

CROSS RIVER STATE GOVERNMENT ECONOMIC AND FISCAL UPDATE (EFU), FISCAL STRATEGY PAPER (FSP) AND BUDGET POLICY STATEMENT (BPS)

TO COVER PERIOD 2024 - 2026

SEPTEMBER, 2023



Cross River State Government

ECONOMIC AND FISCAL UPDATE (EFU), FISCAL STRATEGY PAPER (FSP) AND BUDGET POLICY STATEMENT (BPS)

To Cover Period: 2024 – 2026

September, 2023



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List of Abbreviations

AfDB	African Development Bank
AfDB	African Development Fund
AFS	Audited Financial Statement
BHCPF	Basic Healthcare Provision Fund
BIR	Board of Internal Revenue
BPS	Budget Policy Statement
BRINCS	Brazil, Russia, India, Nigeria, China, South Africa
CBN	Central Bank of Nigeria
CIT	Companies Income Tax
CoA	Chart of Account
CPIA	Country Policy and Institutional Assessment
CRF	Consolidated Revenue Fund
CRSG	Cross River State Government
CSO	Civil Society Organisations
DBME	Department of Budget, Monitoring and Evaluation
DFID	UK – Department for International Development
DMD	Debt Management Department
DMO	Debt Management Office (Federal)
DPR	Department of Petroleum Resources
EDSG	Edo State Government
EFU	Economic and Fiscal Update
EIA	US Energy Information Administration
EMTL	Electronic Money Transfer Levy
EU	European Union
ExCo	Executive Council
FAAC	Federal Allocation Accounts Committee
FBO	Faith Based Organisations
FDA	French Development Agency
FGN	Federal Government of Nigeria
FIRS	Federal Inland Revenue Service
FRL	Fiscal Responsibility Law
FSP	Fiscal Strategy Paper
FX	Foreign Exchange
G11	A group of eleven countries - specifically Bangladesh, Egypt, Indonesia, Iran, Mexico, Nigeria, Pakistan, the Philippines, Turkey, South Korea, and Vietnam
G20	A group of 20 countries: Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Republic of Korea, Mexico, Russia, Saudi Arabia, South Africa, Turkey, United Kingdom, United States, and the European Union.
GDP	Gross Domestic Product
GOEs	Government Owned Entities
HoS	Head of Service
HRM	Human Resource Management
IDA	International Development Association
IFAD	International Fund for Agric. Development

IGR	Internally Generated Revenue
IMF	International Monetary Fund
IRS	Internal Revenue Service
IsDB	Islamic Development Bank
JTB	Joint Tax Board
LG	Local Government
MBPD	Million Barrel Per Day
MDAs	Ministries, Departments and Agencies
MEO	Macroeconomic Performance and Outlook
MINT	Mexico, Indonesia, Nigeria, and Turkey
MOF	Ministry of Finance
MOMR	Monthly Oil Market Report
MPC	Monetary Policy Committee
MTBF	Medium term Budget Framework
MTEF	Medium Term Expenditure Framework
MTFF	Medium Term Fiscal Framework
MTSS	Medium Term Sector Strategy
MYBF	Multi-Year Budgeting Framework
NBS	National Bureau of Statistics
NCS	National Customs Service
NGO	Non-Government Organisations
NHIS	National Health Insurance Scheme
NNPC	Nigerian National Petroleum Company
NPC	National Planning Commission
NURPC	Nigerian Upstream Petroleum Regulatory Commission
OAGF	Office of the Accountant General for the Federation
OAGS	Office of the Accountant General for the State
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
OPEC	Organisation of Petroleum Exporting Countries
PFM	Public Financial Management
PIB	Petroleum Industry Bill
PITA	Personal Income Tax Act
PMS	Premium Motor Spirit (Petrol)
SFTAS	State Fiscal Transparency Accountability and Sustainability Project
SHOA	State House of Assembly
STEO	Short-Term Energy Outlook
UBE	Universal Basic Education
UNICEF	United Nations Children's Fund
US	United State
USD	United State Dollars
VAT	Value Added Tax
WEO	World Economic Outlook
YOY	Year on Year

1. Introduction and Background

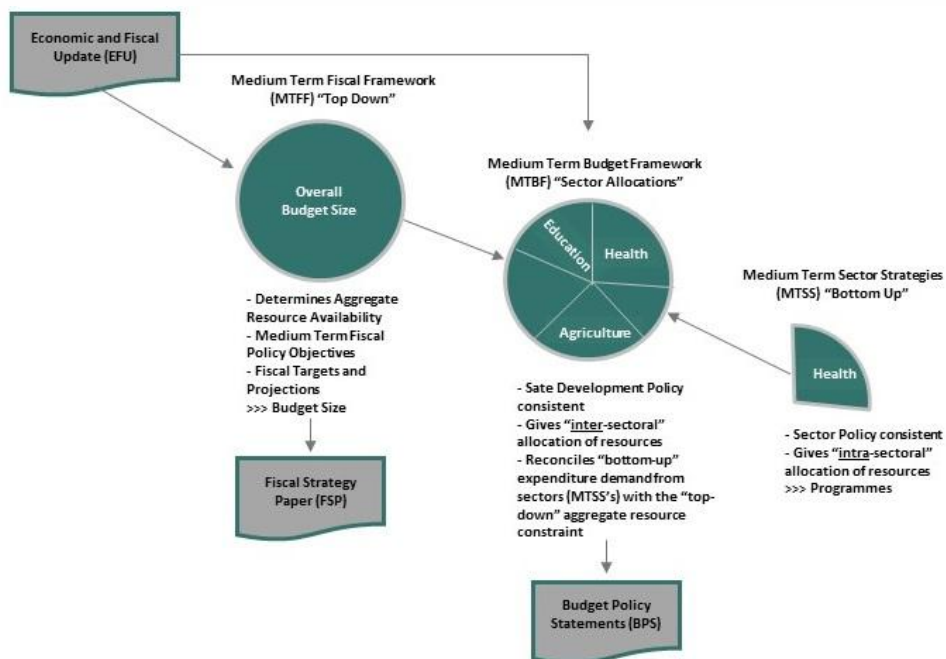
1.A Introduction

1. The Economic and Fiscal Update (EFU) provides economic and fiscal analyses which form the basis for budget planning process. It is aimed primarily at policy makers and decision takers in Cross River State Government. The EFU also provides an assessment of budget performance (both historical and current) and identifies significant factors affecting implementation.
2. On the other hand, Fiscal Strategy Paper (FSP) and Budget Policy Statement (BPS) are key elements in Medium Term Expenditure Framework (MTEF) and annual budget process, and as such, they determine the resources available to fund Government projects and programmes from a fiscally sustainable perspective.
3. Cross River State Government decided to adopt the preparation of the EFU-FSP-BPS for the first time in 2023 as part of the movement toward a comprehensive MTEF process. This is the first rolling iteration of the document and covers the period 2024 -2026

1.A.1 Budget Process

4. The budget process describes the budget cycle in a fiscal year. Its conception is informed by the MTEF process which has three components namely:
 - i. Medium Term Fiscal Framework (MTFF);
 - ii. Medium Term Budget Framework (MTBF);
 - iii. Medium Term Sector Strategies (MTSS).
5. It commences with the conception through preparation, execution, control, monitoring, and evaluation and goes back again to conception for the ensuing year’s budget.
6. The MTEF process is summarised in the diagram below:

Figure 1: MTEF Process



1.A.2 Summary of Document Content

7. In accordance with international best practice in budgeting, the production of a combined Economic and Fiscal Update (EFU), Fiscal Strategy Paper (FSP) and Budget Policy Statement (BPS) is the first step in the budget preparation cycle for Cross River State Government (CRSG) for the period 2024-2026.
8. The purpose of this document is three-fold:
 - i. To provide a backwards looking summary of key economic and fiscal trends that will affect the public expenditure in the future - Economic and Fiscal Update;
 - ii. To set out medium term fiscal objectives and targets, including tax policy; revenue mobilisation; level of public expenditure; deficit financing and public debt - Fiscal Strategy Paper and MTEF; and
 - iii. Provide indicative sector envelopes for the period 2024-2026 which constitute the MTBF.
9. The EFU is presented in Section 2 of this document. The EFU provides economic and fiscal analysis to inform the budget planning process. It is aimed primarily at budget policy makers and decision takers in Cross River State Government. The EFU also provides an assessment of budget performance (both historical and current) and identifies significant factors affecting implementation. It includes:
 - Overview of Global, National and State Economic Performance.
 - Overview of the Petroleum Sector.
 - Trends in budget performance over the last six years.
10. The FSP is a key element in the CRSG Medium Term Expenditure Framework (MTEF) process and annual budget process. As such, it determines the resources available to fund the Government's growth and poverty reduction programme from a fiscally sustainable perspective.

1.A.3 Preparation and Audience

11. The purpose of this document is to provide an informed basis for the 2024-2026 budget preparation cycle for all the key Stakeholders, specifically:
 - Cross River State House of Assembly (SHoA);
 - Executive Council (ExCo);
 - Department of Budget monitoring and Evaluation
 - Ministry of Finance;
 - All Government Ministries, Departments and Agencies (MDA's);
 - Civil Society.
12. The document is prepared within in the first two quarters of the year prior to the annual budget preparation period. It is prepared by Cross River State Government (EFU-FSP-BPS) Working Group using data collected from International, National and State organisations.

1.B Background

1.B.1 Legislative and Institutional arrangement for PFM

13. Legislative Framework for PFM in Cross River State – The fundamental law governing public financial management in Nigeria and Cross River State is the 1999 Constitution as amended. Section 120 and 121 of the Constitution provides that all revenues accruing to Cross River State Government shall be received into a Consolidated Revenue Fund (CRF) to be maintained by the Government and no revenue shall be paid into any other fund, except as authorized by the State House of Assembly (SHoA) for a specific purpose. The withdrawal of funds from the CRF shall be authorized by the SHoA through the annual budget or appropriation process. The Governor of Cross River State shall prepare

- and lay expenditure proposals for the coming financial year before the SHoA, and the SHoA shall approve the expenditure proposal by passing an Appropriation Law. The Appropriation Law shall authorize the executive arm of government to withdraw and spend the amounts specified from the CRF.
14. Institutional Framework for PFM in Cross River State – The Constitution vests the executive powers of the State in the Governor. The Constitution provides that “the Governor shall cause to be prepared and laid before the House of Assembly at any time before the commencement of each financial year, estimates of the revenues and expenditure of the State for the next financial year. The Governor of Cross River State exercises his executive powers directly or through the Deputy Governor, the Commissioners, Special Advisers, Permanent Secretaries, and other officers in the public service of the State.
 15. Specifically, Cross River State Executive Council (EXCO) formulates the policies of the State Government, considers, and recommends the State’s budget to the House of Assembly. On passage, the Governor signs the appropriation bill into law.
 16. The Department of Budget, Monitoring and Evaluation oversees the preparation of the budget, both capital and recurrent.
 17. The Ministry of Finance is responsible for core treasury functions of revenue and expenditure management, accounting, and fund and cash management. One of the core departments in the Ministry of Finance is the Debt Management Department. Debt Management Department manages Cross River State public debt as well as liaising with the Debt Management Office at the Federal level. The Ministry of Finance has two important quasi-autonomous agencies, the Office of the Accountant General for the State (OAGS) and the Internal Revenue service (IRS).
 18. Specific functions of the OAGS include to account for all receipts and payments of the State Government; supervise the accounts of the State Ministries, Departments and Agencies (MDAs); collate and prepare Statutory Financial Statements of the State Government and any other Statements of accounts required by the Commissioner for Finance; maintain and operate the accounts of the Consolidated Revenue Fund, development fund and other public funds and provide cash backing for the operations of the State Government; maintain and operate the State Government’s accounts; conduct routine and in-depth inspection of the books of accounts of State ministries, departments and agencies to ensure compliance with rules, regulations, policy decisions and maintenance of account codes; and formulate and implement the accounting policy of the State Government.
 19. The Board of Internal Revenue Service is responsible for generation of government revenue. The Board formulates and executes Joint Tax Board (JTB) policies on taxation, stamp duties and motor vehicle licensing.
 20. Line ministries and agencies propose their budgets based on the guidelines issued by the EXCO through the Department of Budget, Monitoring and Evaluation (DBME). There are three main categories of expenditures: personnel costs, overhead costs, and capital expenditure. The payroll is centralized under the Office of the Accountant General of the State (OAGS). MDAs receive regular monthly disbursements for general items of overhead costs. They also receive, as the need arises, funds for other specific items of overhead expenditure. MDAs have the responsibility to execute their capital program, but capital funds are paid by the OAGS.

1.B.2 Overview of Budget Calendar

21. Indicative Budget Calendar for Cross River State Government is presented below:

Table 1: Budget Calendar

Stage	Responsibility
Preparation and Publication of EFU-FSP-BPS	DBME and Accountant General
Presentation of EFU-FSPBPS to the Governor and CRSHoA	DBME
Pre-Budget Preparation Meeting	DBME
Preparation and Issuance of Budget Call Circular	DBME
Update of MTSSs by 5 Pilot Sectors	State Planning Commission
Citizens Engagement	DBME
Preparation of MDAs Budget and Submissions	MDAs
Compilation of Proposed Budget	DBME
Presentation of Budget to the Governor and Exco	DBME
Presentation of Proposed Budget to the CRSHoA	Governor
Review and Approval of Budget by CSHoA	CRSHoA
Signing Appropriation Bill	Governor

NIGERIA SPECIAL AGRO-INDUSTRIAL PROCESSING ZONES — PHASE I

 TARGETED COMMODITIES



Planting of Rice Seedlings

2. Economic and Fiscal Update

2.A Economic Overview

2.A.1 Global Economy

22. The International Monetary Fund's (IMF's) July 2023 World Economic Outlook (WEO) Update¹, provides that global growth is projected to fall from 3.5 percent in 2022 to 3.0 percent in both 2023 and 2024 on an annual average basis. Compared with projections in the April 2023 WEO, growth has been upgraded by 0.2 percentage point for 2023, with no change for 2024. The forecast for 2023–24 remains well below the historical (2000–19) annual average of 3.8 percent. It is also below the historical average across broad income groups, in overall Gross Domestic Product (GDP) as well as per capita GDP terms.
23. Advanced economies continue to drive the decline in growth from 2022 to 2023, with weaker manufacturing, as well as unique factors, offsetting stronger services activity. In emerging market and developing economies, the growth outlook is broadly stable for 2023 and 2024, although with notable shifts across regions. On a year-over-year basis, global growth bottomed out in the fourth quarter of 2022. However, in some major economies, it is not expected to bottom out before the second half of 2023.
24. World trade growth is expected to decline from 5.2 percent in 2022 to 2.0 percent in 2023, before rising to 3.7 percent in 2024, well below the 2000–19 average of 4.9 percent. The decline in 2023 reflects not only the path of global demand, but also shifts in its composition toward domestic services, lagged effects of United States (US) dollar appreciation—which slows trade owing to the widespread invoicing of products in US dollars—and rising trade barriers.
25. These forecasts are based on several assumptions, including those regarding fuel and nonfuel commodity prices and interest rates. Oil prices rose by 39 percent in 2022 and are projected to fall by about 21 percent in 2023, reflecting the slowdown in global economic activity. Assumptions regarding global interest rates have been revised upward, reflecting actual and signalled policy tightening by major central banks since April 2023. The Federal Reserve and Bank of England are now expected to raise rates by more than assumed in the April 2023 WEO—to a peak of about 5.6 percent in the case of the Federal Reserve—before reducing them in 2024. The European Central Bank is assumed to raise its policy rate to a peak of 3¾ percent in 2023 and to ease gradually in 2024. Moreover, with near-term inflation expectations falling, real interest rates are likely to stay up even after nominal rates start to fall.
26. For advanced economies, the growth slowdown projected for 2023 remains significant: from 2.7 percent in 2022 to 1.5 percent in 2023, with a 0.2 percentage point upward revision from the April 2023 WEO. About 93 percent of advanced economies are projected to have lower growth in 2023, and growth in 2024 among this group of economies is projected to remain at 1.4 percent.
27. For emerging market and developing economies, growth is projected to be broadly stable at 4.0 percent in 2023 and 4.1 percent 2024, with modest revisions of 0.1 percentage point for 2023 and – 0.1 percentage point for 2024. However, this stable average masks divergences, with about 61 percent of the economies in this group growing faster in 2023.
28. In sub-Saharan Africa, growth is projected to decline to 3.5 percent in 2023 before picking up to 4.1 percent in 2024. Growth in Nigeria in 2023 and 2024 is projected to gradually decline, in line with April projections, reflecting security issues in the oil sector. In South Africa, growth is expected to decline to 0.3 percent in 2023, with the decline reflecting power shortages, although the forecast has been revised upward by 0.2 percentage point since the April 2023 WEO, on account of resilience in services activity in the first quarter.

