

Strengthening Subnational Fiscal Resilience to Minimize the Impact of the Energy Transition

Akwa Ibom State Case Study



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About BudgIT



BudgIT is a civic organisation that uses creative technology to simplify public information, stimulating a community of active citizens and enabling their right to demand accountability, institutional reforms, efficient service delivery and an equitable society.

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This research work is supported by the Natural Resource Governance Institute (NRGI)

About NRGI



The Natural Resource Governance Institute is an independent, non-profit organization that supports informed, inclusive decision-making about natural resources and the energy transition. We partner with reformers in government and civil society to design and implement just policies based on evidence and the priorities of citizens in resource-rich developing countries.

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Introduction

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1.1 Background and Context

Fossil fuel-dependent economies risk revenue decline as fossil fuel production decreases and markets shrink globally in response to the climate change-inspired energy transition. Reduced revenues from fossil fuels translate to lower revenues for oil-producing countries like Nigeria. Failure to translate decades of fossil fuel wealth to sustainable growth continues to leave Nigeria dependent and increasingly threatened by the changing energy paradigm. Oil-producing states in Nigeria would suffer a similar fate as oil revenues account for between 50% to 80% of the revenues accruing to oil-producing states from their statutory entitlements,

including 13% derivation.¹ Other oil revenue benefits from the Niger Delta Development Commission and the Nigerian Content Development and Monitoring Board are also at risk of losing funding. More broadly, as fossil fuels are phased out, local economies are threatened with the loss of formal and informal employment opportunities.

Nine states in Nigeria are responsible for the country's oil production, with Akwa Ibom accounting for the largest share (approximately 30%) of total production.

The fiscal sustainability of oil-producing states dependent on federal revenues to sustain them is threatened as revenue receipts from oil diminish. BudgIT's State of States report revealed that Akwa Ibom relied on federal revenue allocations from oil to service 90.2%

1. Oil producing states in Nigeria are entitled to 13% of oil revenues generated from from their territories.

of its recurrent expenditure in 2022. Loss of federal revenues may translate to a loss of jobs for a considerable sector of the population in Akwa Ibom state. Further proof is that internally generated revenue (IGR) only grew by 0.2% that year. Despite huge potential from the non-oil sector, tourism, the Akwa Ibom government has not successfully translated non-oil sector revenue into a diversified economy, independent of federal funds. Therefore, if the revenue from oil continually diminishes for Nigeria as projected, so will state allocations and their ability to fund social and infrastructural obligations.

To build fiscal resilience, the Akwa Ibom state government must reduce its reliance on federal revenues and build resilience within the state. This will involve growing the state's IGR and diversifying its revenues, attracting investments and efficiently managing revenues and resources, thus building fiscal resilience. The finite nature of fossil fuels implies that revenues should be more efficiently invested in other sectors that will sustain the economy and contribute to a just transition. Weak revenue management strategies could fracture the social and economic well-being of the population if adequate investments are not made in education, healthcare, infrastructure and technology. **On the other hand, strong revenue management strategies will help ensure that the federal and state governments diversify reliance on petrodollars for currency stability and economic resilience.**

The intended transition risks, such as projected fossil fuel production and revenue decline, can all be mitigated. Citizens, including youth, media, women, and oil communities, echo similar concerns about the lack of their state's preparedness to mitigate energy transition-induced economic instability. Oil-producing states can embrace and implement the principles espoused in NRGi's guidebook on Nigeria's energy transition to mitigate the social and economic impacts of the transition and adopt fiscal measures to ensure their citizens are not left behind as the global energy shift intensifies.

1.2 Methodology and Scope

This research product was commissioned to draw from the Natural Resource Governance Institute (NRGI)'s Guidebook on Energy Transition. The Guidebook assesses the frameworks that the Nigerian government has designed to transition from fossil fuel to clean energy sources. It calls for a people-centred and just energy transition. The Guidebook encourages governments to manage and mitigate the economic, environmental and social impacts of the energy transition; paying close attention to subnational impacts on oil-producing states reliant on fossil fuel revenues. This research allows the state to respond to queries by the Akwa Ibom state indigenes.

Furthermore, desk research and analysis were combined with focus group discussions and engagements with key stakeholders. Focus group discussions were conducted in groups with government representatives, community members and civil society organisations to get a robust contextual understanding of the challenges and opportunities. In addition, relevant state and non-state actors were engaged to share research outputs to strengthen the analysis further and proffer unique recommendations relevant to Akwa Ibom state as well as the broader oil-producing region in Nigeria.

1.3 Objectives

- Advance a just energy transition where oil-producing states mitigate the economic and social transition risks of the energy transition.
- Provision of concrete policy and legislative and regulatory reforms that enable oil-producing states to respond better to the energy transition.
- Provide an opportunity for the state government to respond to concerns Akwa Ibom citizens raise, particularly communities, women and youth groups.

A photograph of several wind turbines in a field at sunset. The sun is low on the horizon, creating a strong orange glow that reflects off the blades of the turbines and the grass in the foreground. The sky is a mix of orange and dark blue.

Effect of Energy Transition on Akwa Ibom Fiscal Sustainability

2

2.1 Nigeria's dependency on Oil and gas revenue

Oil and gas revenue accounts for most of Nigeria's income and foreign exchange. In Q4 2022, oil accounted for almost 80% of total exports² and, at the end of 2021, was responsible for 41% of federally collected revenue.³ This leaves the country susceptible to shocks in the international crude oil market. The country's dependence on oil and gas has persisted for decades despite cries to diversify the economy to broader income streams. The need for diversification has never been more pertinent and urgent, especially in view of the inevitable energy shift in the coming decades.

As a result of energy transition policies spearheaded in major world economies, including the US, Europe, and China, the landscape of energy consumption is set to evolve over the next three decades, with implementation results projected to manifest as early as the end of this decade.

