

Background

Cross Rivers State (CRS) is largely an agrarian economy with tourism as an emerging sector. Agriculture is regarded as the mainstay of the economy. The rich stock of arable land, forest and mineral resources that abound offer opportunities for investment in agriculture, forestry and eco-tourism. Cross Rivers State is reputed to be one of the fastest growing economies in Nigeria and offers fantastic returns on business ventures. The State has a land mass of 98 square kilometers with a population of about 2.89 million (2006) census. There are 18 Local Government Areas (LGA). The state is dominated by the Public Service which has about 20,000 people on its payroll.

The present government inherited both positive and negative developments from the preceding government. More significantly, the state inherited boosters of economic growth in the areas of tourism, such as Obudu Cattle Ranch and Tinapa; quality and effective drainage system, particularly in the State capital, and clean environment. However the following are some of the challenges facing the state:

- **Poverty.** The level of poverty in Cross Rivers by 2006 was high. According to the National Bureau of Statistics Core Welfare Indicators published in 2006 about 38.4 per cent of the household reported that their economic situation had worsened over a period of one year, higher than the national average of 31.8 per cent for the same period. This is illustrated in Table 1 below.

Table 1: Household Welfare

State	Household Economic Situation Compared with Past Year	
	Worse Now (%)	Better Now (%)
National Average	31.8	39.9
South-South Average	34.8	28.9
Cross-Rivers	38.4	28.4

Source: National Bureau of Statistics, Core Welfare Indicators, 2006.

- **Weak Infrastructure.** Table 2 shows that only 65.4 per cent the household had access to water and 31.1 per cent had access to safe water source. However, only about 4.7 per cent of the population of Cross-Riverians had access to water tested before drinking. However, 18 per cent of the household had access to improve waste disposal. This figure is above the national and regional averages. As at 2006, 74.4 per cent of children had access to primary school education compared to the national average of 75.9 per cent, while only 16.6 per cent completes primary school. Also, 55 per cent children had access

to secondary education with 30.5 per cent completing their studies. Similarly, 56.7 per cent had access to medical facilities.

- The implication of this analysis is that the present government inherited an educational system that had improved access to primary and secondary school pupils and health facilities; however the major challenge facing the government is the low education and health standard.

Table 2: Access to Infrastructure, Education and Health

Variables	National Average (%)	South-South Average (%)	Cross-Rivers (%)
Household Infrastructure			
Access to Water	85.2	79.2	65.4
Safe Water Source	51.4	45.9	31.1
Water Treated before Drinking	11.3	5.8	4.7
Improved Waste Disposal	16.1	13.2	18.0
Education			
Access to Primary School	75.9	71.7	74.4
Primary School Completion Rate	12.1	17.5	16.6
Access to Secondary School	47.3	48.0	55.0
Secondary School Completion Rate	20.1	25.4	30.5
Health			
Health Access	55.1	45.9	56.7

Source: National Bureau of Statistics, Core Welfare Indicators, 2006.

- Further evidence from Table 3 shows that unemployment, particularly underemployment was a major economic challenge facing Cross-Rivers state. While the national average figure of unemployment for the age category 15-24 years was 14 per cent, unemployment for the youth was only 5 per cent, much below the regional average of 23.8 per cent. The underemployment rate was 12 per cent for the State compared to regional average of 26.2 per cent and 20.2 per cent for the country.

Table 3: Employment Status

Employment Status	National Average (%)	South-South Average (%)	Cross-Rivers (%)

REPORT: ECONOMY OF CROSS-RIVERS STATE.**DR. Philip A. OLOMOLA**

Unemployed (15-24 years)	14.0	23.8	5.0
Unemployed (15 years and above)	5.3	8.8	1.8
Underemployed	20.2	26.2	12.0

Source: National Bureau of Statistics, Core Welfare Indicators, 2006.

- The private sector is largely under-developed and is dominated by activities in the informal sector
- Low IGR. The financial health of Cross Rivers state has depreciated since the State ceded 75 oil wells to the neighboring Akwa Ibom State. Hence much of revenue source depends on Federal Allocation with Internally Generate Revenue low thereby constraining the achievement of developmental aspirations and goals.

Priorities of Government

- The overall goal of the State is to consolidate the achievements of the previous administration and reposition the State towards sustainable wealth creation, employment generation, and value reorientation.
- To realize the set objectives and vision of the government, the State Economic Blueprint covering the period 2007-2011 was launched. The Blueprint has seven point agenda as follows:
 - i. Make agriculture productive and rewarding by encouraging the adoption of agricultural best practices and ensuring that investment in the sector is participatory and adaptable
 - ii. Grow the tourism industry by enhancing existing tourist sites, developing new sites and initiating regulated conducive environment;
 - iii. Expand access to and affordability of qualitative education and social services to empower youths with relevant technological skills and knowledge;
 - iv. Institutionalize basic health care by providing a primary health care delivery system that meets the needs of both urban and rural communities.
 - v. Develop a strong private sector driven economy by growing the purchasing power of the people and encouraging private enterprise and strengthening the real sector of the state economy;
 - vi. Build, upgrade and maintain infrastructure for transportation, electricity supply, communication, water supply and sanitation in urban as well as rural communities.