¹ World Economic Outlook Update, July 2023: Near-Term Resilience, Persistent Challenges (imf.org)

29. Global headline inflation is set to fall from an annual average of 8.7 percent in 2022 to 6.8 percent in 2023 and 5.2 percent in 2024, broadly as projected in April, but above pre-pandemic (2017–19) levels of about 3.5 percent. About three-quarters of the world's economies are expected to see lower annual average headline inflation in 2023. Monetary policy tightening is expected to gradually dampen inflation, but a central driver of the disinflation projected for 2023 is declining international commodity prices. Differences in the pace of disinflation across countries reflect such factors as different exposures to movements in commodity prices and currencies and different degrees of economic overheating. The forecast for 2023 is revised down by 0.2 percentage point, largely on account of subdued inflation in China. The forecast for 2024 has been revised upward by 0.3 percentage point, with the upgrade reflecting higher-than-expected core inflation.
30. Core inflation is generally declining more gradually. Globally, it is set to decline from an annual average of 6.5 percent in 2022 to 6.0 percent in 2023 and 4.7 percent in 2024. It is proving more persistent than projected, mainly for advanced economies, for which forecasts have been revised upward by 0.3 percentage point for 2023 and by 0.4 percentage point for 2024 compared with the April 2023 WEO. Global core inflation is revised down by 0.2 percentage point in 2023, reflecting lower-than-expected core inflation in China, and up by 0.4 percentage point in 2024. On an annual average basis, about half of economies are expected to see no decline in core inflation in 2023, although on a fourth quarter-over-fourth-quarter basis, about 88 percent of economies for which quarterly data are available are projected to see a decline. Overall, inflation is projected to remain above target in 2023 in 96 percent of economies with inflation targets and in 89 percent of those economies in 2024.
31. The balance of risks to global growth remains tilted downward, but adverse risks have receded since the publication of the April 2023 WEO. The resolution of US debt ceiling tensions has reduced the risk of disruptive rises in interest rates for sovereign debt, which would have increased pressure on countries already struggling with increased borrowing costs. The quick and strong action authorities took to contain banking sector turbulence in the United States and Switzerland succeeded in reducing the risk of an immediate and broader crisis.
32. More favourable outcomes for global growth than in the baseline forecast have become increasingly plausible. Core inflation could fall faster than expected—from greater-than-expected pass-through of lower energy prices and a compression of profit margins to absorb cost increases, among other possible causes—and declining job vacancies could play a strong role in easing labor markets, which would reduce the likelihood of unemployment having to rise to curb inflation. Developments along these lines would then reduce the need for monetary policy tightening and allow a softer landing.
33. Scope exists for more favourable surprises to domestic demand around the world, as in the first quarter of 2023. In numerous economies, consumers have not yet drained the stock of excess savings they accumulated during the pandemic; this could further sustain the recent strength in consumption. Stronger policy support in China than currently envisaged—particularly through means-tested transfers to households—could further sustain recovery and generate positive global spill overs. Such developments, however, would increase inflation pressure and necessitate a tighter monetary policy stance.
34. Despite the recent growth surprises, plausible risks continue to be skewed to the downside. Tight labour markets and pass-through from past exchange rate depreciation could push up inflation and risk de-anchoring longer-term inflation expectations in several economies. The institutional setup of wage setting in some countries could amplify inflation pressures on wages. Moreover, El Niño could bring more extreme temperature increases than expected, exacerbate drought conditions, and raise commodity prices. The war in Ukraine could intensify, further raising food, fuel, and fertilizer prices. The recent suspension of the Black Sea Grain Initiative is a concern in this regard. Such adverse supply shocks might affect countries asymmetrically, implying different dynamics for core inflation and inflation expectations, a divergence in policy responses, and further currency movements.

35. Financial markets have adjusted their expectations of monetary policy tightening upward since April but still expect less tightening than policymakers have signalled, raising the risk that unfavourable inflation data releases could—as in the first quarter of 2023—trigger a sudden rise in expectations regarding interest rates and falling asset prices. Such movements could further tighten financial conditions and put stress on banks and nonbank financial institutions whose balance sheets remain vulnerable to interest rate risk, especially those highly exposed to commercial real estate. Contagion effects are possible, and a flight to safety, with an attendant appreciation of reserve currencies, would trigger negative ripple effects for global trade and growth.
36. The economic outlook (GDP growth rate and inflation rate) of selected countries is shown in Table 2 and Table 3 below.
37. Countries selected are chosen to represent G20, BRINCS, MINT, N-11, Petro-economies, and other large African countries.

Table 2 Real GDP Growth – Selected Economies

Country	Actual				Forecast		
	2019	2020	2021	2022	2023	2024	2028
Mexico	-0.2	-8.2	4.8	2.0	1.8	1.6	1.8
Indonesia	5	-2.1	3.7	5.4	5.0	5.1	5.0
Turkey	0.9	1.8	11.0	2.7	2.7	3.6	3.0
United States	2.3	-3.4	5.7	3.7	1.6	1.1	2.1
Germany	1.1	-4.6	2.8	2.1	-0.1	1.1	1.1
United Kingdom	1.7	-9.3	7.4	3.7	-0.3	1.0	1.5
China	6	2.2	8.1	4.4	5.2	4.5	3.4
Ghana	6.5	0.4	4.2	5.2	1.6	2.9	5
South Africa	0.1	-6.4	4.9	1.9	0.1	1.8	1.4
Brazil	1.2	-3.9	4.6	0.8	0.9	1.5	2.0
Angola	-0.7	-5.6	0.7	3.0	3.5	3.7	4.2
Nigeria	2.2	-1.8	3.6	3.4	3.2	3.0	3.0

Source: IMF's World Economic Outlook, April 2023

Table 3 Inflation – Selected Economies

Country	Actual				Forecast		
	2019	2020	2021	2022	2023	2024	2027
Mexico	3.6	3.4	5.7	6.8	6.3	3.9	3.0
Indonesia	2.9	2.0	1.6	3.3	4.4	3.0	2.5
Turkey	15.2	12.3	19.6	60.5	50.6	35.2	20.0
United States	1.8	1.2	4.7	7.7	4.5	2.3	2.1
Germany	1.4	0.4	3.2	5.5	6.2	3.1	2.0
United Kingdom	1.8	0.9	2.6	7.4	6.8	3.0	2.0
China	2.9	2.4	0.9	2.1	2.0	2.2	2.2
Ghana	7.1	9.9	10.0	16.3	45.4	22.2	8.0
South Africa	4.1	3.3	4.5	5.7	5.8	4.8	4.5
Brazil	3.7	3.2	8.3	8.2	5.0	4.8	3.0
Angola	17.1	22.3	25.8	23.9	11.7	10.8	8.9
Nigeria	11.4	13.2	17.0	16.1	20.1	15.8	14.0

Source: IMF's World Economic Outlook, April 2023

2.A.2 Africa

38. The African Economic Outlook, 2022² provides that African economies remain resilient amidst multiple shocks with average growth projected to stabilize at 4.1 percent in 2023–24, higher than the estimated 3.8 percent in 2022. Africa's growth in real GDP was estimated at 3.8 percent in 2022, down from 4.8 percent in 2021 but above the global average of 3.4 percent. The growth slowdown was attributed mainly to the tightening global financial conditions, and supply chain disruptions exacerbated by Russia's invasion of Ukraine, subduing global growth. Growth was also impaired by the residual effects of the COVID-19 pandemic and the growing impact of climate change and extreme weather events. While the deceleration was broad-based, with 31 of the 54 African countries posting weaker growth rates in 2022 relative to 2021, the continent performed better than most world regions in 2022, with the continent's resilience projected to put five of the six pre-pandemic top performing economies—Benin, Côte d'Ivoire, Ethiopia, Rwanda, and Tanzania—back in the league of the world's 10 fastest-growing economies in 2023–24.
39. Growth is projected to rebound to 4 percent in 2023 and consolidate at 4.3 percent in 2024, underpinning Africa's continued resilience to shocks. The forecast for 2023 has been maintained as predicted in the January 2023 edition of Africa's Macroeconomic Performance and Outlook (MEO) published by the African Development Bank Group. However, due to expected slight improvements in medium-term global and regional economic conditions—mainly underpinned by China's re-opening and slower pace of interest rate adjustments—the forecast for 2024 has been revised up by 0.4 percentage points relative to the January 2023 MEO projection. Despite this, climate change, elevated global inflation, and persistent fragilities in supply chains will remain on the watchlist as potential factors for possible slowdowns of growth in the continent.
40. Growth in West Africa, despite macroeconomic challenges in some of the region's large economies, is projected to rise from an estimated 3.8 percent in 2022 to 3.9 percent in 2023 and 4.2 percent in 2024. This favourable outlook reflects higher growth in the region's small economies. Of the nine countries with projected growth rates of 5 percent or higher in 2023, eight are small economies, accounting for 15 percent of the region's GDP and 22 percent of the projected growth.
41. Growth in tourism-dependent economies is projected to decline from an estimated 8.4 percent in 2022 to 4.9 percent in 2023 and 4.4 percent in 2024, reflecting an abating base effect and growth slowdowns in important tourist source markets, especially Europe and North America.
42. Despite the decline, oil prices have remained above the five-year trend, boosting growth in oil-exporting countries since the recession at the peak of COVID-19. Growth in this group, estimated at 4.0 percent in 2022, is projected to strengthen to an average of 4.2 percent in 2023 and 2024. The oil output effect, notably in Libya and Nigeria, could also shore up economic growth as production improves following efforts to tackle insecurity.
43. Growth in other resource-intensive economies is, however, projected to decline from an estimated 3.0 percent in 2022 to 2.4 percent in 2023, with a recovery to 3.5 percent in 2024. The growth deceleration in 2023 is largely attributed to limited diversification and the lower prices of key commodities, notably minerals, amid weak global growth.
44. Non-resource-intensive economies, largely countries with more diversified economic structures, are likely to sustain their resilience. Average growth for the group is projected to accelerate to 5.0 percent in 2023 and 5.6 percent in 2024 from an estimated 4.4 percent in 2022. This group recovered the strongest from the effects of COVID-19. The projected higher growth underscores the importance of economic diversification to weather the effects of exogenous shocks.

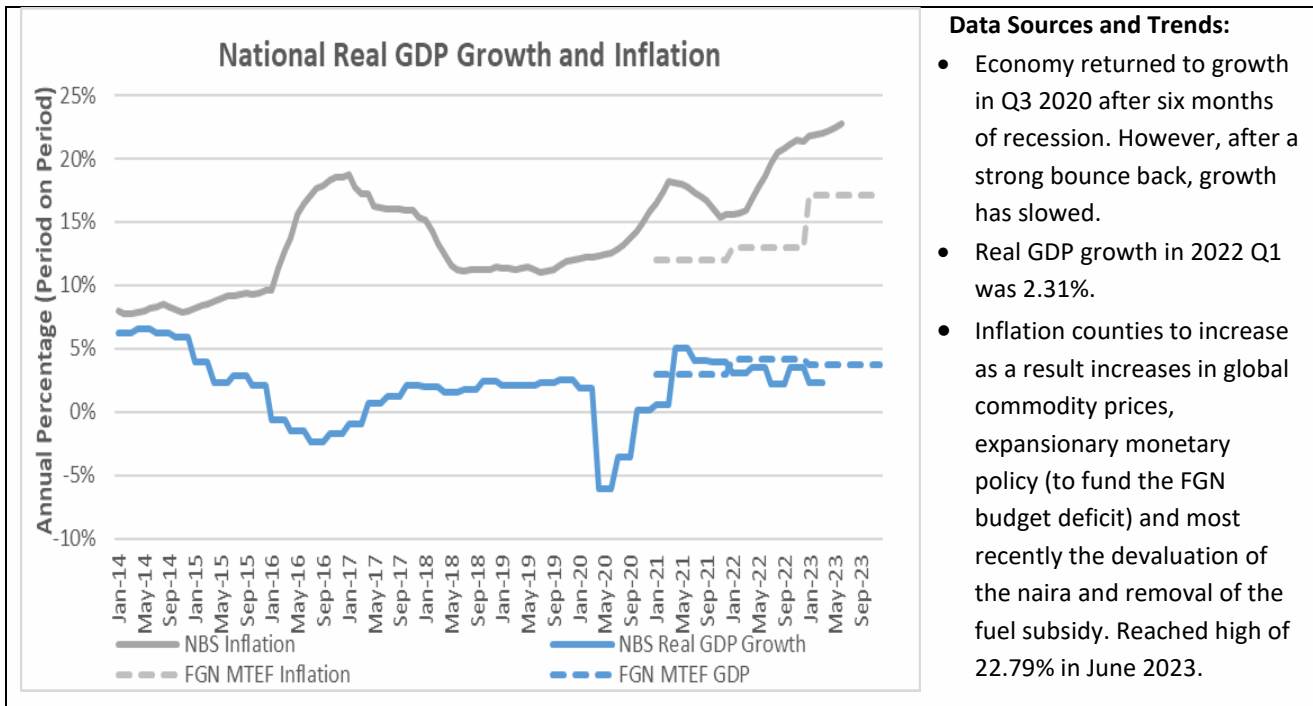
² African Economic Outlook 2022 - Mobilizing Private Sector Financing for Climate and Green Growth in Africa(afdb.org)

2.A.3 Nigerian Economy³

45. The challenging global economic context has put pressure on Nigeria's economy. However, domestic policies play the major role in determining Nigeria's economic performance and resilience to further external shocks. The previous mix of fiscal, monetary, and exchange rate policies, including the naira redesign program, did not deliver the desired improvements in growth, inflation, and economic resilience. The new government has recognized the need to chart a new course and has already made a start on critical reforms, such as the elimination of the petrol subsidy and Foreign Exchange (FX) harmonization.
46. With the petrol subsidy (PMS Under Recovery) removal, the government is projected to achieve fiscal savings of approximately N2 trillion in 2023, equivalent to 0.9 percent of GDP. These savings are expected to reach over N11 trillion by the end of 2025. However, the nature of the causal relationship between fuel price and key macroeconomic variables in Nigeria is such that if appropriate mitigation strategies are not well crafted, the removal of subsidy will likely have negative ripple effects on aggregate output and employment.
47. **Real GDP** - Nigeria's Gross Domestic Products (GDP) growth remained weak and fragile as it slowed to 2.31 percent in the first quarter of 2023, from 3.5 percent in the fourth quarter of 2022. This growth rate declined from 3.11 percent recorded in the first quarter of 2022, and 3.52 percent in the fourth quarter of 2022. The reduction in growth is attributed to the adverse effects of the cash crunch experienced during the quarter, as well as the elections.
48. The performance of the GDP in the first quarter of 2023 was driven mainly by the services sector, which recorded a growth of 4.35 percent and contributed 57.29 percent to the aggregate GDP. The agriculture sector grew by -0.90 percent, lower than the growth of 3.16 percent recorded in the first quarter of 2022. Although the growth of the industry sector improved to 0.31 percent relative to 6.81 percent recorded in the first quarter of 2022, agriculture, and the industry sectors contributed less to the aggregate GDP in the quarter under review compared to the first quarter of 2022.
49. **Inflation (CPI)** - Inflation has increased consecutively for the last 17 month, from 15.60 percent in January 2022 to 22.79 percent in June 2023. Dynamics in commodity prices, which are being exacerbated by the conflict in Ukraine, are causing inflations pressures globally. Also, the devaluation of the Naira has impacts (some positive, some negative) as does the removal of the Fuel Subsidy.
50. The national quarterly real GDP growth and year on year inflation rates from January 2014 and June 2023 are shown in Figure 2 below.

³ Sources: IMF WEO, July 2023, NBS Reports, CBN Reports, NNPC Reports, OPEC Reports and US Energy Information Administration Reports.

Figure 2: Real GDP Growth and Inflation

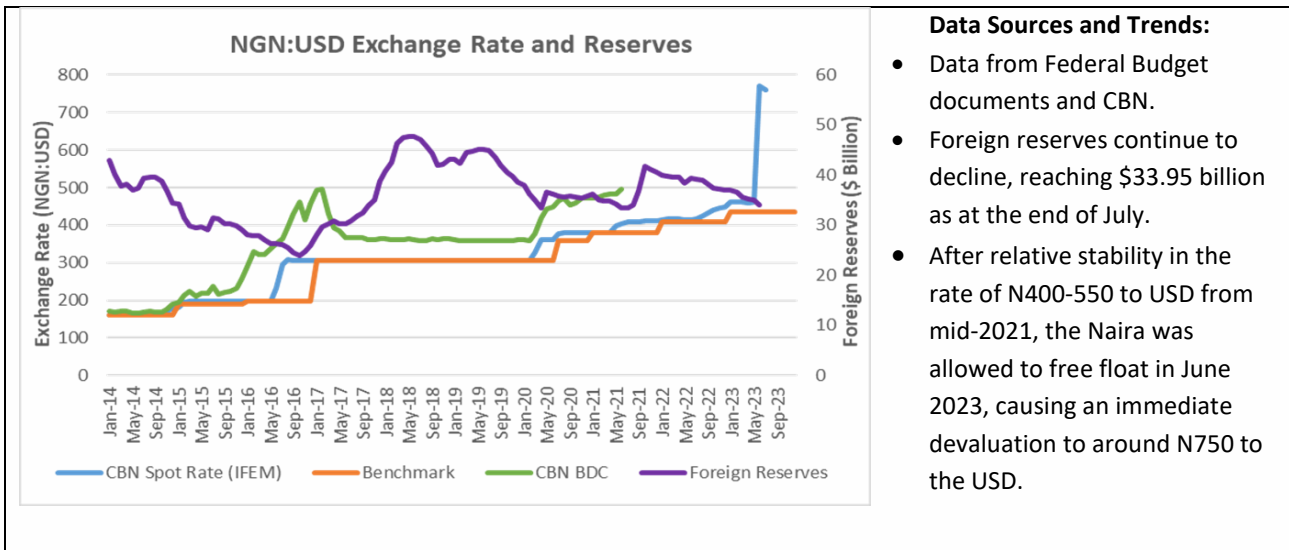


Data Sources and Trends:

- Economy returned to growth in Q3 2020 after six months of recession. However, after a strong bounce back, growth has slowed.
- Real GDP growth in 2022 Q1 was 2.31%.
- Inflation continues to increase as a result of increases in global commodity prices, expansionary monetary policy (to fund the FGN budget deficit) and most recently the devaluation of the naira and removal of the fuel subsidy. Reached high of 22.79% in June 2023.