Nigeria depends on crude oil sales for most of its federal revenue. A decade-by-decade analysis over a period spanning 40 years shows that crude oil accounted for the major share of oil proceeds. Between 1981 and 1990, oil revenue provided 70.5% of total government revenue annually. In the following two decades, i.e., 1991–2000 and 2000–2010, an annual average of 78.1% and 78.9%, respectively, of total federal revenue came from oil sales.⁴ The last decade

2. National Bureau of Statistics. Q4 2022 foreign trade statistics

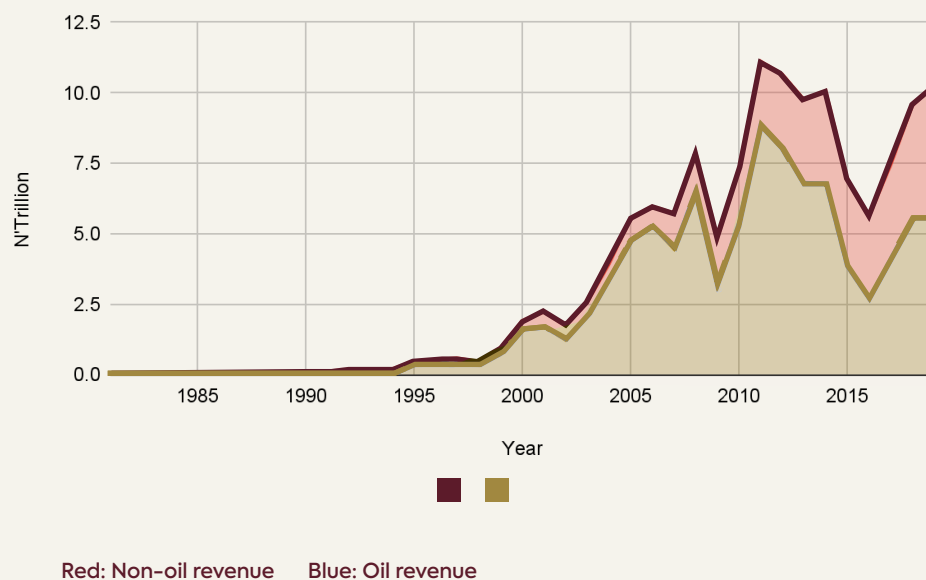
3. Central Bank of Nigeria. 2021 Statistical bulletin- Public Finance

4. Budget 2023, Energy Transition: Realities and pathways for Nigeria

(2011–2020) recorded a drop in the share of oil revenue, averaging 61.4%. Government reforms targeted at increasing the share of non-oil revenue in the country's finances were partly responsible for this. However, price shocks from global events such as the 2016 recession and the COVID-19 pandemic contributed to the diminished impact of

crude oil revenue. More recently, domestic challenges, such as insecurity and oil theft, also affected Nigeria's oil sector performance. Nigeria currently struggles to maintain oil production above 1.4 million barrels per day, compared to pre-pandemic levels of 1.7 to 2 million barrels per day.

Figure 1: 40-year oil revenue: 1981–2021



Data Source: Central Bank of Nigeria (2022). 2021 Statistical Bulletin—
Public finance statistics. Table B.1.1

As energy transition policies take effect, demand for oil and gas resources will gradually ebb.

How these policies take shape and are implemented among Nigeria's trade partners, particularly for the country's oil and gas

resources, are crucial for future oil and gas revenue. As destination countries for Nigeria's oil and gas resources cut fossil fuel consumption, oil and gas revenues are likely to fall.

Table 1: Destination countries for Nigeria's crude oil exports

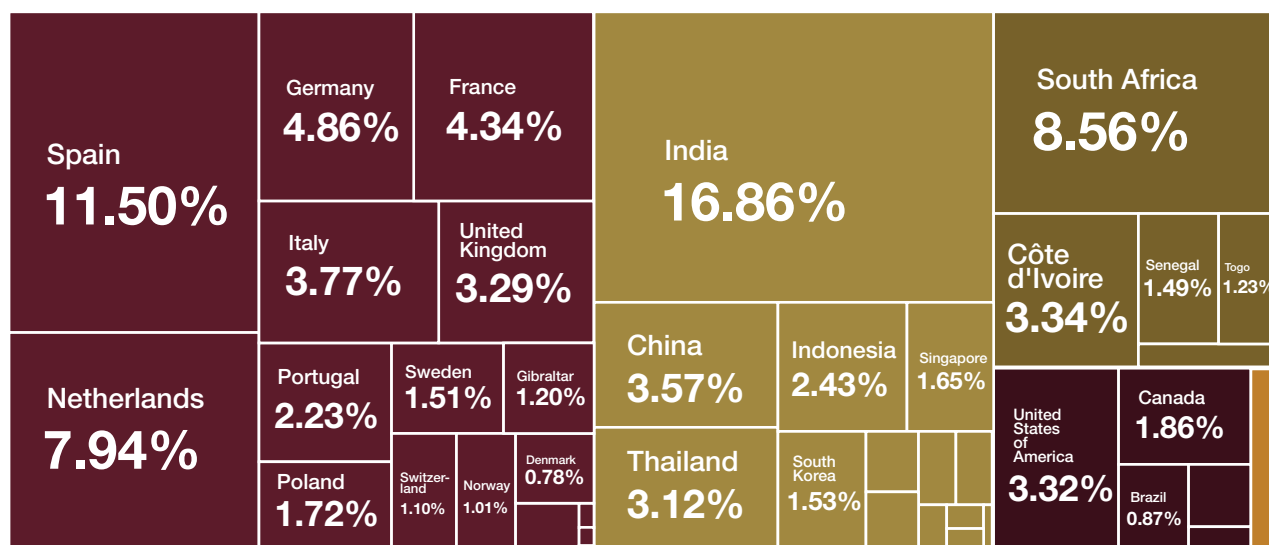
Ranking	Country of Destination	Value (N' Billion)	Crude Oil (N' Billion)	Non-Crude Oil Value (N' Billion)	% Share of Total Export
1st	Spain	617.17	383.39	233.78	9.7
2nd	Netherlands	574.55	517.65	56.90	9.03
3rd	India	490.45	420.88	69.57	7.71
4th	France	489.82	441.73	48.09	7.7
5th	Indonesia	473.27	462.68	10.59	7.44
6th	United States	454.89	429.78	25.11	7.15
7th	Brazil	305.02	240.06	64.96	4.8
8th	Italy	273.48	0.00	273.48	4.3
9th	Ivory Coast	273.33	269.17	4.16	4.3
10th	South Africa	215.93	214.92	1.01	3.4
% Share of top ten countries in total exports			68.82%		65.54%

Source: National Bureau of Statistics (2023). Q4 Foreign trade statistics and tables

The top ten countries for Nigeria's crude oil exports are shown in Table 1. These countries were responsible for 68.82% of the total value of crude oil exports. This is corroborated by analysis by the Atlas of Economic Complexity, which also shows that Europe accounts for the largest share of Nigeria's crude oil exports, followed by Asia. Energy transition policies

and emission reduction targets in Europe and Asia would be critical determinants of Nigeria's fiscal stability as the world transitions to cleaner energy.

