

**Background**

Rivers State has tremendous natural and resources potentials. The state is rich in crude oil production as it generates enormous amount of Nigeria’s oil wealth. Given the abundant cultivable land in the upland area of the State and adequate rainfall, the potential for crop production is high. With a population of 5.2 million (2006 Population Census), an overwhelming majority of the people of the state is involved in two primary activities: farming and fishing.

**Priorities of Government**

The state intends to exploits breakthroughs in global knowledge industry coupled with the huge revenue from the oil sector to develop a sound economy capable of improving the quality of life of the present and future generations within an environment of good governance. Thus the major priority Ministries are Work, Education and Health that requires significant investment for infrastructural development.

**Supportive Policy Environment**

The main economic philosophy of the government is to deregulate the economy through the involvement of the private sector initiatives. Also the state did not experience external debt obligations that could contract domestic spending as a result of debt servicing requirements.

**Status (November 2007- August 2009)**

Revenue and Expenditure

The state received substantial revenue from the Federation Account between November 2007 and August 2009 totaling N569.994 billion, including N61.5 billion (10.8%) Internally Generated Revenue (IGR) over the period (see Table 1 below)

Table 1: Total Revenue

Period	Total Revenue (Billions of Naira)	Internally Generated Revenue	%
Nov – Dec. 2007	34.95	5.08	14.5
Jan – Dec. 2008	367.5	31.9	8.7
Jan – Aug. 2009	167.5	24.5	14.6
Total	569.95	61.48	10.8

Source: Computed from the Rivers State Publications, 2009.

However, total expenditure for the period was N503.76 billion, comprising of N358.23 billion (71%) for Capital Expenditure and N145.53 billion (29%) for Recurrent Expenditure. The huge fiscal allocation to capital expenditure is rehabilitation of existing dilapidated structures and the construction of new projects to create conducive climate for economic growth in the State.

The share of internally generated revenue as a fraction of total recurrent expenditures is 42.2%. The implication is that IGR at present can only finance 42% of recurrent expenditures. Realizing the fact that the oil fortune may not last for ever as the developed economies are already sourcing for alternative sources of energy which may lead to a collapse of the price of crude oil in the future, Rivers State government have decided to save N1 billion every year. Table 2 below shows the functional composition of capital spending in the state in the last 2 years.

Table 2: Functional Allocation of Capital Expenditures in Rivers State

Sectors	Nov – Dec 2006 (Billions of Naira)	Nov 2008 – Dec. 2009 (Billions of Naira)	Total (Billions of Naira)
Works	88.1	45.72	133.8
Education	26.4	9.08	35.5
Health	14.8	7.87	22.7
Power	16.1	6.0	22.1
Environment	3.4	0.18	3.61
Water			

The functional allocation in the table above illustrates the priorities of the government in terms of projects. The bulk of capital spending is in the Ministry of Works where major road construction projects have been embarked upon. Some of the projects are:

- i. Similarly the construction of the Greater Port Harcourt is on-going. A sum of N50 billion provided in 2009 so far. The objective of the government is the transformation of the GPA into a world-class city to attract investment (both foreign and domestic).
- ii. The government has spent about N100 billion on roads, bridges and infrastructures in the past 2 years, resulting in 506 km of roads under construction. This is based on a sound transport policy built around a holistic reform of the sector to enhance quality,



efficiency, reliability and attainment of mass-transit by creating a new model integrated system.

- iii. 10 major and 20 minor bridges under construction;
- iv. 70% of roads in rural areas and 30% in GPA on going.

**Education**

Education sector has also been accorded a high priority in Rivers state attracting fiscal allocation of about N36 billion in the last 2 years. The government is currently building 250 Model Primary Schools (equipped with modern facilities such as Laboratory, Library, Sports field and Internet facilities), and one Model Secondary School (with facilities for Laboratory, hostel accommodation, internet facilities, among others) for each of the 21 LGAs in the State.

**Health**

The health sector has attracted enormous government funding in the last 2 years. The state’s system of health is anchored on the following objectives:

- i. Provision of quality and standard health facilities;
- ii. Provision of efficient, effective and affordable health care;
- iii. Availability of well equipped and motivated staff for all health facilities;
- iv. Provision of health facilities to vulnerable poor at government cost.

To achieve these objectives, the state is constructing 160 Primary Health Centers to replace existing dilapidated ones

**Service Delivery**

The table below shows the planned projects and rate of completion in the some of the key ministries.

Sectors	Planned	Completion Rate / Delivered
Roads	506km	25 delivered, rest under construction
Primary Schools	250	at advanced stage
Secondary Schools	23	At advanced stage

Primary Health	160	6 delivered, rest under construction.
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Government is committed to effective service delivery, hence close monitoring of existing project construction is being carried out with various timelines given. So far, most of the 250 primary schools have been completed and ready to be delivered. Twenty road projects have been completed and delivered, while 6 primary health care units have been delivered with the rest at advanced stage of completion.

**Challenges and Opportunities**

- Huge investment in service sector: roads, schools, hospitals and urban developments could ensure long-term economic growth.

**Recommendation: effective maintenance strategy should be put in place.**

- 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
- Inefficient budgetary allocations could distort efforts to achieve rapid economic growth in the state. For instance, since the inception of the present government, allocation to the Office of the Secretary to the State Government (SSG) was N19.54 billion compared to N682.5 million allocated to the Ministry of Water Resources. Similarly the allocation of N3.3 billion to the Ministry of Transport could have been accommodated within the Ministry of Works thereby releasing funds for other sectors such as Water and Environmental Sanitation Authority.

**Recommendation:**

- The government should align policy goals and targets with financial allocations for effective service delivery.
- The effort of the State Government to invest in Security matters is commendable as it creates conducive environment for domestic and foreign direct investment.

**Recommendation:**

- Short-term measures should be put in place to empower the youths that have would otherwise be involved in violence.
  - Also, the State could consider the possibility of introducing an Unemployment Scheme for those who are unemployed.
- The effort of the State Government to save for the future generation and the promulgation of an enabling law is a novel development that should be emulated by the other States.

However, developments in the banks (where the money is lodged) and the banking industry should be carefully monitored.

- To avoid the problem of planning without facts syndrome typical of many States in Nigeria, conscious efforts should be geared towards developing a sound and functional Statistical Department to generate data on key economic variables such as the State's Gross Domestic Product, Private Savings, Public Savings and private investment at State level.
- 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.
- The construction of an Industrial Zone in the new city is commendable. However, most of the farming activities are done in the rural areas where there is problem of land tenancy and peasant farming.

**Recommendations:**

- The state should encourage large scale farming for productions to meet the input needs of the manufacturing industries in the zone.
  - Industrial Policies and Agricultural Policies should accommodate backward integration to build a strong export zone.
- There is need for a sound and effective regulatory framework to foster the PPP arrangements in the state

Tracking

Policy Actions	Assessment					
Effective Debt Management Strategies	Strong	Weak	Fair	Benchmark	Flag	Insufficient Data
Sound Budget Planning, Implementation and Monitoring Frameworks	Strong	Weak	Fair	Benchmark	Flag	Insufficient Data
IGR Framework and Performance	Strong	Weak	Fair	Benchmark	Flag	Insufficient Data
Employment generation	Strong	Weak	Fair	Benchmark	Flag	Insufficient Data
Data Gathering Capacity	Strong	Weak	Fair	Benchmark	Flag	Insufficient Data
Domestic Saving Effort	Strong	Weak	Fair	Benchmark	Flag	Insufficient Data