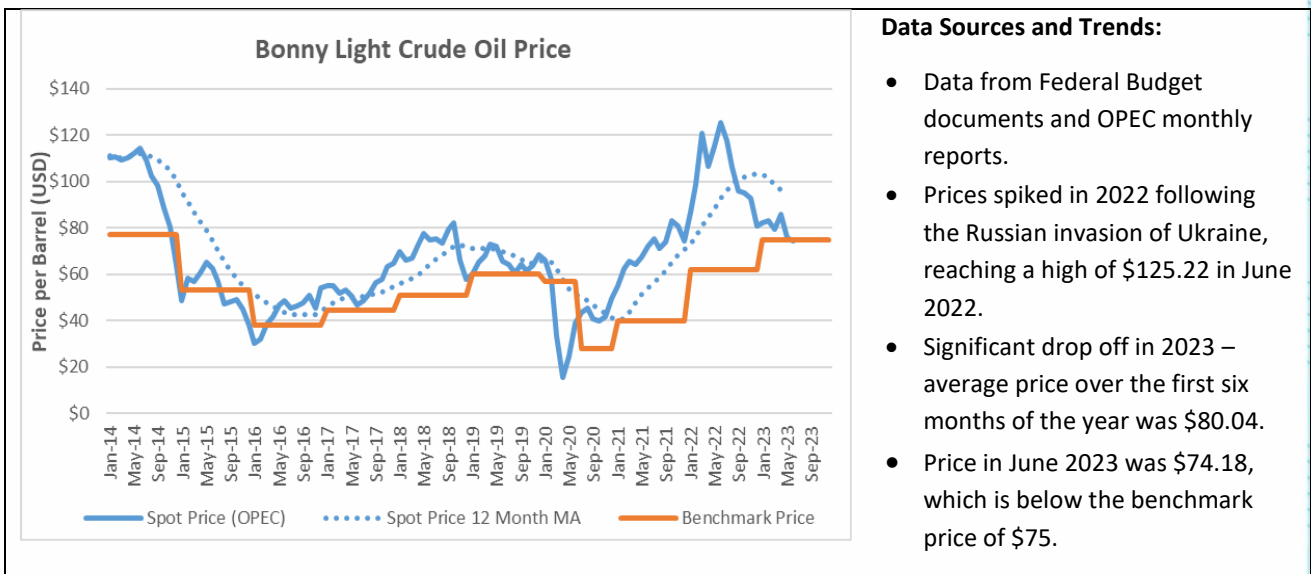
51. **Foreign Exchange Rate** – the Naira devalued against the dollar from NGN415:1\$ in May 2022 to N750 by July 2023 because of the implementation of a floating exchange rate. Foreign Reserves have been falling over the last 21 months, reaching \$33.95 billion as at the end of July 2023.
52. In 2022, arbitrage opportunities witnessed significant increase, weakening the convergence of foreign exchange windows. This is partly attributed to the ripples of economic downturn since the Russia–Ukraine conflict. Also, the fall in foreign reserve potentially condenses the policy options available to the Central bank of Nigeria (CBN) in controlling monetary aggregates.
53. **The NGN: USD exchange rate**, which is a key crude oil revenue parameter, for the period January 2014 to August 2023, along with the benchmarks assumed in the Federal Government budgets over the same period and foreign reserves, are shown in below.
54. The NGN: USD exchange rate (Import and Export Rate) is currently (1st August 2023) N 775.355. The end of the fixed exchange rate regime is likely to bring about more fluctuations in the rate. FGN adjusted 2023 budget was based on a rate of N750 to the USD.

Figure 3 NGN: USD Exchange Rate and Foreign Reserves



55. **Crude oil price:** Crude Oil (Bonny Light) Price (spot price and benchmark for the period of January 2014 to July 2023 are presented in Figure 4 below.

Figure 4 Crude Oil Price



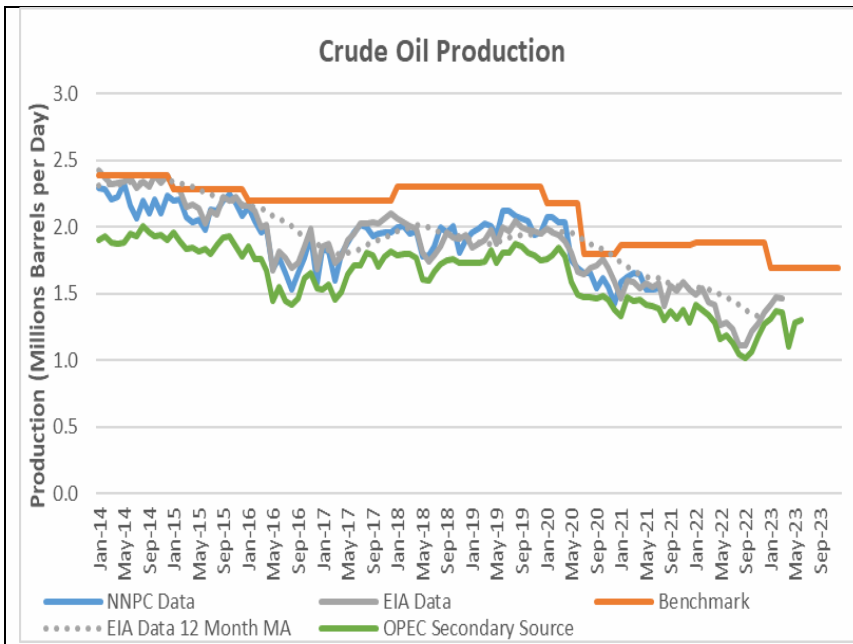
56. In its July 2023 Short-Term Energy Outlook (STEO), the US Energy Information Administration (EIA) is forecasting an average price of \$83.51 per barrel for Brent Crude in 2024, which would imply a price of \$86.33 for Bonny Light.

57. In its April 2023 WEO, IMF is slightly more cautious, forecasting a basket price of \$73.13 in 2023 and \$68.90 in 2024 which translates to \$75.06 for 2023 and \$70.71 in 2024 for Bonny Light.

58. **Crude Oil production** continues to lag below the longer-term average of 2.0 million Barrels per Day (MBPD). Production (including condensates) has averaged 1.45 MBPD over the first five months of 2023 according to figures published by the Nigerian Upstream Petroleum Regulatory Commission (NURPC). The FGN assumption is that production will average 1.72 MBDP in the second half of 2023 – this seems ambitious and might be considered a target rather than a balanced estimate (i.e. with equal potential for over or under-achievement).

59. Crude Oil Production (including condensates) for the period January 2014 to May 2023 along with the benchmark is presented in Figure 5 below.

Figure 5 Crude Oil Production

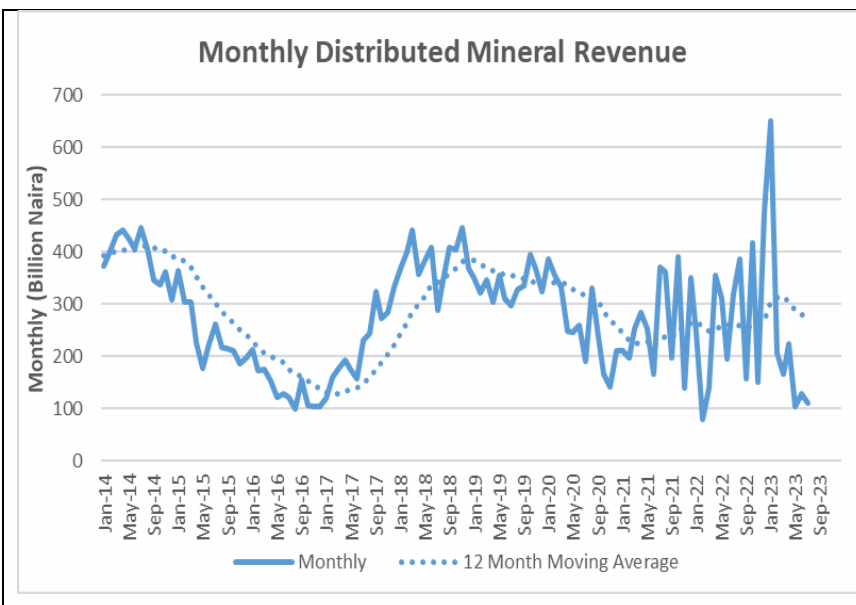


Data Sources and Trends:

- Production has steadily declined over the last eight years.
- NNPC Data is out of date (latest publication is from July 2022)
- Crude Oil production (including condensates) continued to fall below capacity and below the FGN benchmark of 1.69 MBDP.
- Production in first half of 2023 averaged 1.452 MBPD in the first half of 2023.

60. The policy thrust of the Economic Sustainability Plan (ESP) and National Development Plan include deregulation of the price of refined petroleum products and the establishment of a sustainable framework for maintaining the national strategic stock; remittance of 100% of royalties and taxes paid to NNPC into the Federation Account as well as sustained periodic reconciliation with DPR and FIRS. The implementation of the Finance ACT 2021 and VAT reforms, development of business continuity plans for tax and custom administration and rationalization of ineffective tax incentives and exemptions as well as increased remittances and recovery of unremitted revenues from GOEs.
61. Monthly distributed Mineral Revenues (Statutory Allocation (SA) and Net Derivation (ND)) to the three tiers of government from January 2014 to May 2023 inclusive are shown in Figure 6 below.

Figure 6 Distributed Mineral Revenues

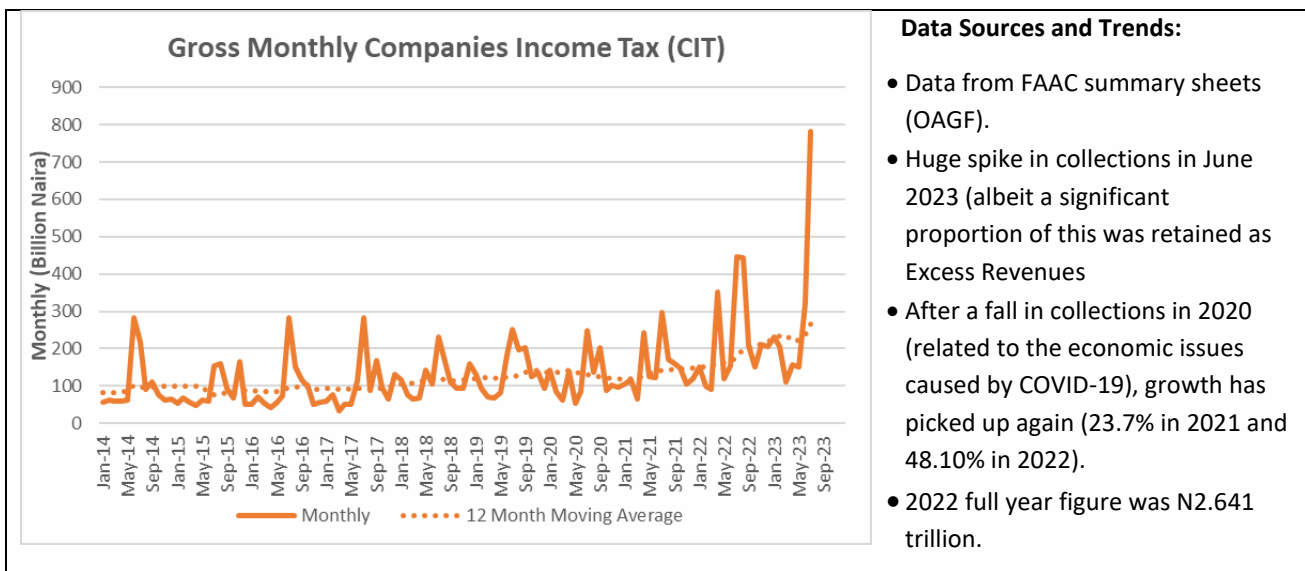


Data Sources and Trends:

- Data from FAAC summary sheets (OAGF).
- Significant dips in 2015-2016 and 2020 due to crude oil price crash.
- Increased volatility of distributable mineral revenue due to changes in the way NNPC remits, and price fluctuations.
- Derivation Refunds and PMS Under Recovery has weighed significantly on the level of distributable mineral revenue over the last two years.

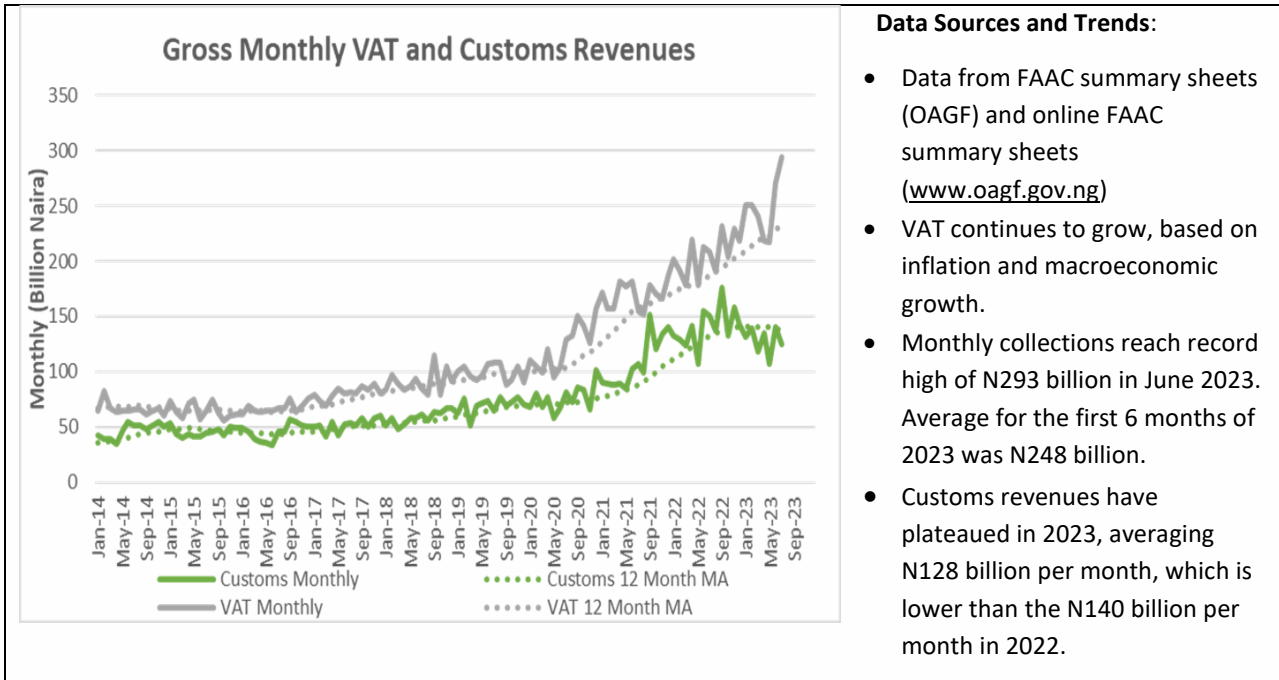
62. The impact of the Fuel Subsidy and derivation refunds mean the benefits of the crude oil price spike in 2022 (because of the conflict in the Ukraine) have not resulted in any marked increase in distributable mineral revenues. The change in status of NNPC, specifically the way it remits to FAAC, has also brought about increased volatility in distributable mineral revenues. The removal of the subsidy, the devaluation of the Naira and conclusion of the derivation refunds should bring about a significant nominal increase in distributable mineral revenues in 2024.
63. Gross Companies Income Tax (CIT) revenues, which are distributed as part of Statutory Allocation, from January 2014 to May 2022 inclusive are shown in Figure 7 below. The graph also includes 12 month moving average.

Figure 7 CIT Revenues



64. The graph shows the annual spike in distributions (collections from the previous month) that is in line with the annual tax returns and payment cycle in FIRS. This generally happens in July because June collections, the month many companies file their return, are distributed in July. June 2023 collection were a record N781 billion, albeit a significant portion of this was deducted from FAAC as excess revenue. This record collection in June has helped the 12-month average more than double in the last two years.
65. Customs and Excise duties (NCS), which is distributed as part of Statutory Allocation, and Value Added Tax (VAT) which is distributed in its own right for the period January 2014 to May 2022 are shown in Figure 8 below.

Figure 8 NCS and VAT Revenues



66. VAT shows a clear upward trend since late-2015. This is to be expected as the general price level rose quite significantly over the same period, which should transfer straight into additional VAT (for VAT-able items). Given the increase in VAT from 5% to 7.5%, in the 2020 Finance Act, there have been significant upward trend in VAT over the last three-year from August 2020. There is still a level of monthly volatility that makes it slightly difficult to forecast. However, with the economy returning to positive real growth and inflation staying slightly above 20% for some time, it is anticipated that VAT will continue to grow in nominal terms.
67. Exchange rate controls import policy and devaluing Naira may have affected some Customs receipts historically, and they have not experienced anywhere near the level of growth that has been observed in CIT and VAT over the last two years. However, there are still some short-term volatility and Federal Revenue reforms should increase collections in the medium term, but the timing of impact remains uncertain. The free float of the Naira may help increase imports and related duties going forward.



Tourist Sites



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Obudu Cattle Ranch



Calabar Carnival



Re-opening Ceremony of Marina Resort.

2.A.4 Cross River State Economy

68. The Cross River State economy is predominantly agricultural which is sub-divided into two sectors the public and the private sectors. The private sector is dominated by local subsistence farmers while the public sector is run by the Government and features large plantations and demonstration farms. The main crops are cassava, yams, rice, plantain, banana, cocoyam, maize, cocoa, rubber, groundnut, and palm produce. The State plays an important role in the national economy, producing significant proportions of the country's basic staples of cassava and yams. Plantation agriculture also contributes importantly through rubber, cocoa, and the indigenous oil palm.
69. Cross River State is the second largest timber producer in the country, and its coastal mangroves support an economically important national fishery.
70. Although the State is still a net importer of goods and services but is a net exporter of agricultural produce to other States. Though the movement of agricultural produce is not well-documented and computed to register meaningful contribution to the State economy.
71. Despite the steady progress in economic growth and development, available data indicate that agriculture, especially crops and livestock, and fisheries as well as SMEs, which have the potential to generate large scale employment opportunities, are not currently doing so. However, these areas are undergoing transformation.
72. Overall, the State has in recent time enjoyed an impressive GDP performance and revenue has increased and the state has also attracted foreign Capital.