Figure 2: Product complexity distribution showing the destination of Nigeria's crude oil across the world



Destination countries for Nigeria's crude oil exports in 2020
Source: Atlas of Economic Complexities. <https://atlas.cid.harvard.edu/>

2.2 Impact of energy transition on oil and gas demand

Scenario analysis by the IEA⁵ based on publicised policy intentions by various governments indicates an overall substantial uptake of clean energy alternatives which will replace conventional fossil fuels by 2030. In the United States, EV sales are expected to account for 30% to 50% (depending on the scenario) of car sales by 2030. This is attributed to the Bipartisan Infrastructure Act and the Inflation Reduction Act passed in 2021 and 2022, respectively. Climate policies, high energy prices, and energy security concerns in the European Union reduce fossil fuel demand while spurring increased renewable energy adoption. By 2030, solar and wind

energy are expected to provide 45% to 50% of total electricity generation in the EU, while EV sales are expected to account for 44% to 55% of car sales. Similarly, in China, EVs are expected to account for 50% of cars sold by 2030. South East Asia (including India) and Africa are expected to record increased energy demand over the decade due to the industrialisation requirements of countries in these regions. **However, 90% of global EV sales currently occur in the US, EU, and China. Few ICE vehicles are expected to be sold to developing and emerging countries, most of which are in Africa and Asia.**

The scenario-based analysis estimates the possibility of peak oil demand by the mid-2020s due to ET and climate-related policies. Less ambitious estimates move this timeline back by a decade to the mid-2030s at 103mb/d.

5. World Energy Outlook, 2022.

2.3 Projected Impact of Falling Oil Demand on Revenue in Nigeria

Doubtless, when energy transition policies fully kick in, petro-dependent states like Nigeria may be severely affected if alternatives to oil and gas revenue are not put in place early enough.

Several projections present different scenarios for oil demand over the coming decades. This analysis is based primarily on the Stated Policy Scenario (STEP) and Announced Policy Scenario (APS) by the IEA. STEP refers to policies backed by legislation, while APS encompasses STEP to include policies expressed by governments but may not be backed by legislation. A more ambitious

scenario by the IEA, known as the Net Zero Emissions (NZE) by 2050 scenario, ideally spells out the extent of action required on a global scale if the world is expected to meet emissions targets to prevent catastrophic climate change-related events. A significant impact on oil revenues will be experienced in events under the APS and NZE. Under the APS, world oil demand is expected to drop by 1.6% by 2030 and 39.5% by 2050 relative to 2021 Table 3 & 4. The road and transport sub-sector will also drop by 6.7% and 57.3%, respectively, over the same timeline. Global oil supply, on the other hand, is expected to be sustained till 2030 but will drop by 38.8% by 2050. **Conventional crude oil production, however, is likely to fall by 5.5% by 2030 and 48.8% by 2050. Crude oil price is expected to hover at USD[2021]64/b in 2030 and USD[2021]60/b in 2050.**

Table 3: Global oil demand and supply projections (mb/d)

		APS		
	Sector	2021	2030	2050
Oil Demand	Road Transport	40.5	37.8	17.3
	Aviation	9.9	12.8	9.5
	World Oil demand	94.5	93.0	57.2
Oil Supply	Conventional Crude	60.1	56.8	31.0
	World Oil Production	96.7	90.7	55.3
OPEC Share		35%	36%	43%
Crude Oil Price USD[2021]/b		69	64	60

Source: IEA

Table 4: Oil demand outlook in select regions and countries (mbpd)

Region/Country	2021	2030	APS	
			2040	2050
United States	17.7	15.8	8.4	5.0
Brazil	2.4	2	1.4	0.9
EU	9.2	6.5	3.1	1.7
South Africa	0.5	0.5	0.4	0.3
China	15.1	15.2	11.0	7.6
India	4.7	5.9	5.4	3.9
South East Asia	4.9	6.0	5.2	3.9
Africa	3.8	4.9	5.8	6.1
Asia Pacific	33.3	35.1	28.1	20.6
World Oil	94.5	93.0	72.9	57.2

Source: IEA World Energy Outlook 2022.

Table 5: Percent drop in oil demand in select regions and countries relative to 2021 based on APS

Region/Country	Decade-by-decade drop in oil demand			
	2021 mbpd	2030	2040	2050
United States	17.7	10.73%	52.54%	71.75%
Brazil	2.4	16.67%	41.67%	62.50%
European Union	9.2	29.35%	66.30%	81.52%
South Africa	0.5	0.00%	20.00%	40.00%
China	15.1	-0.66%	27.15%	49.67%
India	4.7	-25.53%	-14.89%	17.02%
South East Asia	4.9	-22.45%	-6.12%	20.41%
Africa	3.8	-28.95%	-52.63%	-60.53%
Asia Pacific	33.3	-5.41%	15.62%	38.14%
World Oil	94.5	1.16%	26.66%	48.98%

Negative percentage implies a rise in oil demand
Source: Author's computation based on IEA data

The largest drop in oil demand in terms of proportions among the selected countries is expected to come from the European Union in the short and long term. While in terms of volumes, the Asia Pacific and the US each project the largest oil demand destruction. The EU region is also Nigeria's largest trading partner for crude oil, accounting for nearly 30% of total crude oil exports from Nigeria in the 4th quarter of 2022. This implies that by the end of this decade, crude oil exports to trading partners in the EU, and consequently, revenue accrued from such exports, could fall by nearly 30%. Similarly, revenue from oil sales to the US could fall by almost 11% and to Brazil by more than 16%. This may be balanced by a rise in demand in emerging economies like China, India, and Indonesia (South East Asia), all of which trade in Nigeria's crude oil. However, in the medium to long term (2040 to 2050 and beyond), more climate and ET targets are expected to be met, resulting in more cuts in oil consumption in advanced economies (EU and US) while China's marginal rise in oil demand in 2030 is reversed to a significant fall (more than 27% by 2040 and nearly 50% by 2050). India's oil demand growth will also slow down by 2040

and become completely reversed by 2050, dropping by more than 20%. A similar trend is expected in Southeast Asia and the Asia Pacific region. Africa appears to be the only region to maintain a rising oil demand until 2050.

Assuming Nigeria's exports are equally affected by the respective margins in oil demand reduction for simplicity of analysis, the country's oil revenue could be down by less than 2% by 2030. This is because, as mentioned earlier, rising oil demand in the developing world nearly cancels out the effect of losses due to cuts in oil consumption in advanced economies. **However, by 2040, oil revenue could be down by 37.6%, and by the middle of this century will be down by 58%. This is, however, based on the unlikely assumption that the country's clientele and their respective portfolios will remain static over the next 30 years.** In reality, the market dynamics and the way the country responds could sway Nigeria's market share upwards or downwards. Customers could be acquired from previously untapped markets while, at the same time, some existing customers may be lost.