- vii. Preserve the physical environment through conservation and promotion of environmentally friendly practices in development and lifestyle.

Supportive Policy Environment

To achieve these goals the administration the Cross Rivers State Economic Empowerment and Development Strategy 2 (CR-SEEDS 2) based on the 7 Point Development Agenda of the Governor. The aim of the reform agenda is to ensure and instill public confidence in government activities through enhanced transparency, accountability, value for money in procurement, curtailment of deficit financing, proper management of debts and service delivery.

Therefore, the State in 2007 introduced the Medium Term Expenditure Framework (MTEF) which by 2008 has been expanded to cover all the MDAs. To achieve this goal, the Information Communication Technology (ICT) Department was mandated to collaborate with the Budget Office to provide software packages which will ease the preparation of the Budget using the new system.

The present administration also established some agencies such as the Rural Development Agency to promote the quality of life and standard of living of the rural populace; Investment Promotion; Due Process and Price Intelligence Department; Department of Public Transportation; Department of Information and Communication Technology; State Debt Management Department; International Donor Support and State Electricity Agency.

Status: Major Investment Activities

Health

The State maternal mortality is very high at 2000 death in every 100,000 births contrary to the National average of 800 in every 100,000 births. Also, the infant mortality rate is 245 deaths in 100,000 live births compared with the National Average of 100 deaths in 100,000 births. Therefore, the State intervened to increase access of vulnerable core poor to health, education and improve nutrition. The government identified free medical care to pregnant women and children below five years (Project Hope) and conditional cash transfer to chronic poor household (Project Comfort). To achieve these goals, the government embarked upon a comprehensive renovation of over 130 Primary Health Centers across the three Senatorial Districts of the State with provision of Solar Power, Boreholes, Drug services, Medicines, Laboratories and other basic equipments in each of the Centers.

Agriculture

Since the bulks of the population lives in the rural areas and are peasant farmers, there is deliberate effort by the government to transform this sector. At present, the state is the largest producer of cocoa. Oil palm production is also very predominant in the State. The measures put in place so far are subsidized inputs and fertilizers and increased access to loans through arrangements with some commercial banks. The government is also encouraging the formation of cooperative farmers' society and appropriate regulatory frameworks have been put in place.

The effort by the Rural Development Agency to mobilize the rural communities is also commendable. To achieve this goal, contracts for about 430.8 Kilometers of rural roads have been awarded to the tune of N25.5 billion.

Water

An important development in urban water distribution in CRS is the adoption of PPP. This could be a model for other States to emulate. The government partnered with African Development Bank (ADB), the World Bank, the European Union and Hong Kong through loan provision of about \$70 million to improve urban water distribution in the State. The result has been rehabilitation and repairs of 590 non-functional water facilities in Calabar metropolis. Water projects in Ikom, Ogoja and Obudu is expected to commence soon.

Challenges and Opportunities

The Team (NGF-Secretariat) visited the following places that could have significant import on economic growth of the State:

- **The New Calabar Airport;**
- **Obudu Cattle Ranch**
- **Some Rural Roads constructed;**
- **New Hospital under construction.**

The following were observed during the itinerary:

- **The city of Calabar is very neat. The street lights works in the night. The traffic lights work as well. The state policy of Zero-Portholes is effective, and the drainage system in the city is highly commendable.**
- **Work is going on in the New Airport and the project should be completed at the desired period.**

- **The Obudu Cattle Ranch is a formidable investment project that could yield significant attraction to tourists and hence boost revenue**

However, the following challenges were observed

- Poverty level in Cross Rivers State is very high. About 70% of the population is poor, while about 20% could be described as chronically poor and about 20% with some forms of disability.

Recommendation: More pro-poor fiscal policies should be vigorously pursued. Specifically, the government should plan towards the expansion of the Social Security System in the Health sector to cover unemployment benefit scheme.

- Most of the farming activities are done in the rural areas. The farmers are often faced with the problem of land tenancy and peasant farming.

Recommendation:

- Deliberate attempts should be made to encourage large scale farming for productions through cooperative efforts at the community level with government providing the basic infrastructure.
- Government should pursue the establishment of cottage industries in the rural areas by joint venture between government and the private sector.

- In an interactive session with His Excellency, Governor Imoke, he admitted that a challenge facing the state's educational and social system is the twain problems of cultism and youth unemployment in the state. This is rather a new development.