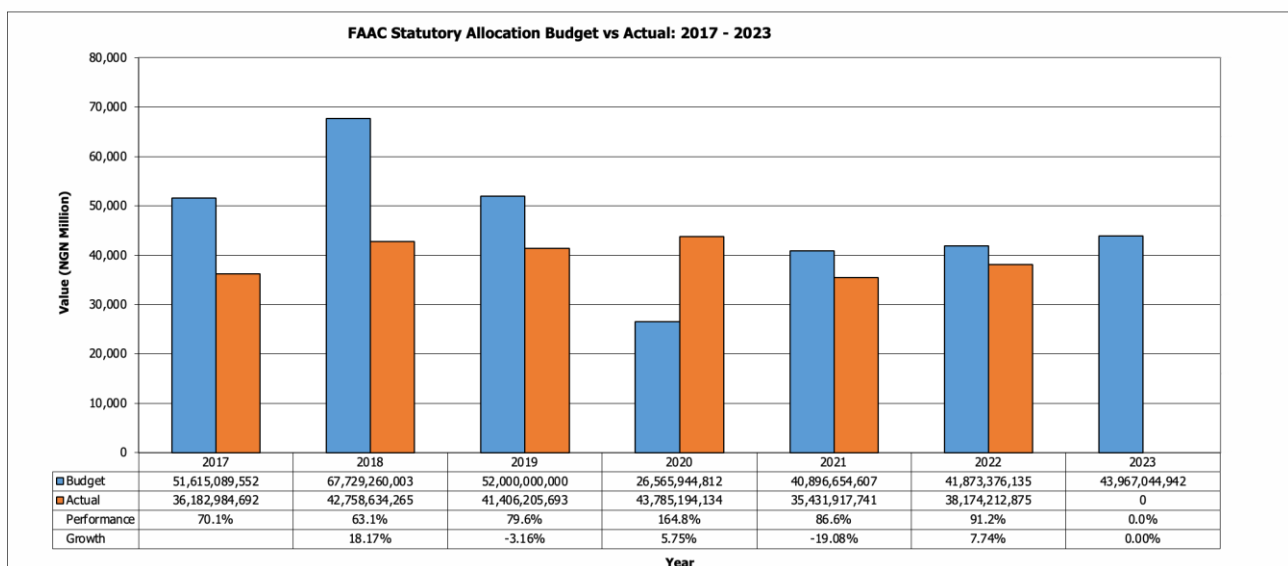
2.B Fiscal Update

2.B.1 Historic Trends

Revenue Side

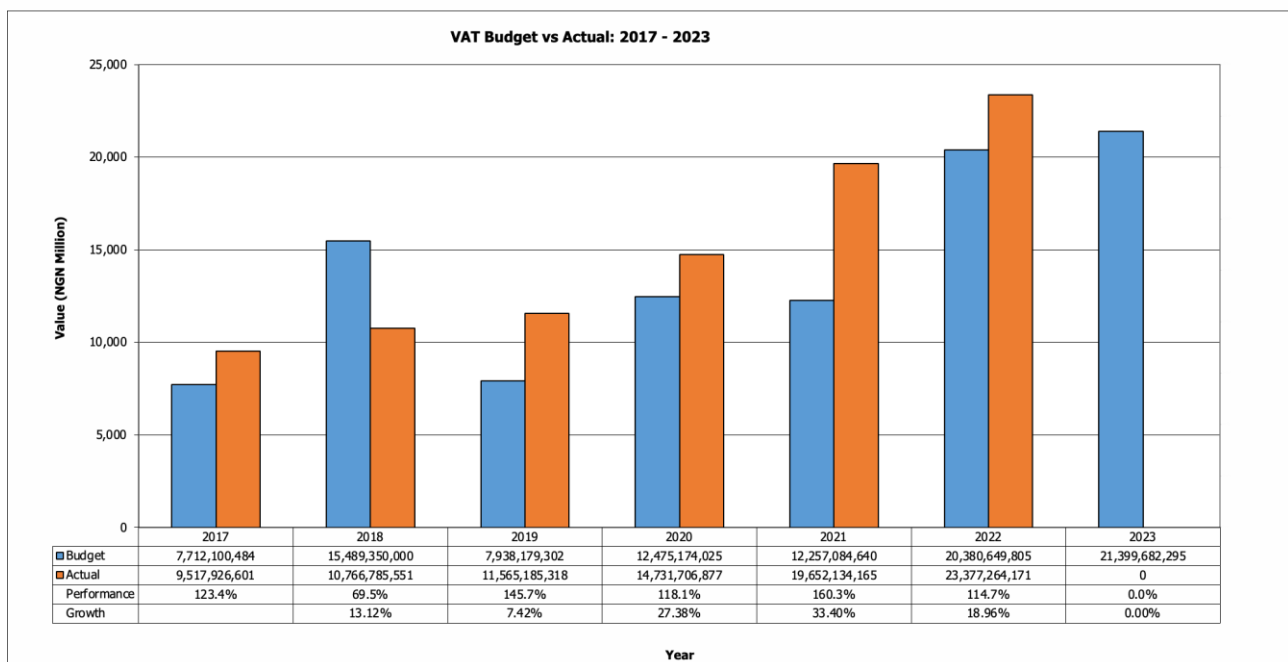
73. On the revenue side, the document looks at Statutory Allocation, VAT, IGR, Excess Crude, and Capital Receipts – budget versus actual for the period 20xx-20xx (six year historic) and 20xx budget.

Figure 9: Statutory Allocation



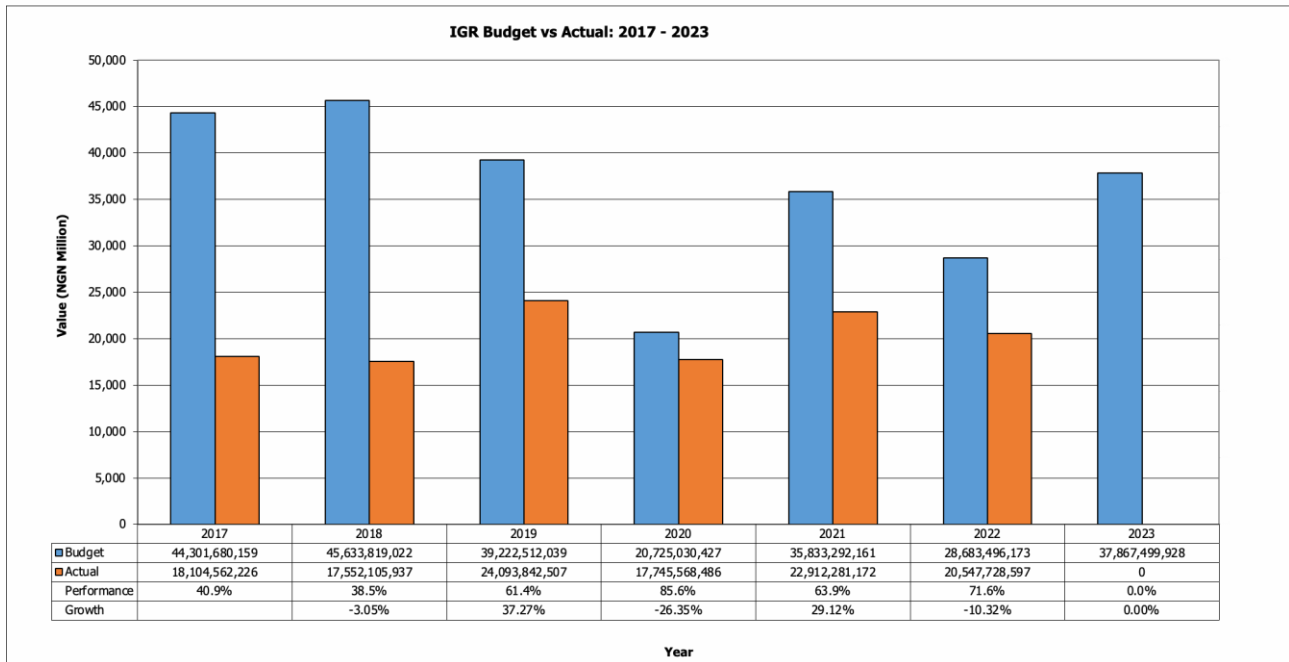
74. Statutory Allocation is a transfer from the Federation Allocation Accounts Committee (FAAC) and is based on the collection of minerals (largely Oil) and non-mineral revenues (companies' income tax, custom and excise duties) at the national level, which is then shared between the three tiers of government using sharing ratios.
75. Actual receipts have been fluctuating from 2017 to 2022. The onset of Covid 19 pandemic in the last quarter of 2019 through 2020 and most part of 2021 grossly affected oil prices due to the Global Economic lockdown hence, the decline witnessed in 2021. This was reflected in the decreased allocation by -19.08% in 2021. As the Global economy recovers, this reflected in the receipts for 2022 with a marginal increase of 7.74%.

Figure 10: VAT



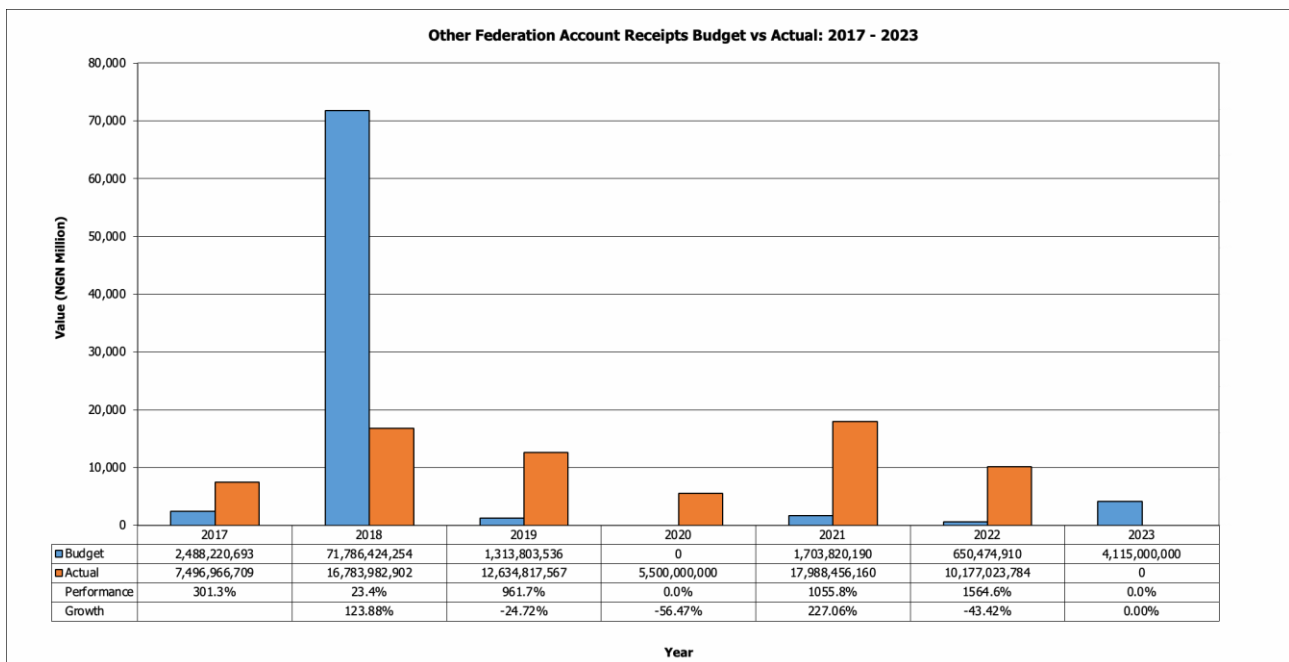
76. VAT is an ad valorem tax on most goods and services at a rate of 7.5%. It is collected by the Federal Inland Revenue Service (FIRS) and distributed between the three tiers of government monthly – partially based on set ratios, and partially based on the amount of VAT a particular State generated. States receive 50% of the total VAT collections nationally, from which Cross River State gets around 2.04% of the States' allocation.
77. VAT receipts have continued to grow over the last five years (2017 to 2022) with higher level of growth in 2021 and 2022. This was largely due to the growth in nominal economic activity in the country as well as the increase VAT rate from 5% to 7.5%. Performance relative to budget (i.e. budget accuracy) has been good.
78. The forecast for the next three years is in consonant with the progressive increase of VAT receipts and may even be more. This is a dependable source of Revenue.

Figure 11: IGR



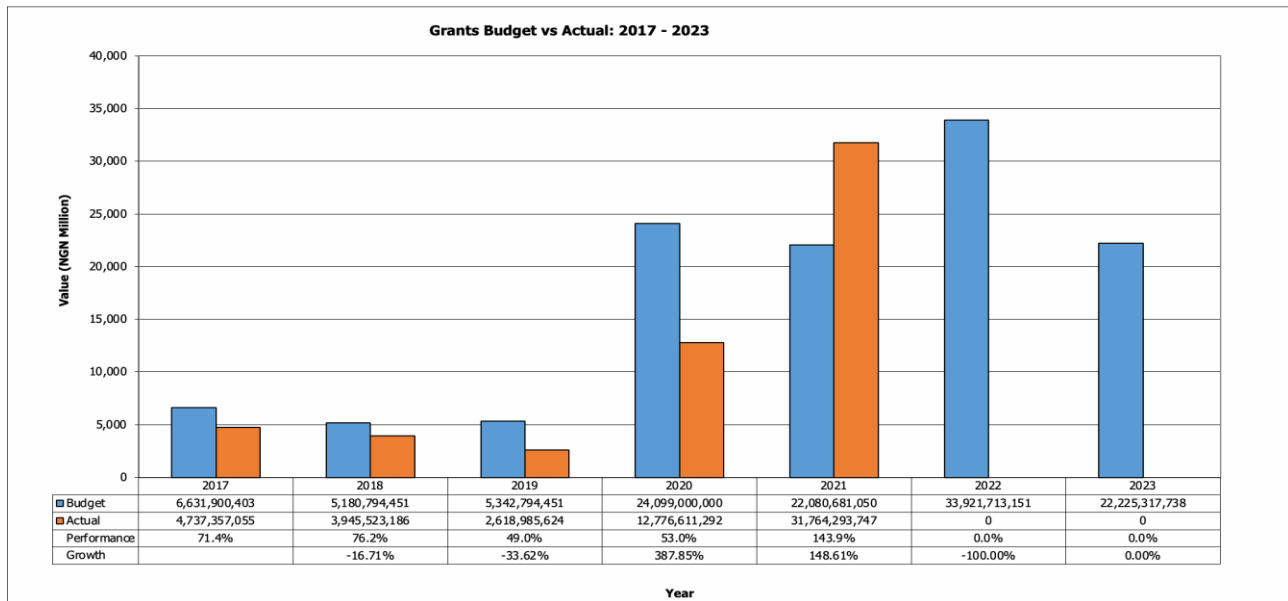
79. Internally Generated Revenue (IGR) also known as Independent Revenue (IR) is revenue collected within Cross River State related to income tax (PAYE represents the highest contributor to IGR), fines, levies, fees, and other sources of revenue within the State.
80. From 2017 – 2022 actual collections have been lower than the budget with a staggering performance over the 5-year period. The Government is doing all it can to widen the tax net and block all leakages in administration and collection of IGR.

Figure 12: Excess Crude



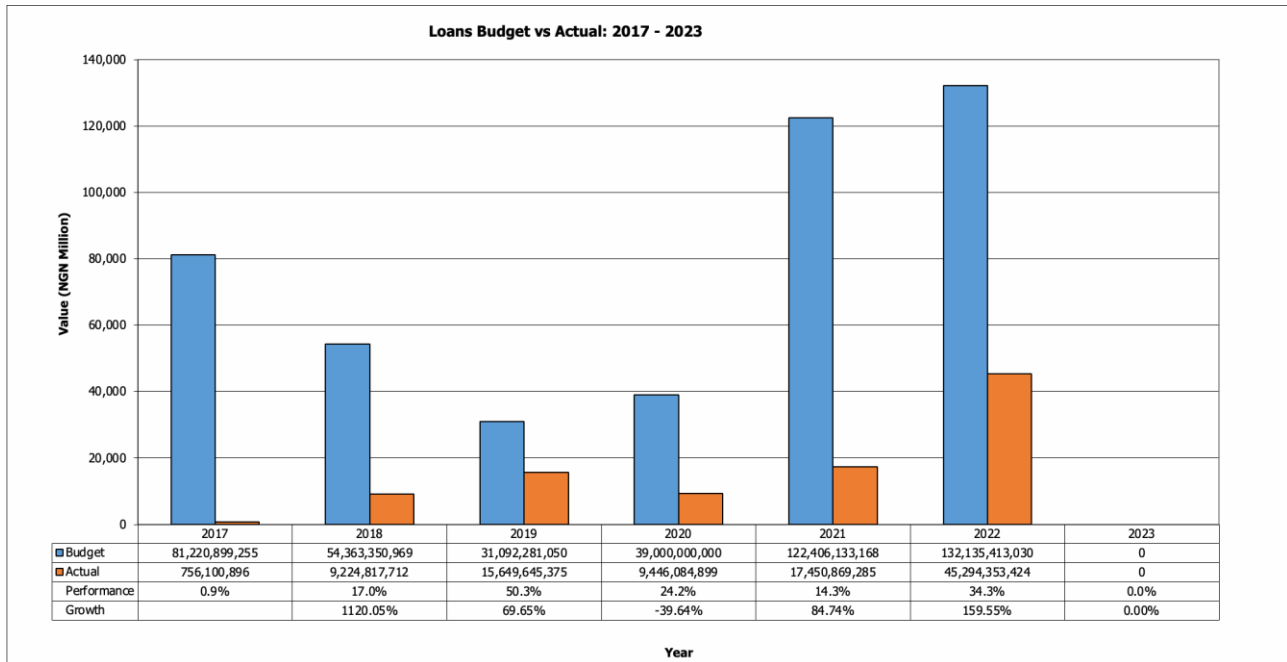
81. Other Federation Account Receipts are other receipts from Federation Accounts which include Exchange Gain, Electronic Money Transfer Levy (EMTL), etc.
82. Over the years, the state budget captured other FAAC receipts as miscellaneous revenues with same components as other FAAC receipts. The State is now committed to making realistic projections.

Figure 13: Grants



83. Grants are receipts from both internal and external sources such as Federal Government MDGs Conditional Grants Scheme and State Fiscal Transparency Accountability and Sustainability Programme as well as grants from the international development partners (including UK - Department for International Development (DFID), European Union (EU) and United Nations Children’s Fund (UNICEF). Cross River State has proactively included as much grant expenditure “on-budget” as possible.
84. Actual grant receipts have been inconsistent over the years with performance remarkably on the average with a very high performance recorded in 2021. This was not unconnected to the COVID-19 pandemic which truncated both the activities of the State in the previous years (2019 and 2020) with the Development partners committed to supporting the State coming out of the Economic crisis caused by the pandemic.

Figure 14: Loans/Financing



85. Loans and financing, refers to the additional outside funding sourced by the Government to finance some capital projects. Some of these loans could be external or internal. States such as Cross River with inadequate funds and infrastructural deficits need to borrow to fill in the gap.
86. The performance of this item from 2017 have been very poor and led to the delay in starting projects.
87. Budgetary provisions under the loan component have been higher than actual in all the years. Going forward the State should forecast for only loans that have been secured to avoid the high deviation in budget performance experienced by the State from 2017 to 2022.