Table 6: Nigeria's oil trade outlook relative to 2022

Trading partner country/region	Crude oil Q4 2022 (N' Billion)	Crude oil 2022 est. (N' Billion)	Revenue change 2030 (N' Billion)	Revenue change 2040 (N' Billion)	Revenue change 2050 (N' Billion)
EU*	1,342.78	5,371.11	-1,576.42	-3,561.05	-4,364.03
United States	429.78	1,719.12	-184.46	-903.23	-1,233.47
Indonesia	462.68	1,850.71	415.49	113.26	-396.24
India	420.88	1,683.50	429.80	250.67	-286.53
Brazil	240.06	960.24	-160.07	-400.13	-600.15
South Africa	214.92	859.69	859.69	-171.94	-343.87
Total	3,111.09	12,444.38	-215.98	-4,672.40	-7,224.29
Total Revenue Change			-1.74%	-37.55%	-58.05%

*EU comprises Netherlands, Spain, and France

2.4 Impact of fading oil and gas revenues on subnationals

Whatever the case, by 2050, oil revenue as the main income stream will be lethal to Nigeria. Existing arrangements for funding the economy are risky. As the years progress, the country may increasingly struggle to finance its budget and sustain FAAC allocations to subnational governments. According to the 2022 report on the fiscal sustainability of state governments in Nigeria, 13 states depend on FAAC allocation for at least 70% of revenues. More broadly, 33 out of 36 states depend on FAAC allocation for at least 50% of their income.⁶ Indeed, most sub-nationals would find it difficult to pay salaries, let alone fund development projects. **As a result, borrowings may likely increase, adding to the country's mounting debt profile at federal and state levels. Creditors would increasingly become sceptical of the country's ability to pay back debts, as recently demonstrated by Moody's downgrade of Nigeria's credit rating,⁷ with consequences that may include a rise in the cost of borrowing.** As a result, debt servicing, which stood at 80% of total revenue at the end of 2022,⁸ would yet jump to astronomical levels.

According to the NRGi's guidebook on Nigeria's energy transition, "subnational governments are particularly at risk given their reliance on Federal Account Allocation Committee funds, the 13% derivation accrued as oil-producing states, and other oil revenue benefits from the Niger Delta Development Commission and the Nigerian Content Development and Monitoring Board. More broadly, as fossil fuels are phased out, local economies are threatened with loss of formal and informal employment opportunities".

Traditionally, fossil-fuel-benefiting communities would experience shifts in their revenues and economies. More of these communities have begun establishing host community development trusts in line with the PIA 2021 to accrue more benefits from crude oil production within their communities. Imminently, these beneficiation mechanisms will likely become ineffective with the phase-out of fossil fuels. While the development of renewables can support some economic diversification, where these opportunities do not match fossil fuel benefits, subnational governments need to design responses to their national transitions to support local economic diversification.⁹

6. Budget. 2022 State of States Report

7. Moody's (n.d.). Moody downgrades Nigeria's rating to Caa1 with a stable outlook. https://www.moody.com/research/Moodys-downgrades-Nigerias-ratings-to-Caa1-with-a-stable-outlook-PR_472793

8. Bloomberg (n.d.). Debt Payment Consumes 80% of Nigeria Revenue Collection. <https://www.bloomberg.com/news/articles/2023-01-05/debt-payments-consume-80-of-nigeria-s-revenue-collection>

9. NRGi 2024, Guidebook on Nigeria's Energy Transition



Dimensions to Climate Change in Akwa Ibom

3

3.1 Effects of Climate Change

Like other states in Nigeria, Akwa Ibom has had its fair share of the effects of climate change. One of these has been the impact on fishing communities across the state with significant economic repercussions. An investigative report by a local print media highlighted the various climate related challenges experienced by fishing communities. Residents and fishermen with more than 2 decades of experience have observed warmer environmental and sea temperatures. As a result, catch potential has reduced significantly in recent years due to the migration of fishes to more comfortable locations. Consequently, fishermen have to travel farther to get a good catch, consuming more fuel in the process. Coupled with

increasing torrential rainfall and higher sea currents encountered in torrential waters much farther from the shore, Fishermen experience more damage and losses to their boats. On the coast, ocean expansion and surges have resulted in flooding as well as the collapse of houses. Based on accounts, Over 1,000 houses in various communities have collapsed in the last 20 years as a result of flooding.

Biodiversity in Akwa Ibom waters is also under threat as evidenced by the reducing population fish species as recounted by the artisanal fishermen in Akwalbom state.

Reducing catch potential for local fish species like periwinkle and Ekpai (*Ethmalosa fimbriata*) is being feared to be heading towards extinction by local fishermen. The economic impacts of these developments include increased prices of these fish species due to reduced supply and rising cost and

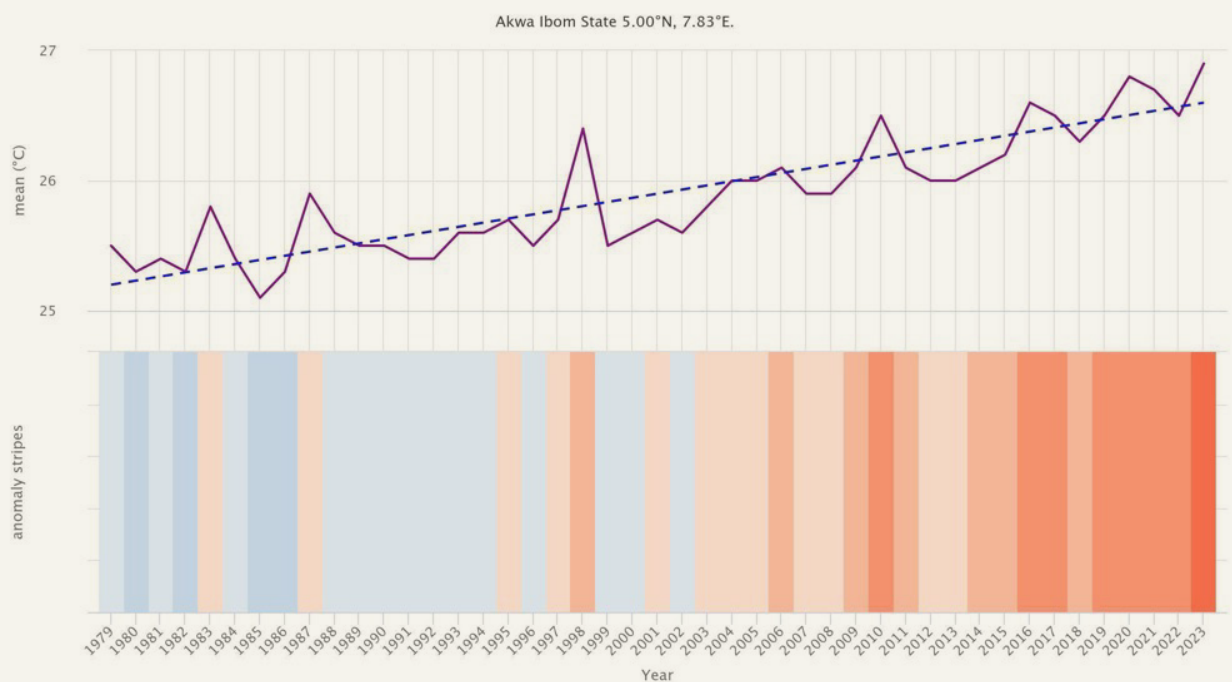
risks of fishing. This is exacerbated by insecurity in the form of attacks on fishermen by sea pirates and kidnappers.

