



BAYELSA STATE DOMESTIC EXPENDITURES ARREARS CLEARANCE GUIDELINE

INTRODUCTION

Domestic arrears are in existence in every part of the world due to limited disposal financial resources. However, government at every level take concerted effort to ensure that domestic arrears are objectively cleared-off within the shortest possible time in a well-planned manner. Domestic arrears are outstanding financial obligations which are defined to composed contractors' outstanding liabilities; outstanding Pensions and Gratuities; salary arrears; bank loans and other financial instruments, judgement debts and others.

The purpose of this framework is to ensure that contractual liabilities, outstanding pensions and gratuities and judgement debts in the context of domestic arrears definitions are objectively defrayed in a planned manner. The document stands as a focal instrument dictating how the recorded liabilities are continuously defrayed through the instrumentality of the provisions of the annual budget. More so, the framework will serve as the medium that describes the process of recording domestic liabilities of the state and how they will be cleared to avoid the accumulation of domestic arrears with a transparent prioritization mechanism.

This framework is developed principally to optimized the recording and settlement strategies of domestic financial obligations of the State. The major strategy the State Government will utilized in the convenient debt clearance is the gradual consideration of the outstanding obligations in the annual budget and their subsequent settlement as per the budgetary provisions. This will give a clear to a probable duration of settlement and as well showcase a better picture on domestic arrears settlement through the instrumentality of the Domestic Arrears Clearance Committee that will specifically set - up to oversee the activities of Domestic Arrears Clearance.

Furthermore, the essence of this document is to further outline the planned actions on how domestic arrears of the State Government will be settled and the mechanism employed in the prioritization of the arrears' settlement and to ensure at least 5% in year on year reduction of a total stock of arrears. This will be done in collaboration with existing laws and policies of the State to ensure that the growth of domestic arrears is reduced to the barest minimum.

As part of the government's VISION on entrenchment of transparency and accountability in the public

sector, this framework will ensure that domestic arrears are properly recorded, validated and reported in a structured manner for the benefit of diverse stakeholders.

The vision of having a domestic arrears settlement provision in the annual budget and its implementation will in no small measure mitigate the accumulation of domestic debts and continuously reduce existing domestic arrears.

As earlier stated, this document will be used in conjunction with other relevant documents, specifically, the State Debt Management Law, the State Fiscal Responsibility Law, the State Transparency Law, Procedure Manuals, International Public Sector Accounting Standards, Finance Laws and other Regulations in the State and Stakeholders are urged to apply the document in conjunctions with these documents whenever the need arises.

This document has unlimited number of users. However, the primary user of this document is the Bayelsa State Government of Nigeria. Other users of this document are financial institutions, International donor agencies, Ministries/Departments and Agencies where domestic arrears are accumulated and as well the managers of the arrears' clearance structure cum public finance regulators and the State House of Assembly.

INSTITUTIONAL ARRANGEMENT FOR THE DOMESTIC ARREARS CLEARANCE FRAMEWORK

In-order to have a better picture of debt stocks and establish a virile procedural mechanism to verify, validate, record, categorize, prioritize and report the accurate domestic arrears of the State in compliance with the yearning of donor agencies, stakeholders the International Public Sector Accounting Standards implementation demands and other extant laws and policies, this framework is drawn up to address issues that borders on accountability, transparency and credible governance principles of the State and judicious management of government scarce financial resources.

Sequel to the foregoing, Bayelsa State Government design this **Domestic Arrears Clearance Framework** as institutional mechanism with the overall objective to deal with every activity bordering on the gradual or total clearance of domestic arrears expenditures of the State.

In furtherance of implementing this laudable framework of the State, a committee will be composed to

process every elements of domestic arrears of the State in accordance with acceptable guidelines and standards.

Responsibilities of the Domestic Arrears Clearance Committee

The primary objective of the Committee is to complement the efforts of the Debt Management Office by discharging her statutory responsibility for proper recording and accounting for all categories of domestic arrears balances.