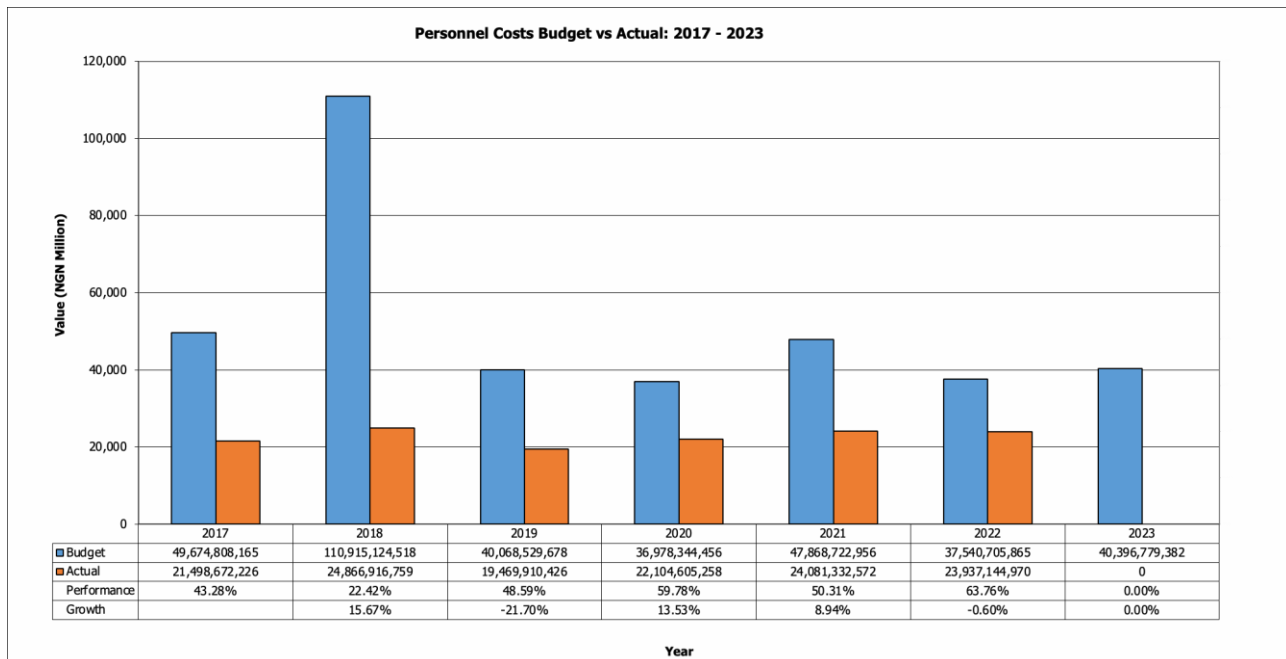


Works in progress

Expenditure Side

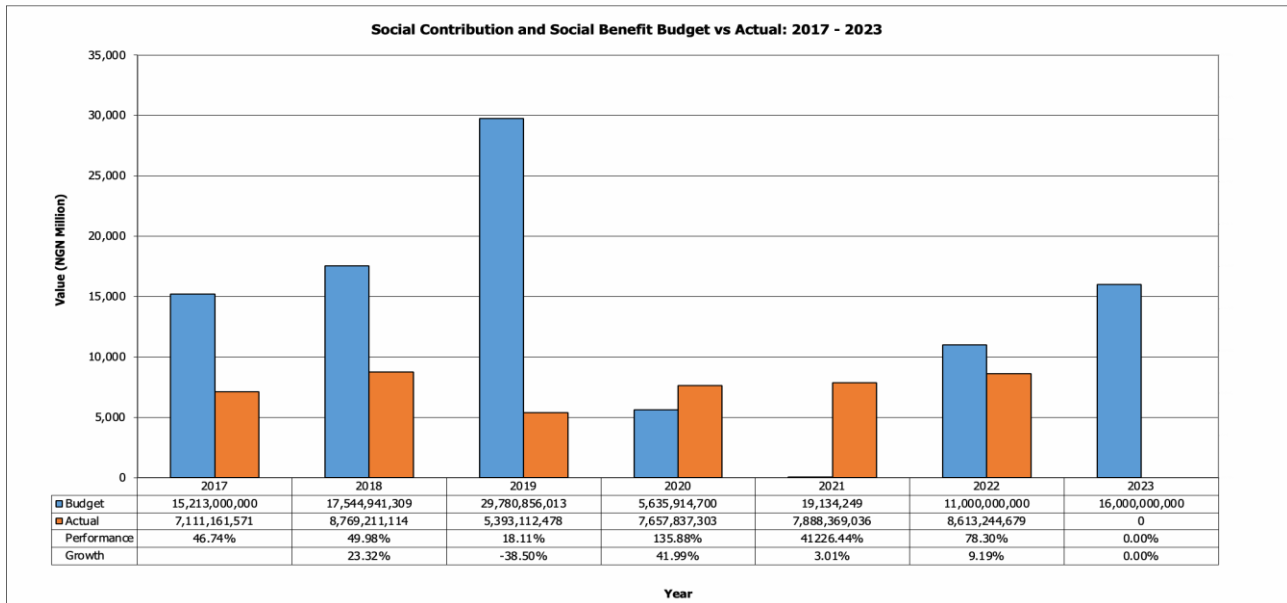
88. On the expenditure side, the document looks at Consolidated Revenue Fund (CRF) charges, Personnel, Overheads and Capital Expenditure – budget versus actual for the period 2017-2022 (six years) and 2023 budget.
89. Expenditures are directly linked to available resources at any given time. As a State that is conscious of the welfare of its citizens, priority is given to payment of salaries, pensions, gratuities, and provision of security. These items are non-negotiable and so they continue to attract funding irrespective of how much the state receives. There is the need to also fill up the infrastructure gap and this requires a lot of funds.
90. The implication for the year 2024- 2026 is for the State to vigorously pursue IGR and other sources of funding to be able to keep up with the above requisite expenditures and other capital expenditures in view of the rising budgetary allocations.

Figure 15: Personnel



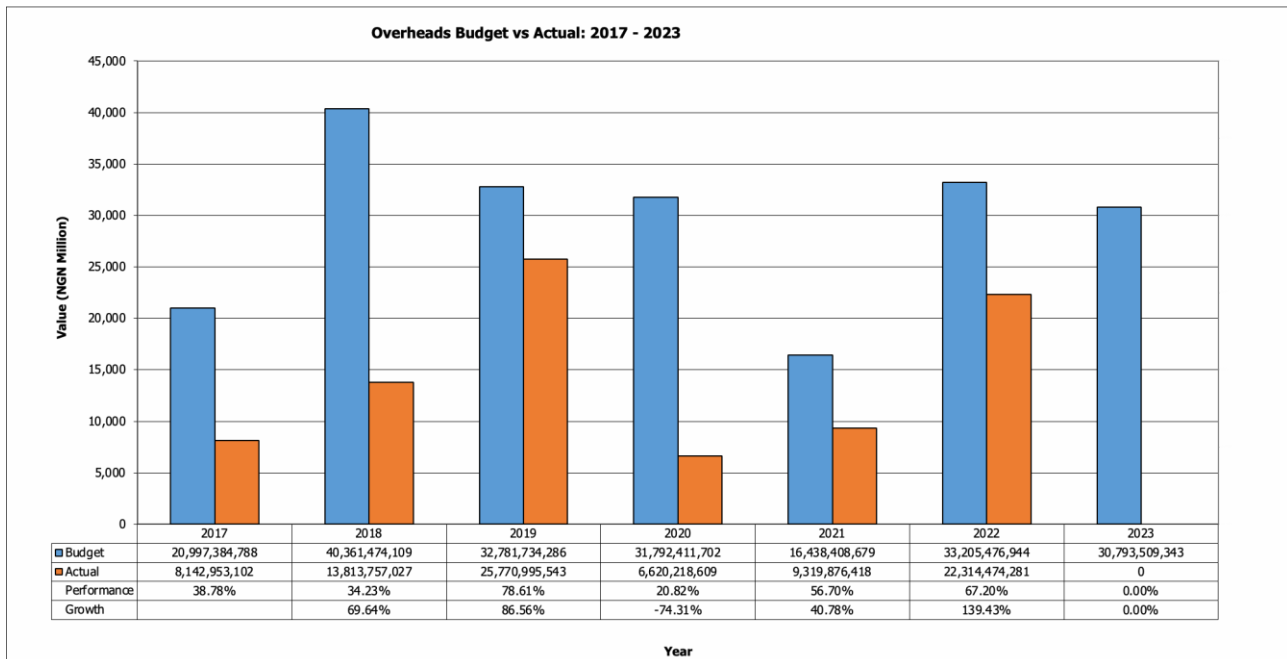
91. Personnel expenditure includes salaries, allowances, and benefits of core civil servants of the State. Personnel costs have remained fairly stable 2017 to 2022.
92. Actual expenditure has been far from budget in all years. This is because personnel cost have been over forecasted over the years.
93. For the 3-year forecast, personnel cost is expected to rise due to the commitment of the State Government to ease the burden posed by the fuel subsidy and floating of the Naira on the civil servant and the citizens in general. The State therefore need to work hard on its IGR to support its personnel cost to leave a bigger amount for capital projects.

Figure 16: Social Contributions and Social Benefits



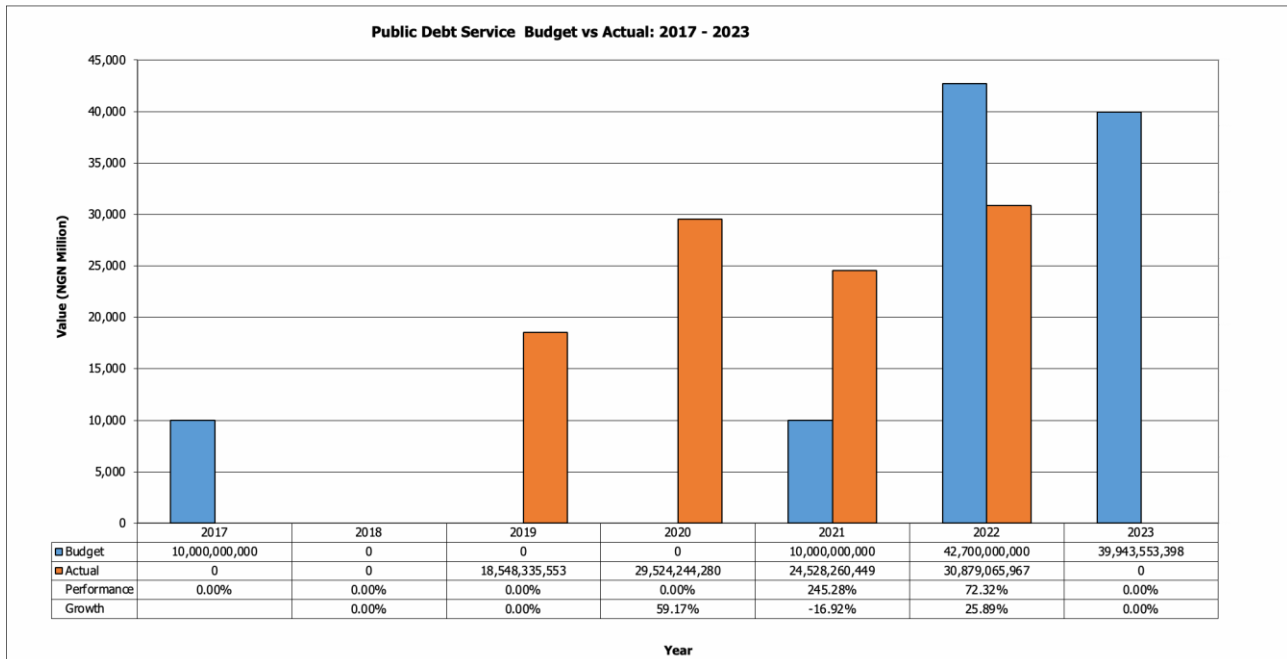
94. Social Contributions and social benefit Budget refer to payments of Gratuities and pensions to retired civil servants. In Cross River State once a civil servant retires, he gets enrolled on to the pension payroll.
95. From the graph, performances recorded lower than the budgeted in 2017, 2018, 2019 and 2022 with only 2020 performances exceeding the budget.
96. For the 3-year forecast, adequate provision was made to take care of any retirement of civil servants.

Figure 17: Overheads



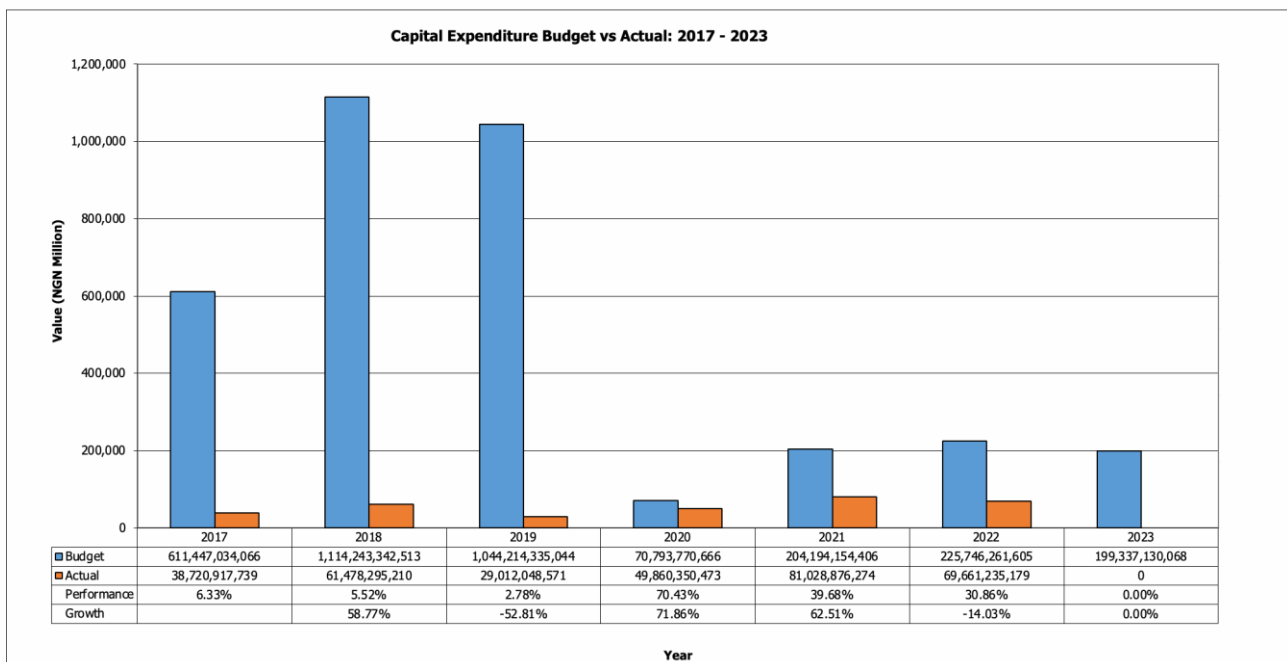
97. Overheads comprise mainly of operational and maintenance costs for running day-to-day activities of the Government. Overhead allocations are transferred to MDAs monthly, to keep the Government machinery functional.
98. Overhead expenditure reduced significantly in the year 2020 due to COVID-19, but gradually picked up in 2021 and 2022.

Figure 18: Public Debt Service



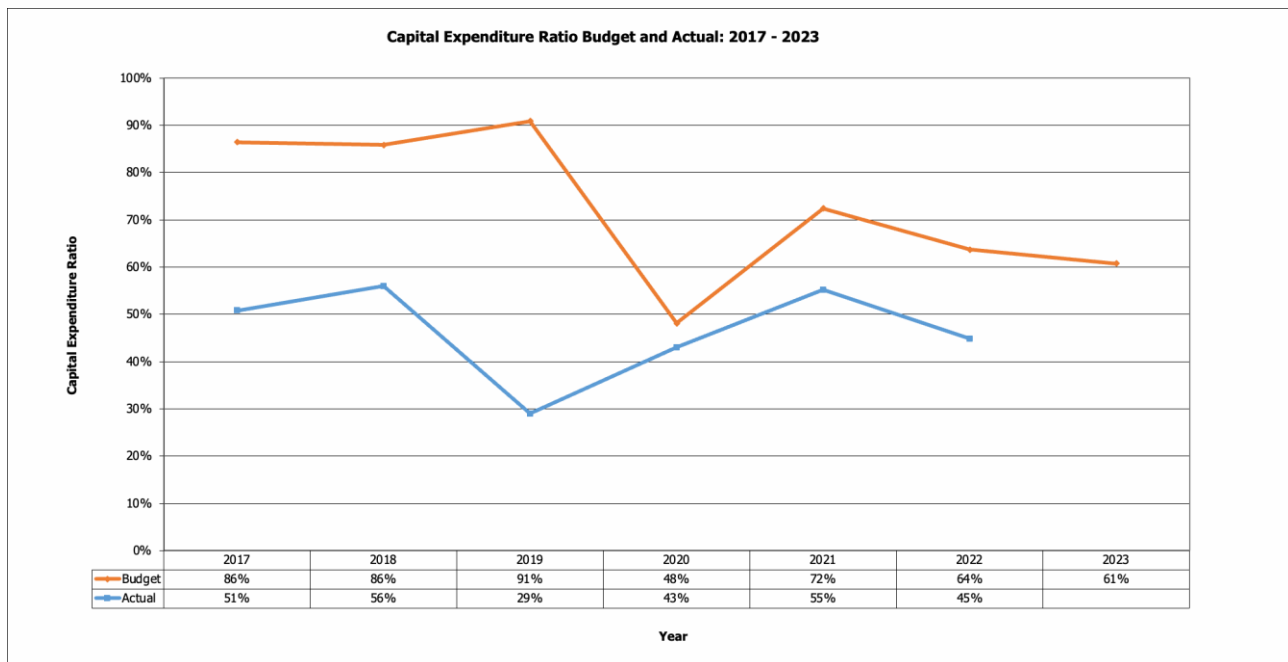
99. Public debt service is debt repayment of loans/debt contracted into by Cross River State either internally or externally. The State in the past has failed to make provision in the budget for public debt service, hence, the gap reflected in Fig 18 above. However, has the state grew in PFM reforms and fully adopted the 52-Digit NCoA, improvements have been made in the provision for public debt service in repaying back both the principal and interest element of the State loan that have been used to finance the budget deficit.

Figure 19: Capital Expenditure



100. Capital expenditure refers to projects that generate State assets (e.g. roads, schools, hospitals).
101. Capital expenditure provisions have consistently been higher due to the deliberate effort of the Government to continuously provide infrastructural facilities and improve the livelihood of the people. However, in 2020 this was reduced due to the impact of the COVID 19 pandemic on the Global Economy which caused National and States Budgets to be revised in accordance with economic realities and since then the State has been deliberately moderate in consonance with the available resources.
102. Over the period of 2007 - 2002, the State witness underperformance of the capital expenditure due to the low receipts of anticipated fund to actualise it.