To compound the situation, Akwa Ibom hosts several oil-producing companies and consequently experiences a lot of gas flaring. The local climate has not been spared as the heat from flare sites contributes to warmer temperatures. **In addition, pollution from oil exploration activities has made aquatic habitats less conducive for aquatic life, contributing to fish migration.** In 2024, the Ibenor community in Akwa Ibom state experienced one of the most devastating oil

spill incidents in recent times. The ecological damage to aquatic habitats, plant life, and farming villages in 27 coastal communities has impacted the lives and livelihood of many.¹⁰

Evidence of rising temperatures in Akwa Ibom has corroborated the accounts of individuals and fishermen in the state. Climate reanalysis by Meteoblue, based on data made available by the European Centre for Medium-Range Weather Forecasts (ECMWF), suggests that in the last four decades, temperatures in Akwa Ibom have climbed more than 1 degree. See the figure below.

Figure 3: Akwa Ibom State mean yearly temperature trend and anomaly, 1979–2023



Source: https://www.meteoblue.com/en/climate-change/akwa-ibom-state_nigeria_2350813

The top graph shows an estimate of the mean annual temperature for the larger region of Akwa Ibom State. The dashed blue line is the linear climate change trend. If the trend line is going up from left to right, the temperature trend is positive, and conditions are getting warmer in Akwa Ibom State due to climate change. If it is horizontal, no clear trend is seen, and if it is going down, conditions in Akwa Ibom State are becoming colder over time.

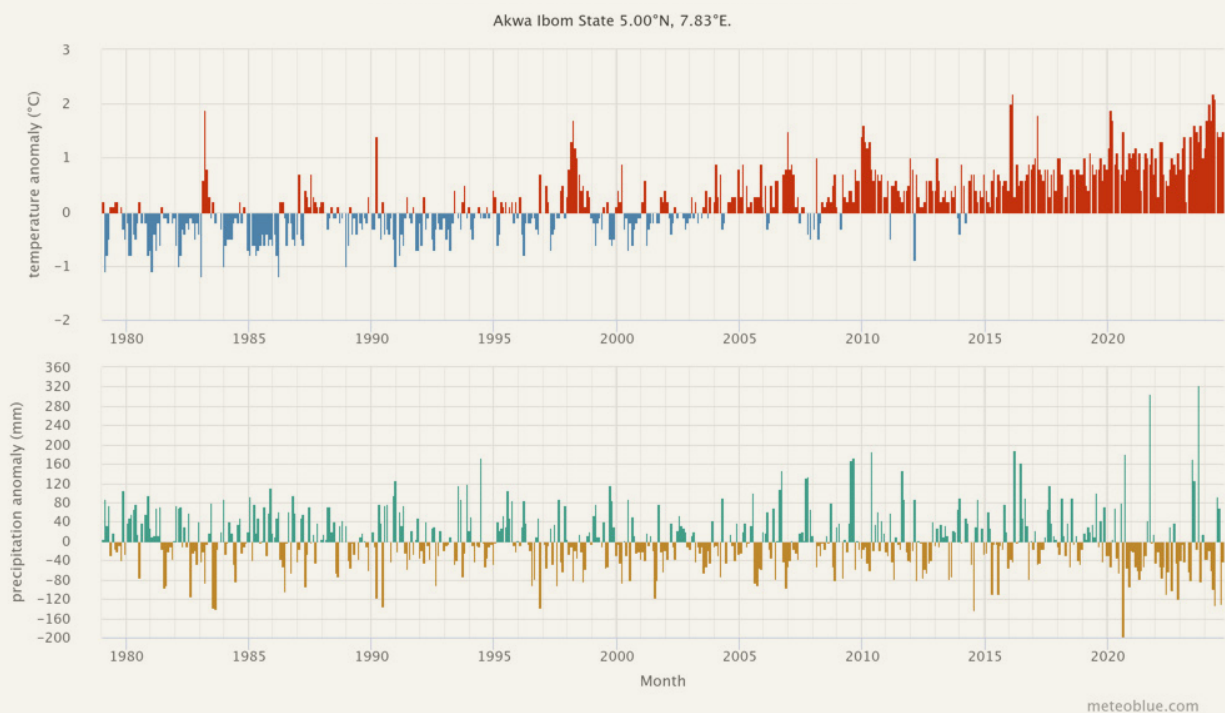
In the lower part, the graph shows the so-called warming stripes. Each coloured stripe represents the average temperature for a year—blue for colder and red for warmer years.

10. <https://punchng.com/aibom-communities-lament-as-fresh-oil-spill-pollutes-water-bodies/>

In the last two decades and especially in the last ten years, average yearly temperature has more or less been consistently higher than the previous year. In addition, monthly temperatures have been higher than the 30 year

climate mean, while wet months have recorded increasing precipitation. This added to infrastructural issues and poor waste management could also explain why the state has also experienced increased flooding in urban areas.

Figure 4: Akwa Ibom State monthly anomalies for temperature and precipitation, 1979–2024



Source: https://www.meteoblue.com/en/climate-change/akwa-ibom-state_nigeria_2350813

The top graph shows the temperature anomaly for every month since 1979. The anomaly tells you how much it was warmer or colder than the 30-year climate mean of 1980-2010. Thus, red months were warmer and blue months were colder than usual. In most locations, you will find an increase in warmer months over the years, which reflects the global warming associated with climate change.