The duties of the Committee shall include, but not limited to the following:

1. Establishment of robust and adequate guidelines of specific in nature by setting up roles and properly defined responsibilities for relevant persons and institution for the verification, validation, recording and reporting domestic arrears on an agreed and acceptable format,
2. Ensure the creation of a publicly accessible online version for the domestic arrear expenditures database and also safeguard the continual existence of a systematic, updated and accurate internal domestic expenditure arrears database on a monthly basis,
3. Exercise an oversight responsibility for adequate recording, verification, validation and reporting process on domestic expenditure arrears in accordance with international best practice,
4. Ensure an adequate categorization and prioritization of domestic arrears based on outlined strategies and continually modify the existing State Government Arrears Clearance Framework (ACF) to reflect the policy desires of the citizens and international organizations on the development, prioritization and clearance of domestic arrear expenditures.
5. Ensure that the verified true position of the domestic arrears is transparently and accurately reported in a progressive manner,
6. Ensure that reported domestic arrear expenditures are substantiated with verifiable source document and data,
7. Ensure that verified of domestic arrears expenditures are validated,
8. Ensure that verified domestic arrear expenditures are adequately provided for in the State's Government annual and medium-term fiscal projection

Specific Activities

The composed domestic arrears clearance committee shall undertake the ensuing specific activities:

1. Development of domestic arrears framework
2. Verification, validation, recording and reporting of domestic arrears expenditures.
3. Consolidation of the entire State Government domestic arrears expenditures,
4. Develop a comprehensive domestic arrears database.
5. Develop a credible domestic arrears clearance timetable and a transparently prioritization framework.
6. Implementation of records management guidelines on domestic arrears.
7. Establish an adequate internal control mechanism on arrears clearance process;
8. Create a publicly accessible online version of the domestic arrears expenditures database.
9. Ensure an adequate and transparent reporting of verified domestic arrears to stakeholders,
10. Timely production of the State Government Arrears Verification, Validation and Clearance Report.

Reporting Responsibility

The Committee shall be directly supervised by the Commissioner for Finance of the State. Every report shall be submitted to the Executive Governor of the State through the Honorable Commissioner for Finance and as well comply with the provisions of the Fiscal Responsibility Law.

Guideline on Domestic Arrears Clearance Framework

The state government will employ the following measures to ensure that accumulated domestic arrears are reasonably cleared and further to ensure that new ones are eliminated or prevented from been adding more burden to the finances of the State;

- a. A realistic budgetary provision measures shall be employed to ensure that budgeted allocations are judiciously applied for the purpose it was budgeted for and further ensure that adequate budget discipline is exercised;
- b. Institutional frameworks will be deepened to ensure that implementation of this strategy have a broader coverage and a better legal and regulatory functionality;

- c. The existing Treasury Single Account policy shall be continuously deepened to ensure that more monies are swept into the Account for efficient application in-order to reduce commercial borrowings;
- d. Proper and adequate record keeping and timely financial reporting will be employed through the application of the State' integrated Financial Management Information and in relations to the requirements of the International Public Sector Accounting Standards (IPSAS) and other best practices;
- e. Continuous utilization of the integrated financial information management system and other technological solutions in processing financial transactions for the entrenchment of transparency and accountability in the system;
- f. The state Government shall continue to reinforce the fiscal control mechanism to effectively implement the debt sustainability protocols;
- g. The State Government will ensure that the cash management policy, Fiscal Responsibility Law and debt management law will continuously be implemented and harnessed to enhance integrated cash and effective debt management;
- h. A centralized payment system shall be embraced and midwived by the office of the Accountant -General in-order to monitor and prioritize payments, primarily to reduce the accumulation of domestic arrears and encourage effective and efficient management of liquid asset.
- i. The State Government shall continue to come up with policies and programme that will facilitate clearing domestic arrears expenditures.
- j. The State Government shall exercise oversight roles on Ministries/Parastatals/Agencies and other institutions of the State to ensure a timely expenditure arrears clearance to avoid been defaulted or failed into arrears falling into arrears financial transactions.
- k. Adequate fiscal rules and controls mechanism shall be implemented in the arrears' accumulation and clearance processes.
- l. A comprehensive fiscal report shall be published in a quarterly manner to provide information on commitment, liquidation cancellation, extension and payment on the Ministry of Finance

webpage and updated quarterly.