Figure 20: Recurrent: Capital Expenditure Ratio



103. The capital expenditure ratio seeks to explain the actual capital budget performance visa-vis the Budgeted provision. The ratio between 2017 and 2018 was relatively steady until 2019 when performances dropped drastically.
104. It will be observed that in all the years reviewed (i.e. 2017 – 2022), the actual capital expenditure ratio was lower than capital budget ratio. This may be because of lack of accuracy in the budgetary process coupled with the instability of the oil market and in recent years, falling prices of oil caused by the COVID-19 pandemic and poor planning.
105. The implication for 2024 – 2026 forecast is that if more capital receipts are not obtained and the IGR increased, same scenario may still be recorded since the State IGR cannot fund recurrent expenditure.

By Sector

106. Cross River State is not yet in a position to provide historical performance of expenditure by Sector or Main Organisation. As improvements have been made to the COA coding of the State, these should be available in future years.

2.B.2 Debt Position

107. A summary of the consolidated debt position for Cross River State Government is provided in the table below.

Table 4: Debt Position as at 31st December 2022

Debt Sustainability Analysis		
A DSA RATIO SCENARIOS:	Sustainability Thresholds	As at 31st December 2022
Solvency Ratios	Percentage	Percentage
1 Total Domestic Debt/IGR	150%	614.93%
2 Total External Debt/Gross FAAC	150%	131.03%
3 Total Public Debt/Total Recurrent Revenue	150%	238.78%
4 Total Public Debt/State GDP Ratio	25%	No GDP Figure Available
Liquidity Ratios	Percentage	Percentage
5 Domestic Debt Service/IGR	15%	113.51%
6 External Debt Service/Gross FAAC	10%	10.53%
8 Debt Service Deductions from FAAC/Gross FAAC	40%	29.17%
8 Total Debt Service/Total Recurrent Revenue	25%	33.46%
B PUBLIC DEBT DATA AS AT 31st DECEMBER 2022		Naira
1 Total Domestic Debt		126,354,382,582
2 Total External Debt		93,982,742,802
3 Total Public Debt		220,337,125,384
4 Total Domestic Debt Service 2022		23,322,842,216
5 Total External Debt Service in 2022		7,556,223,751
6 Total Public Debt Service		30,879,065,967

108. By December 2022, the State's total public debt was N220,337,125,384 broken into N126,354,382,582 for domestic debt and N93,982,742,802 for external debt. In general, the State is not faring well in the analysis except for those related to External Debt – specifically Total External Debt to Gross FAAC solvency ratio and External Debt Service to Gross FAAC liquidity ratio. This is largely due to a low external debt profile that the State has. The State has made giant strides in Internally Generated Revenue (IGR) mobilization through the recently improved tax administration reforms. The State's revenue office is now autonomous with more competent personnel to drive the process of tax collections and the assistance of up-to-date technology. The State has finished plans to drive development levy as a new revenue head, this will help to increase revenues and bring in more taxpayers in the tax net. Following the forecast trends for the economy and reasonable assumptions made concerning revenue and expenditure policies, there is every need to cut down on recurrent expenditure to reduce the deficit which can mar the forecast by increasing debt stock and debt service payment appropriately.

3. Fiscal Strategy Paper

3.A Macroeconomic Framework

109. The Macroeconomic framework is based on IMF’s national real GDP growth and inflation forecasts from the April 2022 IMF World Economic Outlook document, and mineral benchmarks are based on a thorough analysis of the current outlook for crude oil prices, production, and mineral ratio. The current NGN: USD exchange rate has been adopted throughout the period. This translates to the following figures which underpin the Cross River State 2024 – 2026 MTEF

Figure 21: Cross River State Macroeconomic Framework

Macro-Economic Framework

Item	2024	2025	2026
National Inflation	20.00%	15.50%	15.20%
National Real GDP Growth	3.00%	3.00%	3.00%
Oil Production Benchmark (MBPD)	1.6000	1.7000	1.8000
Oil Price Benchmark	\$65.00	\$65.00	\$65.00
NGN:USD Exchange Rate	750	750	750
Other Assumptions			
Mineral Ratio	30%	32%	35%

3.B Fiscal Strategy and Assumptions

Policy Statement

110. Cross River State’s mission is to mobilize the people of the State to harness all its God-given resources, create and use wealth for the ends of individual happiness, collective fulfilment, and peaceful cohabitation in a safe and secure environment of transparent and honest leadership. The State’s fiscal policy is envisaged to control and enforce compliance with established spending and budgeting system, which include aggregate fiscal discipline, allocate efficiency and effective spending.

Objectives and Targets

111. The key targets of Cross River State Government from a fiscal perspective are:

- Create efficiencies in personnel and overhead expenditure to allow greater resource for capital development;
- Grow IGR by a minimum of 15% in 2024, 10% in 2025 and 5% in 2026.
- Ensure loans will only be used for capital expenditure projects;
- Achieve long term target of funding all recurrent expenditure with revenue of a recurrent nature (IGR, VAT and Non-mineral component of Statutory Allocation);
- Target sources of capital receipts and financing outside of loans (e.g. Grants, PPP, etc.);
- Give priority to the completion of on-going capital projects before new projects are commenced; and
- Grow the economy through targeted spending in areas of comparative advantage

3.C Indicative Three-Year Fiscal Framework

112. The indicative three-year fiscal framework for the period 2024-2026 is presented in the table below.

Table 5: Cross River State Medium Term Fiscal Framework

Fiscal Framework

Item	2024	2025	2026
Opening Balance			
Recurrent Revenue			
Statutory Allocation	100,561,162,034	118,454,788,255	141,180,221,644
VAT	40,701,591,057	52,322,241,438	65,685,439,779
IGR	31,191,452,010	34,310,597,211	36,026,127,072
Excess Crude / Other Revenue	21,000,000,000	22,050,000,000	23,152,500,000
Other Recurrent Revenues (Grants and Contributions)	9,525,835,458	10,983,586,095	14,278,661,924
Total Recurrent Revenue	202,980,040,559	238,121,213,000	280,322,950,419
Recurrent Expenditure			
Personnel Costs	77,556,349,703	81,434,167,188	85,505,875,548
Social Contribution and Social Benefit	13,264,396,806	13,927,616,646	14,623,997,479
Overheads	25,773,217,795	28,350,539,574	31,185,593,532
Grants, Contributions and Subsidies	365,269,275	383,532,739	402,709,376
Public Debt Service	17,918,052,578	23,324,846,517	31,917,083,772
Total	134,877,286,157	147,420,702,664	163,635,259,706
Transfer to Capital Account	68,102,754,402	90,700,510,336	116,687,690,713
Capital Receipts			
Grants	37,970,105,256	38,224,342,263	44,512,231,008
Other Capital Receipts	0	0	0
Total	37,970,105,256	38,224,342,263	44,512,231,008
Reserves			
Contingency Reserve	12,797,507,291	14,567,277,763	16,241,759,071
Planning Reserve	6,053,642,983	7,196,242,630	8,059,996,086
Total Reserves	18,851,150,274	21,763,520,393	24,301,755,157
Capital Expenditure	102,221,709,384	122,161,332,206	136,898,166,563
Discretionary Funds	72,251,604,128	93,541,195,373	103,781,488,681
Non-Discretionary Funds	29,970,105,256	28,620,136,833	33,116,677,883
Financing (Loans)	15,000,000,000	15,000,000,000	0
Total Revenue (Including Opening Balance)	255,950,145,815	291,345,555,263	324,835,181,426
Total Expenditure (including Contingency Reserve)	255,950,145,815	291,345,555,263	324,835,181,426
Ratios			
Growth in Recurrent Revenue	18.81%	17.31%	17.72%
Growth in Recurrent Expenditure	9.64%	9.30%	11.00%
Capital Expenditure Ratio	42.30%	44.40%	44.63%
Deficit (Financing) to Total Expenditure	5.86%	5.15%	0.00%

3.C.1 Assumptions

113. **Opening Balance** – no provision has been made for an opening balance (nor closing balance).
114. **Statutory Allocation** – The forecast for the statutory allocation is based on the benchmarked oil price, exchange rate and the oil production Benchmark for the 3 years. Once they are actualised coupled with the subsidy removal, the State can receive the forecasted figures for cash allocation. It is based on historical mineral revenue flows and elasticity-based forecast was used.
115. **VAT** – elasticity method based on the past performance is used to forecast VAT for 2024-2026. This forecast should be revisited if there are any changes to the VAT rates.
116. **Excess Crude/ Other Federation Account Receipts** – the estimation is based on the historical trend (i.e. from 2017- 2022) coupled with the newly introduced Electronic Money Transfer Levy (EMTL).

117. **Internally Generated Revenue (IGR)** – the current administration is improving on the on-going measures to grow IGR. These measures have started yielding results as actual IGR for the current year is increasing. It is anticipated that IGR will continue to increase by 30% in the current year and start to stabilise from 2024 with a minimum annual growth of 10%. Own Percentage is therefore used to forecast IGR for 2024 – 2026 (15% in 2024, 10% in 2025 and 5% in 2026).
118. **Grants** – The internal grants are based on the actual performance from 2017 to June 2023. External grants are based on signed grant agreements with the development partners.
119. **Financing (Net Loans)** – Cross River State intends to secure an external loan/borrowing of about in 2023. All internal and external loans are projections based on signed agreements.
120. A schedule of capital receipts can be found in Annex 1.
121. **Personnel** – It is anticipated that there will be a new minimum wage before the end of 2023 to cushion the effect of the subsidy removal and naira devaluation which will impact on the wage bill from the fourth quarter of 2023. The projection is that total wage bill will increase by 10% in 2023, with a gradual increase of 15%, 18% and 22% over the 2024 – 2026 fiscal years.
122. **Social Contribution and Social Benefits** – The State government is committed to constantly paying the current and outstanding pension and gratuity payment. It is therefore appropriate to make adequate provision for these items and other social commitments. Hence, the own percentage, representing computation for outstanding commitments as well as estimation for next medium term is used.
123. **Overheads** – For the State to continue meeting the needed operational and maintenance costs for running day-to-day activities of the Government appropriate provision is expected to be made for overhead. It is anticipated that overhead will increase further by 5% at the end of 2023. Consequently, own percentage method is used to forecast overhead for 2024, 2025 and 2026 at an annual increase of 10%.
124. **Public Debt Service** - is based on the projected principal and interest repayments for 2024, 2025 and 2026.
125. **Contingency and Planning Reserves** – This will be allocated when a deficit occurs as it might result from getting less than 100% from projections such as the Statutory Allocation, VAT, or excess crude oil account. This is expected to cover the unforeseen that might occur. Contingency is estimated at 5% of total revenues (including opening balance) whilst 5% of the capital development fund is set aside as planning reserve.
126. **Capital Expenditure** – is based on the balance from the recurrent account plus capital receipts, less contingency reserve as outlined above.

3.C.2 Fiscal Trends

127. Based on the above envelope, plus actual figures for 2017-2022 (using the same basis for forecasting as noted in the sub-sections within section 3.B), the trend from historical actual to forecast can be seen for revenue and then expenditure in the line graphs below.

Figure 22: Cross River State Revenue Trend

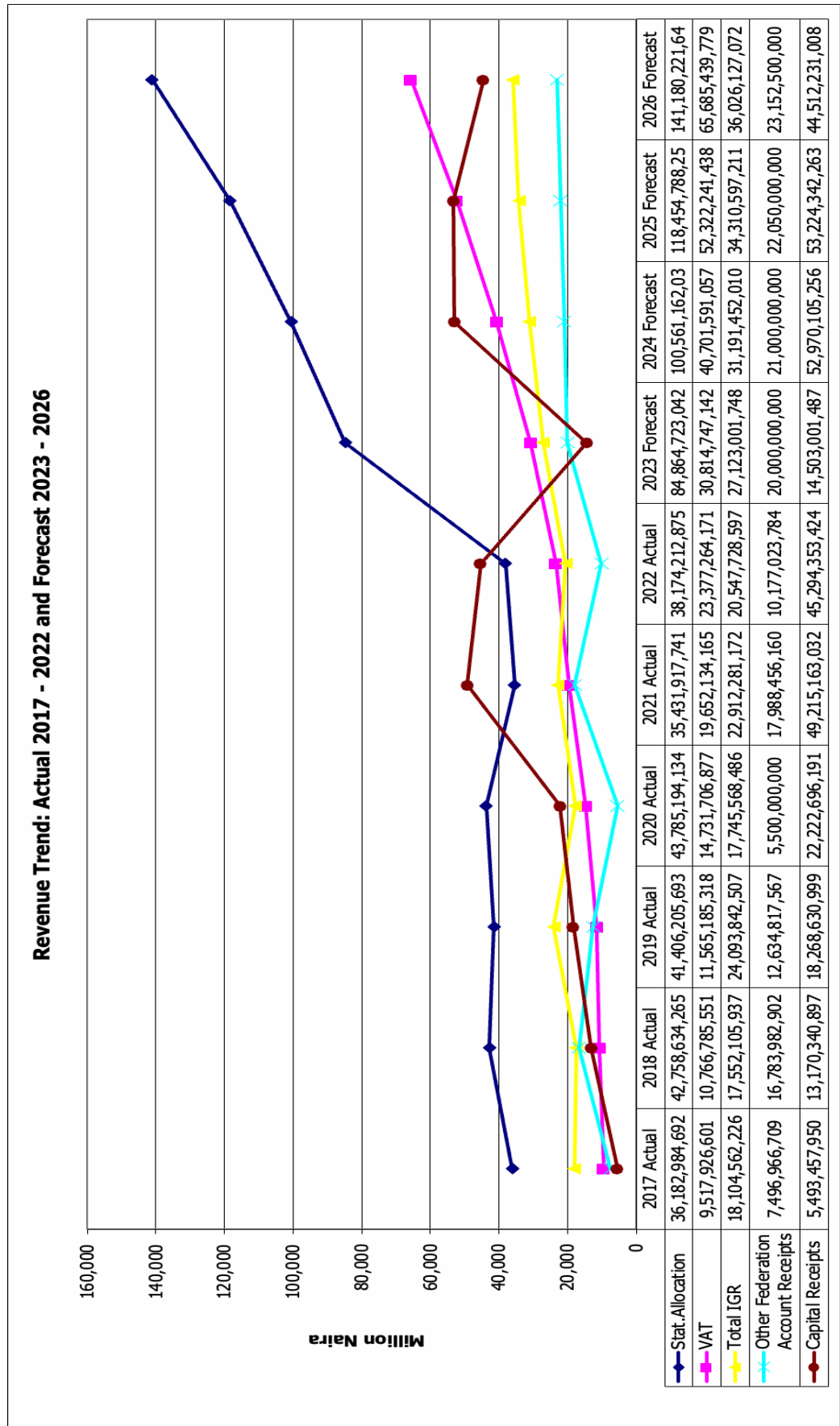
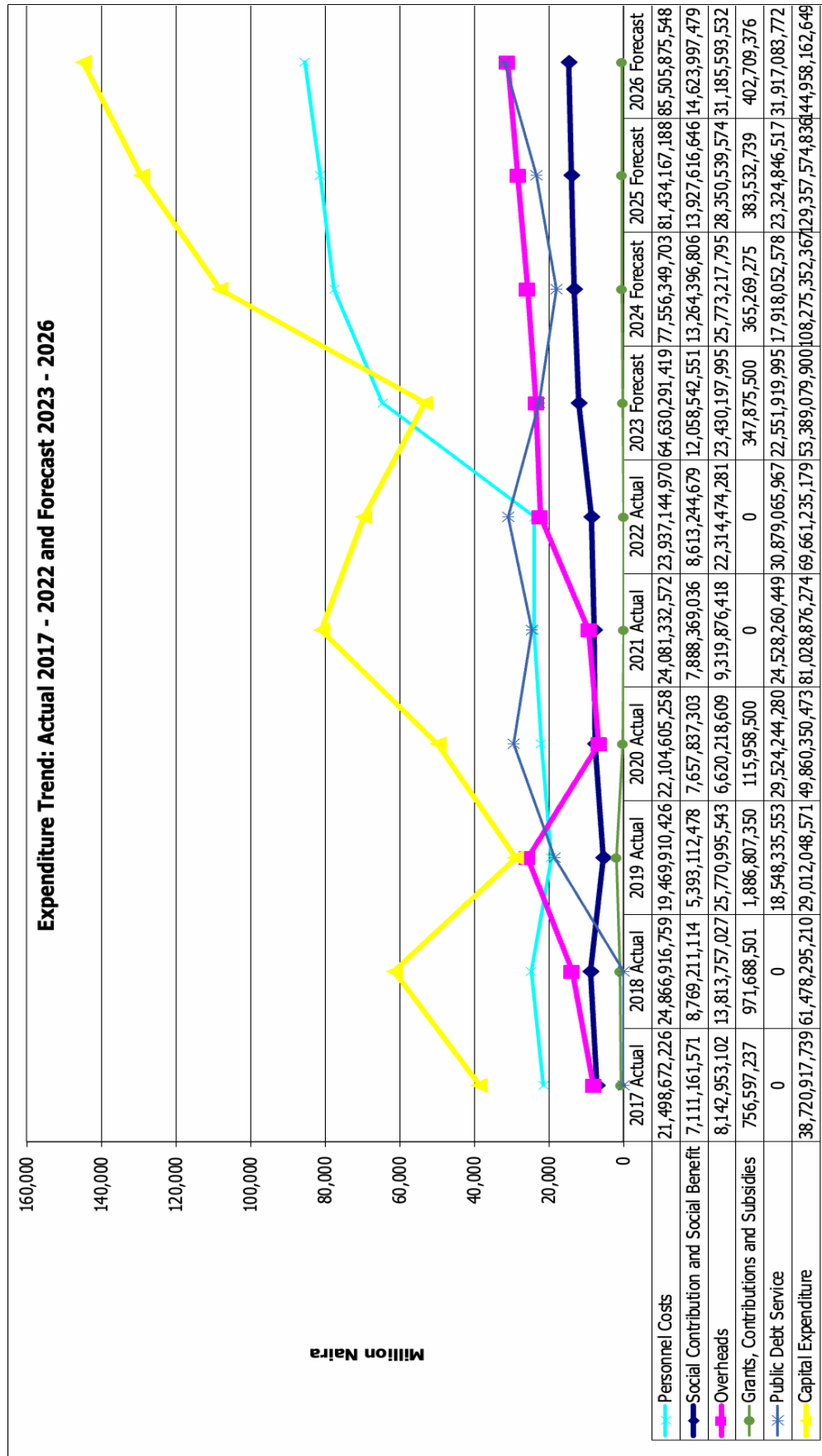