The lower graph shows the precipitation anomaly for every month since 1979. The anomaly tells you if a month had more or less precipitation than the 30-year climate mean of 1980-2010. Thus, green months were wetter and brown months were drier than usual.

In 2023, through the Ministry of Environment and Solid Minerals, Akwa Ibom spent N6.46bn on environmental protection, 44.1% of the allocated amount for the year and 1.43% of total actual spending. 93% of this, N6.03bn, went to capital expenses. Projects categorised as capital expenditure for environmental protection included tree planting, flood and erosion control, activities towards the development of solid minerals database as well as sensitisation and awareness campaigns on environmental issues to mention a few. It also included the procurement of technological devices, IT equipment and office furniture like computers, printers, scanners, atomic absorption spectrophotometer, computer software, among others. N2.2bn, 15.9% of the budgeted amount was spent on the ministry of Agriculture, Forestry, Fishing, And Hunting. Considering the low budget credibility for these critical ministries, it is doubtful that adequate resources are available to address the perennial climate-related issues bedevilling the state.

3.2 Recent state government efforts to address climate change

Nonetheless, the Akwa Ibom State government is not oblivious to the challenges presented by climate change. The state set up a multi-state technical committee on climate change (STCC) to “drive the process of climate change activities in the state”, and in 2016, in collaboration with the Water Safety Initiative Foundation and Africa Clean Energy Summit hosted the First Akwa Ibom State Climate Change and Clean Energy Summit/Expo.¹¹ The summit was aimed at agglomerating stakeholders to

brainstorm and seek solutions to environmental and energy issues in the state.¹² In 2023, the state government partnered with a German-based energy conservation company to establish a fuel-efficient cookstove factory in the state.¹³ This is expected to help reduce the use of firewood for cooking and protect forest resources. In addition, several non-governmental and civil society organisations have partnered with the state on various initiatives, including biodiversity conservation¹⁴ and environmental protection¹⁵.

In addition, the state budgets make provisions for activities aimed at addressing climate adaptation challenges. For instance, the 2023 budget provided a sum of N24mn, over three separate but similar projects, for the planting of about 30 hectares of Gmelina Aborea, a fast growing tree known not only for its usefulness as timber but also for its usefulness in reducing deforestation. **In 2022 and 2023, provisions were also made for the production of 200,000 Gmelina seedlings (N27mn in 2022 and N5mn in 2023) and 200,000 Pine seedlings (N10mn in 2022 and N5mn in 2023). Added to this, the planting of “anti-erosion species” was provided for in 2022 (N2mn) and 2023 (N5mn).** However, actual spending may be a lot lower. The state’s 2023 budget proposal showed that as at June 2022, the above mentioned line items, like the majority of climate and environment related activities, were yet to be funded. The state’s 2023 budget implementation report further revealed that capital project implementation under the ministry of environment and mineral resources recorded a 45% performance. This suggests that many climate themed projects slated for that year were unimplemented.

11. Mike Ebonugwo. Climate change: Akwa Ibom govt drags stakeholders to Uyo to tackle challenges. Vanguard (online). June 14, 2016. Available at <https://www.vanguardngr.com/2016/06/climate-change-akwa-ibom-govt-drags-stakeholders-uyo-tackle-challenges/>

12. Akwa Ibom Climate Change & Clean Energy Summit/Expo. Available at <https://www.climate-links.org/events/akwa-ibom-climate-change-clean-energy-summitexpo>

13. Patrick Odey. Climate Change: A/Ibom partners German firm to establish cookstove factory. Punch (Online) News paper. July 14th, 2023. Available at <https://punchng.com/climate-change-aibom-partners-german-firm-to-establish-cookstove-factory/>

14. W. I. N. C. O. W. (n.d.). Climate Chance. Ibom Greener Project. Retrieved September 27, 2023, from <https://www.climate-chance.org/en/best-practices/ibom-greener-project/>

15. EnviroNews Nigeria (2024, September 4). Environmental Defenders Network, Akwa Ibom to collaborate on environmental protection. <https://www.environewsigeria.com/environmental-defenders-network-akwa-ibom-to-collaborate-on-environmental-protection/>

An offshore oil rig is silhouetted against a vibrant sunset sky with orange and yellow clouds. The rig has a tall derrick and several cranes. The sun is low on the horizon, creating a strong backlight effect.

The Akwa Ibom Case: Energy Transition Risk Assessment

4

According to budgIT's state of states report, Akwa Ibom's revenue stream is heavily dependent on FAAC allocations through the federal government. In 2021, 2022 and 2023 FAAC allocation accounted for over 83% of total recurrent revenue, rising as much as 90% in 2023. This dependency on federal transfers already makes the state volatile to fluctuations in federal transfers. In any event where such revenues are threatened, the

state will suffer fiscal shocks. While the state's internally generated revenue increased marginally from N30.70bn to N33.42bn over the three-year period, operating expenses, which include personnel costs, overheads, and loan repayments, have nearly doubled from N129.45bn to N241.78bn. **Clearly, Akwa Ibom will struggle to pay salaries or run an effective government, let alone implement capital projects based on its IGR alone.**

Table 6: Distribution of Akwa Ibom revenue stream

Ranking	Country of Destination	Value (N' Billion)
2021	16.12%	83.88%
2022	16.45%	83.55%
2023	9.80%	90.20%

Source: 2021, 2022 & 2023 State of States report

Examining the components of the state's FAAC allocation reveals how dependent the state is on oil and gas revenue. As an oil-producing state, Akwa Ibom is entitled to several benefits and mechanisms from oil

revenue, including the 13% derivation. Between 2021 and 2023, the 13% derivation accounted for 65% of the state's FAAC allocations.