- m. Adequate verification measures shall be undertaken to ensure that only valid claims are recorded and cleared.
- n. The State Government shall implement a transparent and credible procurement process based on the State procurement law and other policy guidelines

SOURCES FOR THE SETTLEMENT OF THE STATE DOMESTIC ARREARS EXPENDITURE

In a bid to successfully clear the domestic arrears of the State, a multi-year domestic arrears clearance framework will be designed to ensure that in each annual budget, funds shall be appropriated to a dedicated expenditure line based on the available financial resources towards the gradual clearance of arrears expenditure stock;

Sequel to the foregoing, Bayelsa State Government shall clear her arrears through the following sources of fund:

- A. Internally Generated Revenue of the State;
- B. Grants specifically for Arrears Clearance from Federal Government;
- C. Funds from Donor Agencies specifically meant for Arrears Clearance;
- D. Borrowing from financial Institutions;
- E. Federal Government Bonds
- F. Assets recovered and declared specifically for domestic arrears clearance
- G. Other sources

DOMESTIC ARREARS CLEARANCE ARRANGEMENT

The following strategies will be adopted in the clearance of domestic arrears in the State:

Strategy 1: Allocation of 10% of available monthly balance after salary payments to arrears of high risks that will cause severe legal actions and capable of disruption of critical Government activities;

Strategy 2: Allocation of available funds to arrears based on budgetary provisions;

Strategy 3: Allocation of available funds to each category in a proportionate holding to the verified outstanding total stock of arrears;

Strategy 4: Allocation of available financial resource to specific type of arrear of public interest.

Criteria and Strategies for settlement of arrears

S/NO	CRITERIA/STRATEGIES	RATIONALE	REQUIRED DATA
1	CONTRACTORS		
	Ongoing works are paid first	To ensure that ongoing projects are completed.	Position of project
	Oldest first	To ensure that oldest debts are settled to avoid adverse rating.	Date of debt ranked by date of existence.
	Largest first	To avoid legal sanctions and blacklisting	The amount of outstanding debt based on volume.
	Penalties relates to contractual terms first		To establish whether contract terms provides allowance for late payment.

1	PENSION & GRATUITY		
	Oldest First	Those who retired first are paid first	Those retired first are addressed first
	Smallest First	Pay many retirees that are highly vulnerable and portends socio-economic risk within a particular range of amount that could result to high coverage level.	Bracket of amount of junior staff category
	Equal Percentage to all	All pensioners are paid based on the available fund in proportionate to their retirement benefit.	Amount owed to each pensioner irrespective of when they retired
	Permanent Secretaries/Head of Service	Pay the one who retiree first alongside with the oldest irrespective of the first criteria above.	Selective payment based on seniority as per retirement period of chief accounting officers.
2	JUDGEMENT DEBTS		
	ONE WITH HIGEST RISK	The judgement debts that entails	Only those that a delay in payment could cause a high risk

	FIRST OLDEST DEBT FIRST ONE WITH BIGGEST AMOUNT	more conditionalities and portends high risk if not immediately settled. The oldest judgement debt is paid to avoid garnishee and other restrictions. The judgement debt with the biggest amount is settled to avoid further penalties.	to the State are paid first. Among all the judgement debt stock, only the oldest is paid. Among all the judgement debt stock, only the one with the biggest amount is paid.
3	SALARIES Oldest first Smallest	Those workers who are owed first and suffered most as a result of delay are paid first. Pay many workers that are highly vulnerable and	Date missed, payment was due Bracket of amount of junior staff category

		portends both socio-economic risk within a particular range of amount that could result to high coverage level. All workers are paid based on the available amount in proportionate to their salaries been owed.	
	Equal percentage to all		Amount owed to each worker irrespective of when they were owed.
	Ministry/Department/Agencies	Salaries owed to workers are paid based on availability of funds MDAs periodically selected.	All workers owed are allocated to their original MDAs.