Figure 23: Cross River State Expenditure Trend



3.D Local Government Estimates

128. Based on the Macroeconomic assumptions in section Error! Reference source not found.0, the forecasting techniques noted in section 0 and the vertical and horizontal sharing ratios, the Federation Account revenues and share of State IGR have been forecasted for the 18 Local Governments (LGs) of Cross River State for 2024-2026 as follows:

Table 6: Local Government FAAC and State IGR Share Estimates 2024-2026

Local Government Council	2024			
	Statutory Allocation	VAT	Other Federation Account	Total Transfer
ABI	3,541,623,724	1,345,672,952	850,104,230	5,737,400,906
AKAMKPA	4,451,778,056	1,364,561,464	1,068,570,704	6,884,910,224
AKPABUYO	4,261,662,513	1,723,840,511	1,022,936,825	7,008,439,849
BAKASSI	2,749,699,278	1,009,852,941	660,016,752	4,419,568,972
BEKWARA	3,284,712,647	1,229,229,140	788,437,263	5,302,379,049
BIASE	3,778,818,260	1,418,505,599	907,038,589	6,104,362,448
BOKI	4,332,215,877	1,469,163,735	1,039,871,914	6,841,251,526
CALABAR MUNICIPAL	3,431,781,876	1,449,002,645	823,738,634	5,704,523,155
CALABAR SOUTH	3,657,856,477	1,485,560,864	878,003,850	6,021,421,191
ETUNG	2,864,244,173	1,152,677,341	687,511,231	4,704,432,745
IKOM	3,908,220,787	1,398,192,158	938,099,381	6,244,512,326
OBANLIKU	3,372,715,668	1,242,677,832	809,560,834	5,424,954,334
OBUBRA	3,717,242,279	1,428,247,088	892,258,362	6,037,747,729
OBUDU	3,519,248,642	1,391,390,142	844,733,487	5,755,372,271
ODUKPANI	3,991,866,826	1,487,992,502	958,177,135	6,438,036,463
OGAJA	3,751,670,014	1,426,625,000	900,522,132	6,078,817,147
YAKURR	3,766,459,948	1,499,959,509	904,072,195	6,170,491,651
YALA	4,153,608,841	1,542,955,296	997,000,450	6,693,564,587
Total	66,535,425,887	25,066,106,720	15,970,653,967	107,572,186,574

Local Government Council	2025			
	Statutory Allocation	VAT	Other Federation Account	Total Transfer
ABI	4,171,812,257	1,729,874,023	892,609,441	6,794,295,721
AKAMKPA	5,243,917,397	1,754,155,367	1,121,999,239	8,120,072,003
AKPABUYO	5,019,973,123	2,216,011,637	1,074,083,666	8,310,068,426
BAKASSI	3,238,974,562	1,298,174,544	693,017,590	5,230,166,696
BEKWARA	3,869,187,002	1,580,184,513	827,859,126	6,277,230,641
BIASE	4,451,212,653	1,823,501,010	952,390,519	7,227,104,182
BOKI	5,103,080,593	1,888,622,476	1,091,865,510	8,083,568,578
CALABAR MUNICIPAL	4,042,425,398	1,862,705,223	864,925,566	6,770,056,187
CALABAR SOUTH	4,308,727,204	1,909,701,124	921,904,042	7,140,332,370
ETUNG	3,373,901,318	1,481,776,524	721,886,793	5,577,564,635
IKOM	4,603,640,774	1,797,387,909	985,004,350	7,386,033,033
OBANLIKU	3,972,849,082	1,597,472,922	850,038,875	6,420,360,879
OBUBRA	4,378,679,980	1,836,023,778	936,871,281	7,151,575,039
OBUDU	4,145,455,803	1,788,643,861	886,970,161	6,821,069,825
ODUKPANI	4,702,170,600	1,912,827,016	1,006,085,992	7,621,083,607
OGAJA	4,419,233,710	1,833,938,570	945,548,239	7,198,720,519
YAKURR	4,436,655,330	1,928,210,704	949,275,804	7,314,141,839
YALA	4,892,692,624	1,983,482,154	1,046,850,472	7,923,025,251
Total	78,374,589,409	32,222,693,356	16,769,186,666	127,366,469,431

Local Government Council	2026			
	Statutory Allocation	VAT	Other Federation Account	Total Transfer
ABI	4,972,170,292	2,171,687,085	937,239,913	8,081,097,290
AKAMKPA	6,249,957,737	2,202,169,929	1,178,099,201	9,630,226,867
AKPABUYO	5,983,049,976	2,781,985,155	1,127,787,850	9,892,822,981
BAKASSI	3,860,368,613	1,629,730,751	727,668,469	6,217,767,833
BEKWARA	4,611,486,683	1,983,766,593	869,252,082	7,464,505,358
BIASE	5,305,173,377	2,289,226,579	1,000,010,045	8,594,410,001
BOKI	6,082,101,532	2,370,980,189	1,146,458,785	9,599,540,506
CALABAR MUNICIPAL	4,817,960,693	2,338,443,621	908,171,844	8,064,576,158
CALABAR SOUTH	5,135,352,235	2,397,442,364	967,999,244	8,500,793,843
ETUNG	4,021,180,932	1,860,225,020	757,981,132	6,639,387,085
IKOM	5,486,844,681	2,256,444,144	1,034,254,567	8,777,543,392
OBANLIKU	4,735,036,229	2,005,470,494	892,540,819	7,633,047,543
OBUBRA	5,218,725,382	2,304,947,686	983,714,845	8,507,387,913
OBUDU	4,940,757,379	2,245,466,849	931,318,669	8,117,542,896
ODUKPANI	5,604,277,355	2,401,366,614	1,056,390,291	9,062,034,261
OGAJA	5,267,059,304	2,302,329,912	992,825,651	8,562,214,867
YAKURR	5,287,823,246	2,420,679,325	996,739,595	8,705,242,166
YALA	5,831,350,841	2,490,067,207	1,099,192,996	9,420,611,044
Total	93,410,676,487	40,452,429,516	17,607,645,999	151,470,752,003

3.E Fiscal Risks

129. The analysis and forecasting basis as laid out above implies some fiscal risks, including but not limited to.

Table 7: Fiscal Risks

Risk	Likelihood	Impact	Reaction
Militancy/Pipeline vandalism and oil theft may lead to reduction in daily oil production.	Medium	High	Dependence on Statutory allocation and Mineral derivation is crucial to the budget, however, clear prioritisation of projects in the capital budget is required. Increased IGR effort to decrease reliance on federal transfers and seeking alternative means of funding (grants, PPP etc.)
Security situation countrywide could affect economic activity and oil production, resulting in risk to VAT and Statutory Allocation	Medium	High	The estimates for VAT and statutory allocation are not overly ambitious. In addition, clear prioritisation of projects in the capital budget is required. Increased IGR effort to decrease reliance on federal transfers and seeking alternative means of funding (grants, PPP etc.)
Risks associated with debt financing	Low	Medium	Use of external borrowing to finance budget deficit
Mismanagement and inefficient use of financial resources	Medium	High	Adherence to existing and new institutional and legal/regulatory framework that will require more transparent and efficient use of financial resources.

130. It should be noted however that no budget is without risk. The ongoing implementation of the 2023 budget should be closely monitored, as should the security situation and impact of the fiscal and economic outlook.

4. Budget Policy Statement

4.A Budget Policy Thrust

131. The overall policy objectives are captured by the following points:

- To reduce over-dependence on Federal transfers through improved independent revenue generation achievable via a technological-driven and autonomous Board of Internal Revenue;
- To ensure quality human-capital development initiative through continuous improvement in access to - and quality of - public services, which include education and Health Care Delivery Systems at all levels. Inherent in this is the resolve of government to promote gender equality and inclusive development.
- To pursue initiatives that would continue to generate economic growth and guarantee security. This would involve implementation of programmes that generate employment and create wealth and ensure adequate security.

4.B Sector Allocations (3 Year)

132. The total forecast budget size for the 2024 fiscal year as explained in Section 3.C above is **N255,950,145,815** of which the sum of **134,877,286,157** will be for recurrent expenditure (i.e. Personnel, Overhead, Social Contributions, Special Programmes, Grants & Contributions Public Debt Charge, Transfer to Internal Revenue Services and Transfer to Local Governments), **N102,221,709,384** will be for capital expenditure, **N68,102,754,402** as transfer to Capital and **N12,797,507,291** will be for contingency reserve that will be allocated during the budget year after getting approval from the SHoA. A planning reserve of **N 6,053,642,983** provision was made which will be allocated to sectors at bilateral discussion stage to fund critical expenditure items not envisaged at the stage of issuing budget call circular. The capital component of the budget is derived from discretionary and non-discretionary funds. Discretionary fund of **N72,251,604,128** will be distributed to all MDAs while non-discretionary capital fund of **N29,970,105,256** is specifically earmarked for special projects. The non-discretionary fund is in the form of loans and grants.

The indicative three envelopes for Main Organisations for Personnel, Overhead and Capital Expenditure are presented in Table 8,

Table 9 and Table 10 respectively.

Table 8: Indicative Sector Expenditure Ceilings 2024-2026 – Personnel (Salaries and Allowances)

Personnel Expenditure by Sector						
No.	Sector	% 2024	2024 Allocation	% 2025	2025 Allocation	2026 Allocation
1	Government House	11.15%	8,647,243,550	11.15%	9,079,605,727	9,533,586,014
2	Ministry of Foreign Affairs - Updated	0.00%	0	0.00%	0	0
3	Office of the Secretary to the State Government	0.52%	404,533,089	0.52%	424,759,743	445,997,731
4	House of Assembly	3.64%	2,823,380,488	3.64%	2,964,549,512	3,112,776,988
5	Ministry of Information	1.25%	967,263,995	1.25%	1,015,627,194	1,066,408,554
6	Office of the Head of State Civil Service	0.20%	154,399,268	0.20%	162,119,231	170,225,193
7	Auditor General	1.46%	1,130,228,749	1.46%	1,186,740,186	1,246,077,196
8	Civil Service Commission (CSC)	0.13%	103,178,571	0.13%	108,337,499	113,754,374
9	Local Government Service Commission	0.13%	99,844,117	0.13%	104,836,323	110,078,139
10	State Independent Electoral Commission	0.06%	45,476,961	0.06%	47,750,809	50,138,350
11	Ministry of Special Duties and Intergovernment	0.05%	38,825,272	0.05%	40,766,535	42,804,862
12	Ministry of Establishment, Training and Pension	0.14%	106,832,615	0.14%	112,174,246	117,782,958
13	Ministry of International Development Coordinat	0.07%	52,850,491	0.07%	55,493,015	58,267,666
14	Ministry of Crops and Irrigation	1.70%	1,319,132,743	1.70%	1,385,089,380	1,454,343,849
15	Minsitry of Livestock, Aquaculture and Fisheries	0.73%	565,342,604	0.73%	593,609,734	623,290,221
16	Ministry of Finance	16.06%	12,455,284,161	16.06%	13,078,048,369	13,731,950,788
17	Ministry of Commerce	0.21%	166,069,312	0.21%	174,372,777	183,091,416
18	Ministry of Science and Technology	0.37%	284,472,405	0.37%	298,696,026	313,630,827
19	Ministry of Transport	0.57%	442,206,929	0.57%	464,317,276	476,533,139
20	Ministry of Power	0.20%	156,695,007	0.20%	164,529,757	172,756,245
21	Ministry of Works	0.56%	432,089,838	0.56%	453,694,329	476,379,046
22	Ministry of Tourism, Arts and Culture	0.46%	356,710,398	0.46%	374,545,918	393,273,214
23	State Planning Commission	0.31%	242,745,221	0.31%	254,882,482	267,626,606
24	Ministry of Water Resources	1.51%	1,170,028,277	1.51%	1,228,529,691	1,289,956,175
25	Ministry of Housing	0.03%	26,791,597	0.03%	28,131,177	29,537,736
26	Ministry of Lands	0.77%	595,228,586	0.77%	624,990,016	656,239,517
27	Ministry of Mineral Resources	0.22%	172,717,348	0.22%	181,353,215	190,420,876
28	Ministry of Industry	0.52%	406,841,360	0.52%	427,183,428	448,542,599
29	Ministry of Aviation	0.05%	41,479,373	0.05%	43,553,342	45,731,009
30	Judiciary	4.98%	3,864,093,974	4.98%	4,057,298,673	4,260,163,606
31	Urban Development Authority	0.12%	91,704,732	0.12%	96,289,969	101,104,467
32	Ministry of Youth Development	0.10%	76,961,812	0.10%	80,809,902	84,850,397
33	Ministry of Women Affairs	0.06%	46,984,010	0.06%	49,333,210	51,799,871
34	Ministry of Education	39.53%	30,660,577,486	39.53%	32,193,606,360	33,803,286,678
35	Ministry of Health	10.41%	8,072,113,577	10.41%	8,475,719,256	8,899,505,219
36	Ministry of Environment	0.73%	563,561,006	0.73%	591,739,057	621,326,009
37	Ministry of Sports Development	0.37%	290,150,305	0.37%	304,657,821	319,890,712
38	Ministry of Local Government	0.11%	85,568,734	0.11%	89,847,171	94,339,529
39	Chieftaincy Affairs Department	0.12%	96,148,997	0.12%	100,956,447	106,004,269
40	Ministry of Humanitarian Affairs	0.10%	75,148,187	0.10%	78,905,596	82,850,876
41	Minidtry of Social Welfare and Community Deve	0.10%	75,148,187	0.10%	78,905,596	82,850,876
42	Ministry of Human Capital and Entrepreneurial D	0.10%	75,148,187	0.10%	78,905,596	82,850,876
43	Ministry of Wealth Creation and Employment	0.10%	75,148,187	0.10%	78,905,596	82,850,876
	Total	100.00%	77,556,349,703	100.00%	81,434,167,188	85,505,875,548

Table 9: Indicative Sector Expenditure Ceilings 2024-2026 – Overhead (Account Class 2202)

Overhead Expenditure by Sector						
No.	Sector	% 2024	2024 Allocation	% 2025	2025 Allocation	2026 Allocation
1	Government House	52.56%	13,545,744,379	52.56%	14,900,318,817	16,390,350,699
2	Ministry of Foreign Affairs - Updated	0.00%	752,785	0.00%	828,063	910,870
3	Office of the Secretary to the State Government	0.39%	101,108,553	0.39%	111,219,408	122,341,349
4	House of Assembly	17.32%	4,464,943,324	17.32%	4,911,437,656	5,402,581,422
5	Ministry of Information	0.49%	125,223,709	0.49%	137,746,080	151,520,688
6	Office of the Head of State Civil Service	0.27%	68,922,243	0.27%	75,814,467	83,395,914
7	Auditor General	1.45%	374,255,618	1.45%	411,681,180	452,849,298
8	Civil Service Commission (CSC)	0.12%	30,512,951	0.12%	33,564,246	36,920,670
9	Local Government Service Commission	0.21%	54,957,324	0.21%	60,453,057	66,498,362
10	State Independent Electoral Commission	0.02%	4,627,798	0.02%	5,090,578	5,599,635
11	Ministry of Special Duties and Intergovernment	0.03%	8,020,266	0.03%	8,822,292	9,704,521
12	Ministry of Establishment, Training and Pension	0.11%	28,148,070	0.11%	30,962,877	34,059,165
13	Ministry of International Development Coordination	0.02%	4,836,768	0.02%	5,320,445	5,852,489
14	Ministry of Crops and Irrigation	0.11%	29,110,632	0.11%	32,021,696	35,223,865
15	Ministry of Livestock, Aquaculture and Fisheries	0.04%	10,309,287	0.04%	11,340,216	12,474,237
16	Ministry of Finance	12.39%	3,192,343,960	12.39%	3,511,578,356	3,862,736,191
17	Ministry of Commerce	0.09%	22,497,110	0.09%	24,746,821	27,221,503
18	Ministry of Science and Technology	0.01%	1,557,486	0.01%	1,713,235	1,884,558
19	Ministry of Transport	0.16%	41,596,262	0.16%	45,755,888	50,331,477
20	Ministry of Power	0.38%	97,739,570	0.38%	107,513,527	118,264,880
21	Ministry of Works	0.12%	31,214,155	0.12%	34,335,570	37,769,127
22	Ministry of Tourism, Arts and Culture	0.09%	22,806,268	0.09%	25,086,894	27,595,584
23	State Planning Commission	0.04%	10,733,835	0.04%	11,807,218	12,987,940
24	Ministry of Water Resources	1.03%	266,188,781	1.03%	292,807,659	322,088,424
25	Ministry of Housing	0.02%	4,746,459	0.02%	5,221,105	5,743,215
26	Ministry of Lands	1.13%	291,989,300	1.13%	321,188,230	353,307,053
27	Ministry of Mineral Resources	0.04%	11,544,326	0.04%	12,698,758	13,968,634
28	Ministry of Industry	0.20%	50,565,214	0.20%	55,621,736	61,183,910
29	Ministry of Aviation	0.03%	8,575,465	0.03%	9,433,011	10,376,312
30	Judiciary	2.15%	553,887,418	2.15%	609,276,160	670,203,776
31	Urban Development Authority	0.10%	25,733,741	0.10%	28,307,115	31,137,826
32	Ministry of Youth Development	0.02%	6,093,574	0.02%	6,702,932	7,373,225
33	Ministry of Women Affairs	0.03%	6,574,267	0.03%	7,231,694	7,954,863
34	Ministry of Education	4.87%	1,254,256,813	4.87%	1,379,682,494	1,517,650,744
35	Ministry of Health	3.11%	800,489,913	3.11%	880,538,905	968,592,795
36	Ministry of Environment	0.47%	121,322,745	0.47%	133,455,019	146,800,521
37	Ministry of Sports Development	0.08%	20,578,996	0.08%	22,636,895	24,900,585
38	Ministry of Local Government	0.12%	31,684,978	0.12%	34,853,476	38,338,824
39	Chieftaincy Affairs Department	0.01%	3,609,151	0.01%	3,970,066	4,367,072
40	Ministry of Humanitarian Affairs	0.04%	11,032,454	0.04%	12,135,700	13,349,270
41	Ministry of Social Welfare and Community Development	0.04%	11,032,454	0.04%	12,135,700	13,349,270
42	Ministry of Human Capital and Entrepreneurial Development	0.04%	11,032,454	0.04%	12,135,700	13,349,270
43	Ministry of Wealth Creation and Employment	0.04%	11,032,454	0.04%	12,135,700	13,349,270
	Total	100.00%	25,773,217,795	100.00%	28,350,539,574	31,185,593,532