Table 7: Sub components of FAAC allocation received by Akwa Ibom N'Billion

Year	Statutory Allocation (N'bn)	13% Derivation (N'bn)	Distributions from various excesses & accounts (N'bn)	Share of Ecology (N'bn)	Gross VAT Allocation (N'bn)	Total Gross FAAC Allocation (N'bn)	13% derivation as a share of FAAC
2021	32.42	86.22	3.65	0.85	23.05	148.58	58.03%
2022	37.14	222.52	4.99	1.11	27.63	293.39	75.85%
2023	31.32	182.40	62.16	1.31	37.67	314.85	57.93%
	100.88	491.14	70.80	3.26	88.35	756.82	64.90%

Data Source: National Bureau of Statistics

Based on the scenario analysis ushered by the energy transition and demand projections for the coming years, If nothing changes, 60% of total revenues accruable to Akwa Ibom could be reduced by nearly 2%. Nearly 40% of those revenues could be wiped out by the end of the following decade. By 2050, almost 60% would be gone. This does not account for new emission standards in Europe in the next 3 years or other more bullish emission

reduction policies that will likely kick in as the years go by. Additionally, other beneficiation mechanisms enjoyed by oil and gas-producing states, such as interventions by the NDDC, NCDMB and the HCD,T could face funding challenges.

The need to urgently develop alternative income streams at all levels has never been more urgent, and the time to act is now.



Akwa Ibom Demographic, Economic and Social Context

5

5.1 Population Distribution

Akwa Ibom State, located in the South-South region of Nigeria, has a total population of 4.98mn, according to the Nigeria Population Projections and Demographic Indicators report released by the National Population Commission in July 2020. This demographic data offers valuable insight into the

population's age structure and its implications for the state's development and planning. **The youthful population is of particular interest, specifically individuals aged 15-39, who comprise a substantial portion of the state's inhabitants. According to the report, 2.01mn people fall within this age group, accounting for roughly 40.5% of the total population.** This significant figure highlights how the youth dominate Akwa Ibom's population structure.

Table 8: Population distribution of Akwa Ibom State

Akwa Ibom State Projected Population by Age and Sex	Total	Male	Female
0-14	1,757,527	884,367	873,160
15-39	2,014,509	808,045	981,273
40-59	581,030	263,733	475,551
60 and Above	202,895	107,939	94,956
Total	4,979,418	2,491,436	2,487,982

Source: Nigeria Population Projections And Demographic Indicators, National Population Commission, July 2020

In comparison, the population aged 40-59 years is much smaller, totalling 581,030 people, or 11.7% of the population. This sharp contrast emphasises the state's youthful demographic composition. The large youthful age group represents both an opportunity and a challenge for Akwa Ibom. The sheer size of the youth population presents a potential workforce that can drive economic growth, innovation, and development. **Furthermore, women account for 50% of the population in Akwa Ibom. It is therefore practical to ensure that policies and planning are not gender blind and are deliberate in ensuring that women are catered for the state's transition preparedness plans.** This is also critical in planning for the type of jobs that will be available or need to be created in the changing face of the global and domestic economy, especially as younger age groups mature into the workforce for the future. As the transition threatens oil and gas related jobs, deliberate steps must be made to ensure the population can participate competitively in the new paradigm. This demands significant investment in education, healthcare, employment opportunities, and infrastructure to harness the full potential of this demographic.

Proper policy planning is essential to ensure that the women and youth population contributes positively to the state's socio-economic progress rather than becoming a source of unemployment and

social instability. The population data from the National Population Commission underscores the importance of prioritising this demography as a key component of Akwa Ibom State's future development strategy.

5.2 Akwa Ibom State Economy Structure

The state boasts a diverse and vibrant economy supported by a range of sectors. From its strategic location on the Gulf of Guinea to its role as Nigeria's largest oil producer, Akwa Ibom's economic landscape is shaped by natural resources, agriculture, and growing industrialisation. Below is a detailed look at the key sectors contributing to the state's economy:

Fishing is an essential economic activity, particularly for the riverine and coastal communities of Akwa Ibom. **The state's location along the Gulf of Guinea has the longest coastline in Nigeria, with 129 kilometres of shoreline. This makes it ideal for artisanal and commercial fishing, as well as aquaculture development.** The fishing industry plays a crucial role in the livelihoods of coastal dwellers and offers great potential for growth through sustainable development and investment in modern

fishing techniques. In addition to the traditional fishing sector, Akwa Ibom's long coastline and location on the Gulf of Guinea provide a prime opportunity for aquaculture development. With the growing global demand for seafood, the state's rich aquatic resources offer the potential for expanding into large-scale commercial fishing and aquaculture. This can contribute significantly to food security, job creation, and export earnings.¹⁶

Agriculture remains a backbone for the upland dwellers of Akwa Ibom, with many engaged in subsistence and commercial farming. Major agricultural products include:

- **Oil Palm:** Akwa Ibom is one of Nigeria's leading producers of oil palm, a critical crop for local consumption and export.
- **Cocoa:** Cocoa farming provides income for rural farmers and contributes to the state's agricultural exports.
- **Coconut:** Coconut cultivation is another growing sector with potential for economic diversification, especially with increasing demand for coconut oil and related products.

Trading and small-scale artisanal activities form the bedrock of the local economy, providing income for a significant portion of the population. Markets are vibrant across the state, serving as hubs for exchanging agricultural products, crafts, and consumer goods. Local artisans engage in various trades, such as tailoring, carpentry, welding, and pottery, contributing to the informal sector.

Furthermore, Akwa Ibom continues to urbanise, and the services sector is growing, especially in white-collar jobs. Industries such as banking, education, healthcare, and public administration play an important role in the state's economy, particularly in Uyo, the state capital. The state's education and health infrastructure have significantly improved, driving demand for professional services in these areas.

Akwa Ibom is Nigeria's largest oil-producing state, contributing more than 566,000 barrels daily (bpd). The state's oil wealth is a

significant driver of its economy, contributing significantly to national revenues through oil exploration and production activities. The sector has brought substantial infrastructural development and jobs to Akwa Ibom, but it also poses environmental degradation challenges. The state's reliance on oil revenue underscores the need for economic diversification.

The state has made notable strides in aviation by establishing Ibom Air, a state-owned airline. Ibom Air offers domestic and international flights, boosting tourism and trade by improving connectivity within Nigeria and West Africa. The Akwa Ibom International Airport further supports this sector, enhancing the state's role as a regional transportation hub.

Tourism is a growing industry in Akwa Ibom, with various natural and historical attractions. Key sites include:

- **The Point of No Return at Ikot Abasi:** A historically significant site that served as a transit point for enslaved Africans.
- **Ibeno Beach:** Nigeria's longest sandy beach, offering potential for tourism, recreation, and hospitality development.
- **The Burial Site of Mary Slessor:** A prominent Scottish missionary who contributed significantly to the region, making her gravesite a place of pilgrimage and historical interest.

These attractions and the state's scenic landscapes create opportunities for eco-tourism and heritage tourism development.