SUMMARY OF BAYELSA STATE DOMESTIC EXPENDITURE ARREARS FROM 2015-2019

COA CODE	DOMESTIC EXPENDITURE ARREARS	2019 FINANCIAL YEAR	2018 FINANCIAL YEAR	2017 FINANCIAL YEAR	2016 FINANCIAL YEAR	2015 FINANCIAL YEAR
001	CONTRACTUAL OBLIGATION	23,319,402,150.47	8,408,850,194.53	12,408,850,194.53	24,280,024,222.35	24,280,024,222.35
002	PENSIONS AND GRATUITY ARREARS	26,644,000,601.39	20,401,948,403.29	21,108,266,939.27	18,082,597,552.02	15,409,631,566.66
003	OTHER LIABILITIES	17,221,372,549.94	17,310,013,375.29	31,891,576,159.08	34,320,033,656.09	0.00
004	SALARIES	0.00	0.00	0.00	0.00	0.00
005	JUDGEMENT DEBT	0.00	0.00	0.00	0.00	0.00



Maxwell Ebibai
Commissioner for Finance

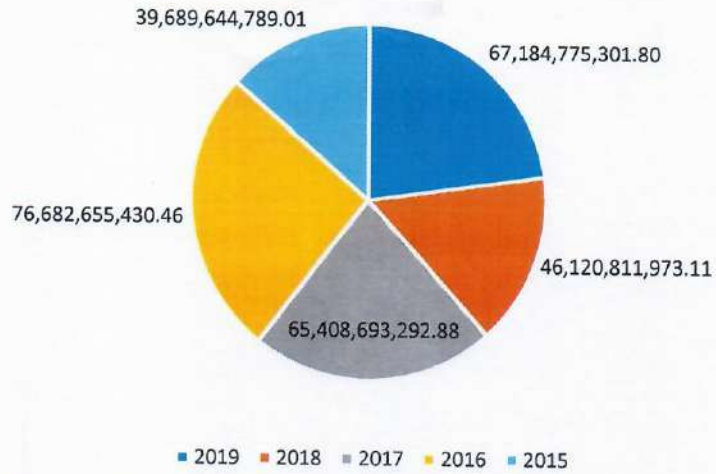


Ifidi Tokoni
Accountant-General

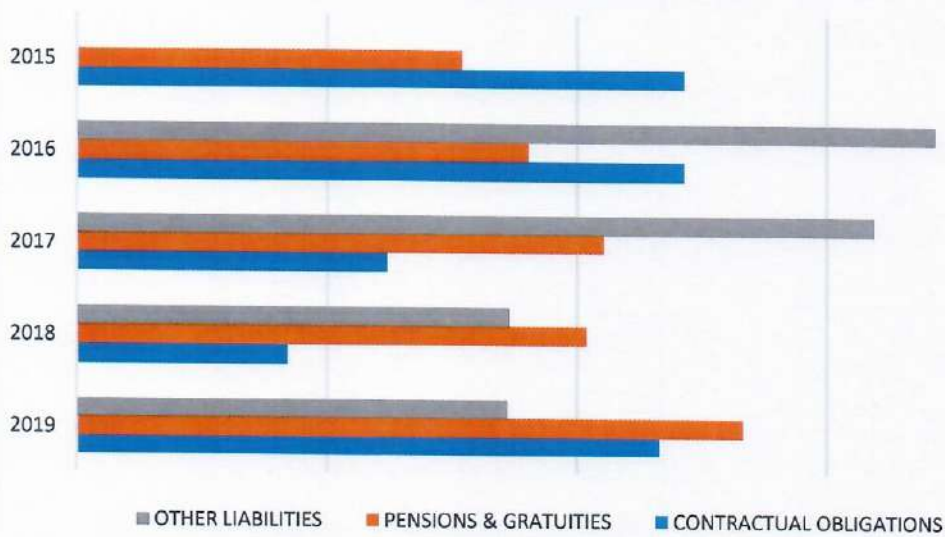
YEARLY COMPARATIVE ANALYSIS OF BAYELSA STATE DOMESTIC DEBT STOCK

COA CODE	DOMESTIC EXPENDITURE ARREARS	2019 FINANCIAL YEAR	2018 FINANCIAL YEAR	2017 FINANCIAL YEAR	2016 FINANCIAL YEAR	2015 FINANCIAL YEAR
001	CONTRACTUAL OBLIGATION	23,319,402,150.47	8,408,850,194.53	12,408,850,194.53	24,280,024,222.35	24,280,024,222.35
002	PENSIONS AND GRATUITY ARREARS	26,644,000,601.39	20,401,948,403.29	21,108,266,939.27	18,082,597,552.02	15,409,631,566.66
003	OTHER LIABILITIES	17,221,372,549.94	17,310,013,375.29	31,891,576,159.08	34,320,033,656.09	0.00
004	SALARIES	0.00	0.00	0.00	0.00	0.00
005	JUDGEMENT DEBT	0.00	0.00		0.00	0.00
TOTAL		67,184,775,301.80	46,120,811,973.11	65,408,693,292.88	76,682,655,430.46	39,689,644,789.01

STATE DOMESTIC DEBT STOCK



STATE DOMESTIC DEBT STOCK



STRUCTURE OF INDIVIDUAL CONTRACTORS DATABASE

S/NO	NAME OF CONTRACTOR	AMOUNT DUE	NATURE OF GOODS SUPPLIED	DUE DATE FOR PAYMENT	BILLING DATE	REMARK	

STRUCTURE OF PENSIONERS DATABASE

S/NO	NAME OF PENSIONERS	YEAR OF RETIREMENT	GRATUITY/DEATH BENEFIT	AMOUNT PAID	AMOUNT OUTSTANDING	REMARK

LIST OF CREDITORS WITH ARREARS OVER N20,000,000.00

S/NO	NAME OF CREDITOR	DATE DEBT WAS CONTRACTED	RESTRUCTURED AMOUNT	PRINCIPAL AMOUNT	INTERENT AMOUNT	PINCIPAL AMOUNT OUTSTANDING	NO OF DEFAULT IN REPAYMENT

BAYELSA STATE DOMESTIC ARREAR EXPENDITURES MANAGEMENT COMMITTEE