Table 10: Indicative Sector Expenditure Ceilings 2024-2026 – Capital

Capital Expenditure by Sector										
No.	Sector	% 2024	2024 Allocation	Discretionary Funds			Non-Discretionary Funds			
				% 2025	2025 Allocation	% 2026	2026 Allocation	2024 Allocation	2025 Allocation	2026 Allocation
1	Government House	20.21%	14,602,049,194	20.21%	18,904,675,585	20.21%	20,974,238,862	0	0	0
2	Ministry of Foreign Affairs - Updated	0.08%	54,338,159	0.08%	70,349,390	0.08%	78,050,793	0	0	0
3	Office of the Secretary to the State Government	0.07%	49,278,607	0.07%	63,798,996	0.07%	70,783,304	0	0	0
4	House of Assembly	1.65%	1,193,501,223	1.65%	1,545,177,196	1.65%	1,714,333,338	0	0	0
5	Ministry of Information	0.09%	64,765,365	0.09%	83,849,067	0.09%	93,028,328	0	0	0
6	Office of the Head of State Civil Service	0.04%	26,453,827	0.04%	34,248,688	0.04%	37,998,016	0	0	0
7	Auditor General	0.30%	213,525,277	0.30%	276,442,439	0.30%	306,705,593	0	0	0
8	Civil Service Commission (CSC)	0.01%	5,077,112	0.01%	6,573,129	0.01%	7,292,173	0	0	0
9	Local Government Service Commission	0.13%	91,143,388	0.13%	117,999,614	0.13%	130,917,459	0	0	0
10	State Independent Electoral Commission	0.38%	272,478,859	0.38%	352,767,229	0.38%	391,385,935	0	0	0
11	Ministry of Special Duties and Intergovernmental Affairs	1.13%	814,910,212	1.13%	1,055,030,906	1.13%	1,170,528,959	0	0	0
12	Ministry of Establishment, Training and Pension	0.21%	152,344,890	0.21%	197,234,695	0.21%	218,826,691	0	0	0
13	Ministry of International Development Coordination	1.32%	954,793,182	1.32%	1,236,131,663	1.32%	1,371,455,471	0	0	0
14	Ministry of Crops and Irrigation	3.26%	2,355,191,464	3.26%	3,049,170,015	3.26%	3,382,973,695	15,550,000,000	10,719,000,000	10,835,700,000
15	Ministry of Livestock, Aquaculture and Fisheries	3.00%	2,167,548,124	3.00%	2,806,235,861	3.00%	3,113,444,660	0	0	0
16	Ministry of Finance	2.50%	1,805,793,068	2.50%	2,337,886,393	2.50%	2,593,823,281	0	0	0
17	Ministry of Commerce	0.53%	379,526,826	0.53%	491,357,851	0.53%	545,148,574	0	0	0
18	Ministry of Science and Technology	0.07%	47,474,202	0.07%	61,462,907	0.07%	68,191,474	0	0	0
19	Ministry of Transport	1.39%	1,005,375,214	1.39%	1,301,618,150	1.39%	1,444,111,001	0	0	0
20	Ministry of Works	3.34%	2,410,097,949	3.34%	3,120,255,195	3.34%	3,461,840,827	1,850,105,256	2,405,136,833	3,126,677,883
21	Ministry of Tourism, Arts and Culture	16.49%	11,916,605,887	16.49%	15,427,942,022	16.49%	17,116,894,689	0	0	0
22	Ministry of Education	0.73%	528,055,819	0.73%	683,652,262	0.73%	758,494,150	0	0	0
23	State Planning Commission	0.10%	75,795,757	0.10%	98,129,666	0.10%	108,872,275	0	0	0
24	Ministry of Water Resources	1.06%	765,429,889	1.06%	990,970,757	1.06%	1,099,455,913	0	0	0
25	Ministry of Housing	0.56%	401,617,936	0.56%	519,958,308	0.56%	576,880,026	0	0	0
26	Ministry of Lands	1.47%	1,062,614,372	1.47%	1,375,723,346	1.47%	1,526,328,761	0	0	0
27	Ministry of Mineral Resources	0.21%	152,291,382	0.21%	197,165,421	0.21%	218,749,833	0	0	0
28	Ministry of Industry	3.70%	2,670,908,627	3.70%	4,357,786,641	3.70%	4,836,323,063	0	0	0
29	Ministry of Aviation	8.00%	5,780,128,330	8.00%	7,483,295,630	8.00%	8,302,519,094	0	0	0
30	Judiciary	0.75%	543,242,777	0.75%	703,443,630	0.75%	780,452,184	0	0	0
31	Urban Development Authority	0.04%	30,388,541	0.04%	39,213,324	0.04%	43,506,160	0	0	0
32	Ministry of Youth Development	1.79%	1,294,851,929	1.79%	1,676,391,808	1.79%	1,859,912,489	0	0	0
33	Ministry of Women Affairs	0.28%	198,918,049	0.28%	257,531,058	0.28%	285,723,915	0	0	0
34	Ministry of Education	8.26%	5,969,903,780	8.26%	7,728,990,140	8.26%	8,575,110,672	6,770,000,000	8,561,000,000	11,064,300,000
35	Ministry of Health	8.32%	6,008,493,232	8.32%	7,778,950,324	8.32%	8,630,540,178	90,000,000	85,000,000	90,000,000
36	Ministry of Environment	1.88%	1,359,876,634	1.88%	1,760,576,632	1.88%	1,953,313,330	5,720,000,000	6,850,000,000	8,000,000,000
37	Ministry of Sports Development	0.40%	290,600,808	0.40%	376,228,974	0.40%	417,416,122	0	0	0
38	Ministry of Local Government	0.10%	69,846,383	0.10%	90,427,254	0.10%	100,326,652	0	0	0
39	Chieftaincy Affairs Department	0.02%	17,557,150	0.02%	22,730,523	0.02%	25,218,916	0	0	0
40	Ministry of Humanitarian Affairs	1.72%	1,244,742,390	1.72%	1,611,517,039	1.72%	1,787,935,643	0	0	0
41	Ministry of Social Welfare and Community Development	1.48%	1,068,942,307	1.48%	1,383,915,865	1.48%	1,535,418,145	0	0	0
42	Ministry of Human Capital and Entrepreneurial Development	1.48%	1,068,942,307	1.48%	1,383,915,865	1.48%	1,535,418,145	0	0	0
43	Ministry of Wealth Creation and Employment	1.48%	1,068,942,307	1.48%	1,383,915,865	1.48%	1,535,418,145	0	0	0
	Total	100.00%	72,251,604,128	100.00%	93,541,195,373	100.00%	103,781,488,681	29,970,105,256	28,620,136,833	33,116,677,883

Capital Expenditure by Sector		Total Capital Envelope					
No.	Sector	% 2024	2024 Allocation	% 2025	2025 Allocation	% 2026	2026 Allocation
1	Government House	14.3%	14,602,049,194	15.5%	18,904,675,585	15.3%	20,974,238,862
2	Ministry of Foreign Affairs - Updated	0.1%	54,338,159	0.1%	70,349,390	0.1%	78,050,793
3	Office of the Secretary to the State Government	0.0%	49,278,607	0.1%	63,798,996	0.1%	70,783,304
4	House of Assembly	1.2%	1,193,501,223	1.3%	1,545,177,196	1.3%	1,714,333,338
5	Ministry of Information	0.1%	64,765,365	0.1%	83,849,067	0.1%	93,028,328
6	Office of the Head of State Civil Service	0.0%	26,453,827	0.0%	34,248,688	0.0%	37,998,016
7	Auditor General	0.2%	213,525,277	0.2%	276,442,439	0.2%	306,705,593
8	Civil Service Commission (CSC)	0.0%	5,077,112	0.0%	6,573,129	0.0%	7,292,713
9	Local Government Service Commission	0.1%	91,143,388	0.1%	117,999,614	0.1%	130,917,459
10	State Independent Electoral Commission	0.3%	272,478,859	0.3%	352,767,229	0.3%	391,385,935
11	Ministry of Special Duties and Intergovernmental Affairs	0.8%	814,910,212	0.9%	1,055,030,906	0.9%	1,170,528,959
12	Ministry of Establishment, Training and Pension	0.1%	152,344,890	0.2%	197,234,695	0.2%	218,826,691
13	Ministry of International Development Cordination	0.9%	954,793,182	1.0%	1,236,131,663	1.0%	1,371,455,471
14	Ministry of Crops and Irrigation	17.5%	17,905,191,464	11.3%	13,768,170,015	10.4%	14,218,673,695
15	Ministry of Livestock, Aquaculture and Fisheries	2.1%	2,167,548,124	2.3%	2,806,235,861	2.3%	3,113,444,660
16	Ministry of Finance	1.8%	1,805,793,068	1.9%	2,337,886,393	1.9%	2,593,823,281
17	Ministry of Commerce	0.4%	379,526,826	0.4%	491,357,851	0.4%	545,148,574
18	Ministry of Science and Technology	0.0%	47,474,202	0.1%	61,462,907	0.0%	68,191,474
19	Ministry of Transport	1.0%	1,005,375,214	1.1%	1,301,618,150	1.1%	1,444,111,001
20	Ministry of Power	4.2%	4,260,203,205	4.5%	5,525,392,027	4.8%	6,588,518,710
21	Ministry of Works	11.7%	11,916,605,887	12.6%	15,427,942,022	12.5%	17,116,894,689
22	Ministry of Tourism, Arts and Culture	0.5%	528,055,819	0.6%	683,652,262	0.6%	758,494,150
23	State Planning Commission	0.1%	75,795,757	0.1%	98,129,666	0.1%	108,872,275
24	Ministry of Water Resources	0.7%	765,429,889	0.8%	990,970,757	0.8%	1,099,455,913
25	Ministry of Housing	0.4%	401,617,936	0.4%	519,958,308	0.4%	576,880,026
26	Ministry of Lands	1.0%	1,062,614,372	1.1%	1,375,723,346	1.1%	1,526,328,761
27	Ministry of Mineral Resources	0.1%	152,291,382	0.2%	197,165,421	0.2%	218,749,833
28	Ministry of Industry	2.6%	2,670,808,627	2.8%	3,457,786,641	2.8%	3,836,323,063
29	Ministry of Aviation	5.7%	5,780,128,330	6.1%	7,483,295,630	6.1%	8,302,519,094
30	Judiciary	0.5%	543,342,777	0.6%	703,443,660	0.6%	780,452,184
31	Urban Development Authority	0.0%	30,288,541	0.0%	39,213,334	0.0%	43,506,160
32	Ministry of Youth Development	1.3%	1,294,851,929	1.4%	1,676,391,808	1.4%	1,859,912,489
33	Ministry of Women Affairs	0.2%	198,918,049	0.2%	257,531,058	0.2%	285,723,915
34	Ministry of Education	12.5%	12,739,903,780	13.3%	16,289,990,140	14.3%	19,639,410,672
35	Ministry of Health	6.0%	6,088,493,232	6.4%	7,863,950,324	6.4%	8,720,540,178
36	Ministry of Environment	6.9%	7,079,876,634	7.0%	8,610,576,632	7.3%	9,953,313,330
37	Ministry of Sports Development	0.3%	290,600,808	0.3%	376,228,974	0.3%	417,416,122
38	Ministry of Local Government	0.1%	69,846,383	0.1%	90,427,254	0.1%	100,326,652
39	Chieftaincy Affairs Department	0.0%	17,557,150	0.0%	22,730,523	0.0%	25,218,916
40	Ministry of Humanitarian Affairs	1.2%	1,244,742,390	1.3%	1,611,517,039	1.3%	1,787,935,643
41	Ministry of Social Welfare and Community Development	1.0%	1,068,942,307	1.1%	1,383,915,865	1.1%	1,535,418,145
42	Ministry of Human Capital and Entrepreneurial Development	1.0%	1,068,942,307	1.1%	1,383,915,865	1.1%	1,535,418,145
43	Ministry of Wealth Creation and Employment	1.0%	1,068,942,307	1.1%	1,383,915,865	1.1%	1,535,418,145
	Total	100.00%	102,224,367,990	100.00%	122,164,774,194	100.00%	136,901,985,359

4.C Considerations for the Annual Budget Process

133. The budget call circular should include the following instructions to MDAs for the annual budget submissions:

- Only prioritised projects contained in the sectors' MTSS should be in the MDAs capital budget proposal;
- Budget submissions for capital projects must include full life-time capital investment requirements (costs) and also sources of funding (particularly if grants and/or loans are being used to partially/fully fund the project).

5. Summary of Key Points and Recommendations

134. We summarise below a list of the key points arising in this document:

- Cross River State should sustain the current Budget reform programme particularly as it relates to the preparation of a realistic budget, ensuring policy-plan-budget linkages using the State MTSSs, and early passage of the budget. Efforts should be made to prepare MTSS for other sectors not yet provided for.
- Cross River State must continue to monitor the performance of mineral-based revenues to ensure estimates are consistent with the latest development globally and within the Federal Government's budget process. If the benchmark price of crude in the Federal FSP is lower or higher than \$65 per barrel used herein and IMF, World Bank, OPEC, and US Energy Information Administration Reports validates the oil price benchmark provided in Federal FSP, the State would revisit the assumptions and recalculate statutory allocation.

Annex 1 Capital Receipts

Table 11 Estimated Grants and Loans for 2024-2026

ITEM	2023	2024	2025	2026
Internal Grants				
Contributions from LG to fund environmental Project	630,000,000	720,000,000	850,000,000	1,000,000,000
Local Government Contribution for Rural Development	2,268,000,000	2,800,000,000	3,358,205,430	3,950,753,125
Nigeria COVID-19 Action Recovery Economic Stimulus (N-CARES)	1,158,400,000	2,860,000,000	3,518,000,000	4,273,400,000
Cross River-Rural Access and Agricultural Marketing Project (CR-RAAMP) II	450,000,000			
State Malaria Elimination Programme (SMEP)	75,604,075	80,000,000	85,000,000	90,000,000
Agro-Processin, Productivity Enhancement And Livelihood Improvement Support (APEA)	500,000,000	530,000,000	689,000,000	795,700,000
FGN Social Safety net Project (NASSP)	100,000,000			
Livelihood Improvement Family Enterprises-Niger Delta (LIFE -ND)	432,788,200			
Local Government Contribution for Electrification	1,260,000,000	1,850,105,256	2,405,136,833	3,126,677,883
Local Government Councils contribution to LGSC	237,600,000	300,000,000	390,000,000	507,000,000
Local Government Councils contributions for LG Pension	5,391,925,463	5,925,835,458	6,503,586,095	8,454,661,924
Local Government Councils contributions for LG Gratuity	2,400,000,000	3,100,000,000	3,830,000,000	4,979,000,000
Local Government Contribution for Conduct of LG Elections	12,000,000	200,000,000	260,000,000	338,000,000
Federal Government UBE Matching Grant 2023 UNACCESSED Fund	3,000,000,000	3,500,000,000	4,250,000,000	5,525,000,000
Federal Grant on Physically and mentally challenged programme	51,000,000	60,000,000	78,000,000	101,400,000
Federal Government UBE (Teachers Prof. Dev. PROGRAMME)	161,000,000	20,000,000	26,000,000	33,800,000
Better Education Service Delivery For All (BESDA)	537,000,000	600,000,000	780,000,000	1,014,000,000
Tertiary Education Trust Fund Grant	1,500,000,000	2,000,000,000	2,600,000,000	3,380,000,000
Presidential Needs Assessment Intervention	200,000,000			
1% Local Government Contribution to CRUTECH	319,209,212	350,000,000	455,000,000	591,500,000
Funds from the CR State Local Government (Accreditation) to CRUTECH	250,000,000	300,000,000	450,000,000	520,000,000
State Agricultural Processing Zone		15,000,000,000	10,000,000,000	10,000,000,000
Nigeria Erosion and Watershed Management Project (NEWMAP)		5,000,000,000	6,000,000,000	7,000,000,000
Sub-Total Recurrent Internal Grants	8,041,525,463	9,525,835,458	10,983,586,095	14,278,661,924
Sub-Total Capital Internal Grants	12,893,001,487	35,670,105,256	35,544,342,263	41,402,231,008
Sub-Total Internal Grant	20,934,526,950	45,195,940,714	46,527,928,358	55,680,892,932
External Grants				
United Nation Grant for Delivery as One programme	1,450,000,000	2,000,000,000	2,200,000,000	2,500,000,000
United State Agency for Inatematical Development Grants for Health and Education	100,000,000	200,000,000	350,000,000	450,000,000
IFAD Support fund for Agricultural Extension	10,000,000	20,000,000	30,000,000	40,000,000
Grants for UNICEF Assisted Programme for Children in the State	50,000,000	80,000,000	100,000,000	120,000,000
Sub-Total Recurrent External Grants	0	0	0	0
Sub-Total Capital External Grants	1,610,000,000	2,300,000,000	2,680,000,000	3,110,000,000
Sub-Total External Grant	1,610,000,000	2,300,000,000	2,680,000,000	3,110,000,000
Grant Balancing Item / Blue Sky (Capital)				
Total Recurrent Grants	8,041,525,463	9,525,835,458	10,983,586,095	14,278,661,924
Total Capital Grants (including Blue Sky)	14,503,001,487	37,970,105,256	38,224,342,263	44,512,231,008
Total Grants	22,544,526,950	47,495,940,714	49,207,928,358	58,790,892,932
Internal Loans				
Total	0	0	0	0
External Loans				
World Bank SABER Loan		15,000,000,000	15,000,000,000	
Total	0	15,000,000,000	15,000,000,000	0
Loan Balancing Item / Blue Sky				
Total Loans	0	15,000,000,000	15,000,000,000	0