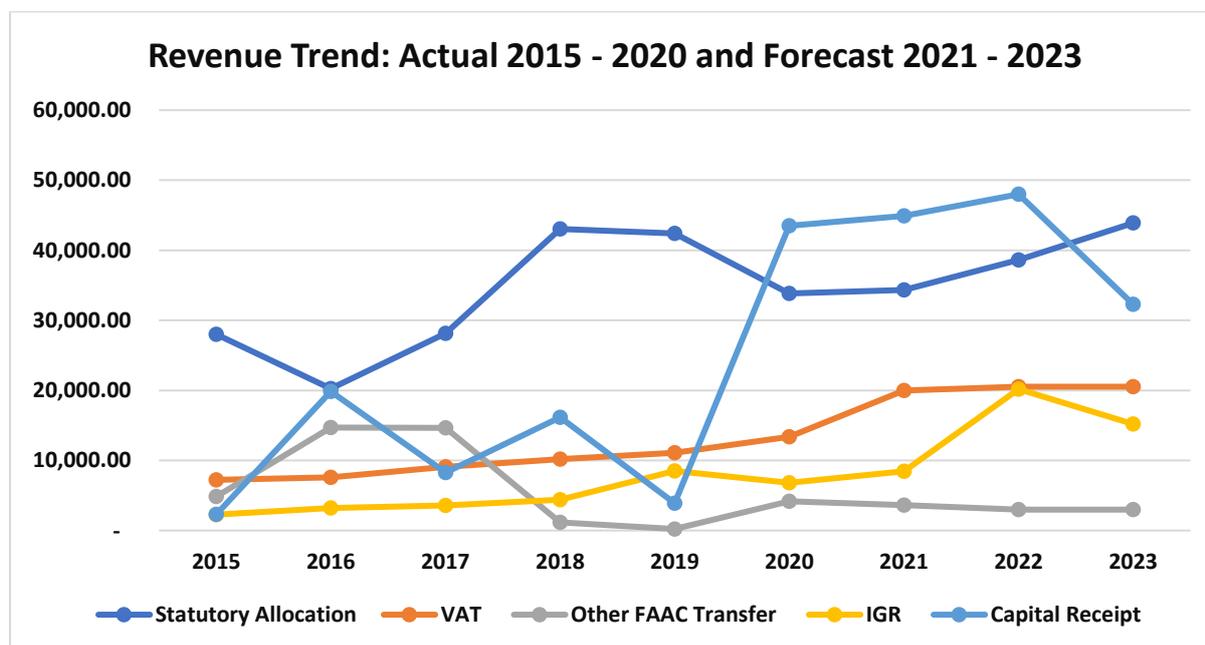
Financing (Loans)	5,000,000,000	5,000,000,000	5,000,000,000
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Total Revenue (Including Opening Balance)	133,832,287,740	118,375,439,386	116,478,381,822
Total Expenditure (including Contingency Reserve)	133,832,287,740	118,375,439,386	116,478,381,822

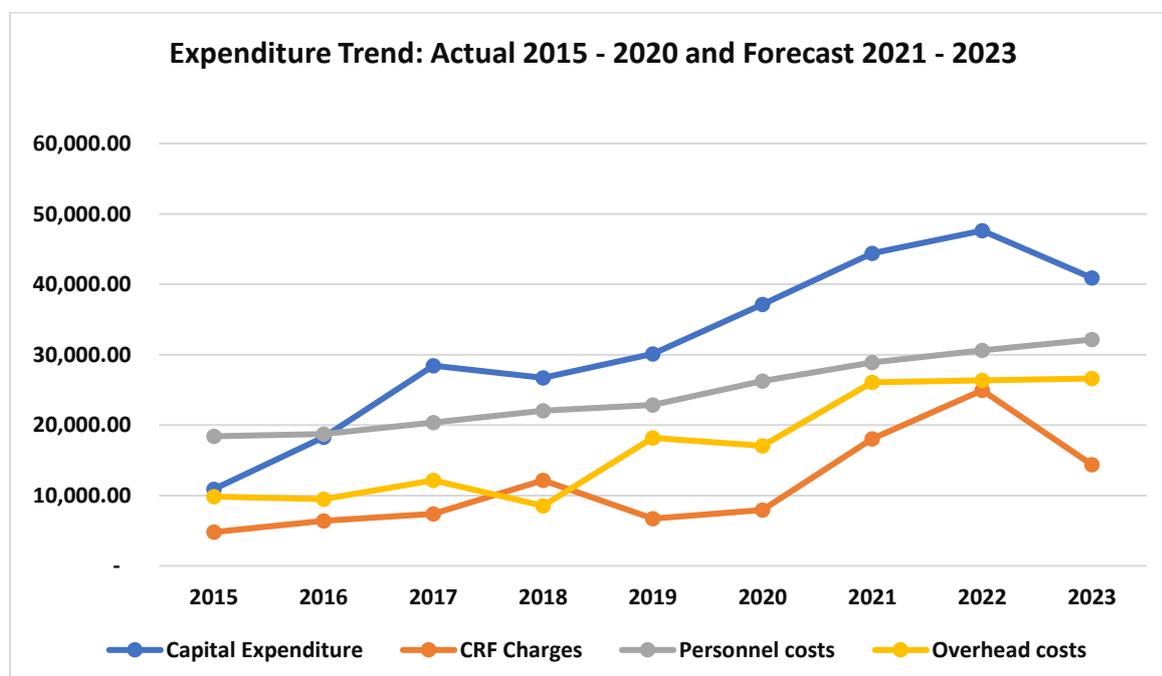
Closing Balance			
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Ratios			
Growth in Recurrent Revenue	41.23%	0.30%	-2.30%
Growth in Recurrent Expenditure	91.97%	-10.72%	-2.85%
Capital Expenditure Ratio	38.79%	38.22%	39.00%
Deficit (Financing) to Total Expenditure	3.74%	4.22%	4.29%

Revenue Trend: Actual 2015 – 2020 and forecast 2021 – 2023



Expenditure Trend: Actual 2015-2020 and Forecast 2021 – 2021



Economic policy Framework and selected policy reform measures

The Medium-Term Plan (MTP): 2021-2023 -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 2018 to 2023. 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:

- i. Establishment and operationalization of 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.

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 Capital 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 and N-Cares 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: 2021

Type of Arrears	Total stock at end of 2020	Criteria for allocation among types	Planned amount to be cleared in 2021	Prioritization criteria to be applied to arrears within each type of arrears
Contractors	2,794,882.00	Settlement in one instalments after reconciliation	2,794,882.00	Based on reconciliation report
Pensions And Gratuities	2,696,998,903.62	Allocation of ₦100m Monthly	1,200,000,000.00	FIFO
Salaries	-			
Others	-			
Total	2,699,793,785.62		1,361,238,572.46	

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.



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