Recommendation

- More state intervention is needed in the areas of skill acquisition programmes and financing arrangements through microfinance for graduates of such programmes.
 - Also, the State could consider the possibility of introducing Social Security Scheme for those who are unemployed
- Commercial motorcycle operation is a booming business in the state. However, increasing crime activities have been traced to some of them. Efforts have been made by the government to regulate the activities of Okada riders in Calabar and there are efforts to phase out their activities in the entire state in the future. However, in most of the towns

visited Okada seems to be the prevailing mode of transportation in towns and villages beyond Calabar, providing employment opportunities for many youths that would otherwise have taken to crime. Completely fazing those out of operation may be counterproductive. The alternative plan by the government to group 4 bikers to own a taxi, and 10 bikers to own a bus through micro-financing may a better solution. However such a scheme may encourage rivalry, tension and asset management crisis if appropriate legal framework is not put in place.

Recommendation:

- The government should develop appropriate legal framework for the management of the scheme before it takes off.
 - The activities of the commercial motorcyclists could still be constrained to the rural areas where taxis could not effectively operate on commercial basis.
 - In the short-run, the government should intensify efforts to regulate the activities of the bikers and enforce strict compliance to such rules and regulations governing the activities of the Okada riders.
 - A long-run deliberate policy of industrialization and a replication of urban mass transit program in the rural areas and adjoining towns will reallocate labor away from the Okada business to other emerging competitive activities.
- The economy of the state, like many other states is characterized by an informal sector. The informal economy activities are largely characterized by :
- Easy entry and exit in relation to formal enterprise owing to low requirements of capital and skills / professional qualifications;
 - Labour-intensive methods of production, and skills gained from informal training and education;
 - Poor working conditions, lack of knowledge on legal rights, and hence no assurance of equal access to justice;
 - Workers not employed on regular basis and nominal wages are determined in a free market environment;
 - Small scale of operations, e.g. family-owned businesses;

The informal sector of the economy, though a veritable source of tax revenue, is largely fragmented and uncoordinated. There is the need to integrate them into the mainstream economy for mutual benefit: service to the people, and the people in turn paying taxes to the government. This will abate the problem of inadequate funds.

Recommendations:

- Adopt an official definition for 'informal economy
- The government should carry out necessary legal reforms. It should strive to:
 - have a set of legal provisions that encourages incorporation or registration of informal enterprises, enabling them to get recognition from Banks and other Government or private financial institutions, for the purpose of having access to finance and securing capital in order to improve their businesses as formal enterprises.
 - make the set of labor laws more sensitive to the nature of the informal sector enterprises, particularly by amending the provisions with regard to statutory minimum wage rates, contributions to employee welfare funds lengthy and expensive process of employment termination and resolution of industrial disputes.
 - make small and medium scale enterprises also to be eligible to apply for various investment incentives including tax holidays.
 - make the implementation of environmental laws and regulations at a minimum cost on the entrepreneurs whereby paving the way for errant informal entrepreneurs to have compliance with such laws and regulations.
- Give effect to the rights-based approach to development in policy making and legislation as defined and set forth by the UNDP /UNOHCHR. Such approach would envisage legal empowerment, non-discrimination and attention to vulnerable groups leading towards poverty reduction.
- Consider following a holistic approach to enhance access to finance / capital by assuring property rights (long term strategy) and facilitating microcredit schemes (short term initiative).
- Promote good governance, rule of law and equal access to justice

- Patronage of the various tourism sites has been suboptimal. This may be due to the following:
 - a) The Obudu Cattle Ranch is about 6 hours drive from Calabar and the condition of the road leading to the place is in poor state. Hence prospective tourists could be discouraged.
 - b) The poor state of the available Ports for TINAPA to work is a constraining factor;
 - c) There are no commercial activities around site;
 - d) Advertising are not broad locally and internationally;
 - e) Security concerns in the Niger-Delta may be a negative factor.

Recommendations:

REPORT: ECONOMY OF CROSS-RIVERS STATE.

DR. Philip A. OLOMOLA

- Most of the roads that are in poor state are Federal Government Roads, including the Ports. Although the state is facing enormous financial challenges, efforts should be made to repair some of the roads leading to key tourist centers to increase patronage.

- There should be a long-term plan for a rail line from Calabar to Obudu to increase patronage.

- Another challenge facing the state is huge debt servicing of up to 49% of revenue.

Recommendations: The weak financial base of the economy and the limited customer base for some of the projects funded through loans (such as the water project for Calabar metropolis) calls for effective debt management policies need to be put in place. It also underscores the need to explore other sources of generating revenue locally.

- Owing to inefficient coordination mechanism, and poor data, the Millennium Development Goals (MDG) may not be achieved in the State in the area of health and Environment by the year 2015.

Tracking

Policy Actions	Assessment				
Effective Debt Management Strategies	Strong	Weak	Fair	Benchmark	Flag
Sound Budget Planning, Implementation and Monitoring Frameworks	Strong	Weak	Fair	Benchmark	Flag
IGR Framework and Performance	Strong	Weak	Fair	Benchmark	Flag

REPORT: ECONOMY OF CROSS-RIVERS STATE.

DR. Philip A. OLOMOLA

Employment generation	Strong	Weak	Fair	Benchmark	Flag
Data Gathering Capacity	Strong	Weak	Fair	Benchmark	Flag