The committee is made up of the following persons;

HONORABLE COMMISSIONER FOR FINANCE	CHAIRMAN
ACCOUNTANT-GENERAL OF THE STATE	ALTERNATE -CHAIRMAN
DIRECTOR OF TREASURY	MEMBER
DIRECTOR OF FINAL ACCOUNT	MEMBER
DIRECTOR OF THE STATE DEBT MANAGEMENT OFFICE	MEMBER
PERMANENT SECRETARY STATE PENSION BOARD	MEMBER
DIRECTOR DUE PROCESS OFFICE	MEMBER
DIRECTOR MINISTRY OF JUSTICE	MEMBER
DIRECTOR OF STATE BUDGET	MEMBER
DIRECTOR OF PENSION (OAG)	MEMBER
AUDITOR-GENERAL [STATE]	OBSERVER

SECRETARIAT

The secretariat of the Committee shall either be of the Office of the Accountant General or the State Debt Management office.

POWER AND AUTHORITIES OF THE COMMITTEE

The committee shall have the power to request from or access Ministry/Department/Agencies for information specifically required for the execution of its of function and responsibilities.

BUDGETARY PROVISION

A budgetary line shall be created for the committee either through the office of the Accountant-General of the State or Debt Management Office to enable the Committee to incur expenditures specifically for the execution of the assigned responsibilities. All expenditures incurred shall follow due process. The committee shall have the power to engage professional assistance in the course of exercising its functions.

TENURE OF THE COMMITTEE

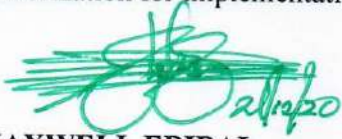
The committee will operate in perpetuity. However, the State Governor has the discretion to reconstitute or disband the committee.

CERTIFICATION

This document is developed specifically for the efficient, effective and transparent management of domestic arrears of the State.

It is one of the fundamental policy strategies employed by the State Government to strategically address comprehensively, credibly and realistically the impediments in Bayelsa Government Expenditure Arrears Settlement of the State.

The entire content of the policy thrust is a VISION OF BAYELSA STATE GOVERNMENT and has its authorization for implementation.



MAXWELL EBIBAI

COMMISSIONER FOR FINANCE



IFIDI TOKONI

ACCOUNTANT-GENERAL