Akwa Ibom is also making commendable strides in power generation to support its growing industries, with its own state-owned power generating plant producing 191 megawatts (MW). The recent amendment to national resource management, allowing state governments to legislate and operate in the power sector, will boost efforts to promote energy security in Akwa Ibom. This investment in energy infrastructure not only supports industrialisation but also aims to improve residents' and businesses' access to electricity.

16. (2020). Book Of States (p. 6). Nigeria Investment Promotion Commission. <https://ngfrepository.org.ng:8443/jspui/bitstream/123456789/1271/1/20201009%20Book%20of%20States.pdf>

Akwa Ibom's economy is dynamic and diverse. It is anchored on oil and gas revenues but with significant contributions from agriculture, fishing, aviation, and tourism. The state also makes commendable strides in

power generation, ensuring energy security to support its growing industries. With its rich natural resources, strategic location, and ambitious development agenda, Akwa Ibom has the potential to sustain long-term economic growth and diversify beyond oil dependency.

5.3 Capital Importation

Table 9: Akwa Ibom capital importation

	2020	2021	2022	2023
Total Capital Importation(US\$ million)	1,050,000	740,000	42,520,000	39,140,000
Rank amongst 36 States	9	10	3	4
Rank amongst the south-south states	1	3	1	1

Source: NBS, Nigeria Capital Importation Q4 2023

Akwa Ibom's ability to attract investments is instrumental to building resilience. The state recorded impressive growth in capital importation gains over the past four years. The state's revenue from capital importation has surged remarkably from \$1.05mn in 2020 to \$39.14mn in 2023. **In 2022 and 2023, Akwa Ibom ranked as the third and fourth highest-earning state in capital importation, respectively, placing it in a strong position compared to its peers in Nigeria's South-South region.** While these achievements are commendable, there remains ample opportunity for further growth. With strategic investments and targeted initiatives, Akwa Ibom can unlock additional potential, solidifying its position as a leading state in capital importation.

Akwa Ibom's extensive oil palm and cocoa resources provide a robust foundation for

increasing the state's capital importation gains, presenting excellent opportunities for international investment and market expansion. The state is widely recognised for having the densest oil palm groves in Nigeria and is a significant producer of crude palm oil. With a growing global demand, the palm oil market expanded from \$63.92bn in 2023 to \$66.99bn in 2024, reflecting the potential for Akwa Ibom to further capture and benefit from international market dynamics.¹⁷ This positions the state as a competitive player in the global market, with the capacity to attract foreign investment in oil palm processing, refining, and export logistics, thereby increasing revenue through capital importation.

In addition to oil palm, Akwa Ibom has favourable agro-climatic conditions for cocoa cultivation. Cocoa is in high demand globally

17. See: Voora, V., Bermúdez, S., & Farrell, J. J. et al (2023). GLOBAL MARKET REPORT Palm oil prices and sustainability. SUSTAINABLE COMMODITIES MARKETPLACE SERIES. <https://www.iisd.org/system/files/2023-06/2023-global-market-report-palm-oil.pdf>



for products ranging from chocolate to cosmetics, with the global cocoa market valued at approximately \$10,000 per ton.¹⁸ This lucrative market creates a strong case for Akwa Ibom to expand its cocoa sector. By focusing on modernising cocoa farms, developing value-added cocoa products, and establishing partnerships with international buyers, the state can maximise its export revenue from cocoa. **Nigeria's cocoa exports, which reached N408.66bn in the first quarter of 2024, highlight the sector's potential to contribute significantly to Akwa Ibom's economy.**

Akwa Ibom can bolster its capital importation revenue if the state strategically invests in oil

palm and cocoa production. Strengthening value-added processing within the state would allow Akwa Ibom to capture a larger export market share. Inviting foreign partnerships in processing facilities, creating export-oriented supply chains, and modernising the agricultural infrastructure can make these industries even more attractive to international investors. This approach would position Akwa Ibom to sustain and grow its capital importation gains, establishing the state as a leading agro-industrial hub in Nigeria and beyond.

18. CNBC. Spencer Kimball, Cocoa prices hit \$10,000 per metric ton for the first time ever. March 2024. <https://www.cnbc.com/2024/03/26/cocoa-prices-hit-10000-per-metric-ton-for-the-first-time-ever.html>

Fiscal Outlook

6

6.1 Revenue and Expenditure Trend

Table 10: Four-year revenue and expenditure trend

	2020	2021	2022	2023
Revenue Trend	206.11bn	334.36	388.70bn	483.51bn
Expenditure Trend	200.2bn	309bn	410.58bn	452.78bn
State Debt Profile	249.02bn	233.62bn	239.45bn	228.80bn

Source: 2021, 2022 & 2023 State of States report

Revenue Trend (comprises IGR, Gross FAAC, and Aids & Grants, capital receipt; 2020-2023)

In 2020, Akwa Ibom's revenue stood at N206.11bn, showing a significant increase over the years. By 2021, the revenue surged to N334.36bn, marking a substantial rise of about 62%. This upward trend continued into 2022, as the revenue climbed to N388.70bn, representing a 16.2% increase from the previous year. In 2023, the state experienced another notable surge, reaching a revenue of N483.51bn, indicating a 24.4% increase from 2022. From 2020 to 2023, Akwa Ibom's revenue expanded by 134.5%. This consistent increase suggests potentially advantageous federal allocations linked to oil revenues, given Akwa Ibom's position as a prominent oil-producing state.

Expenditure Trend (comprises personnel, overhead, capital expenditure, debt service)

Over the years, Akwa Ibom state spending likewise showed an increased trend. Spending was N200.2bn in 2020; by 2021, it had increased to N309bn, a 54.4% rise. Expenditure increased to N410.58bn by 2022, a 32.9% rise from 2021, and N452.78bn in 2023;

a 10.3% increase from the year before. The increase in spending during the four years was 126.2%. This implies that demand for increased fiscal management as revenue increased and expenses climbed at a rapid pace.

6.2 Akwa Ibom State's Debt Profile(foreign; and domestic and total debt)

The state's debt profile exhibited a fluctuating pattern. It was recorded at N249.02bn in 2020 but decreased to N233.62bn in 2021, indicating a 6.2% reduction in debt. However, there was a slight increase in debt levels in 2022 to N239.45bn, reflecting a 2.5% rise.

Subsequently, by 2023, the state's debt saw a further decline to N228.80bn, marking a 4.4% reduction from the previous year.

The data indicates that Akwa Ibom has managed its debt fairly well, achieving slight reductions amidst escalating expenditures. The state strives to maintain fiscal stability through prudent borrowing and effective debt repayment strategies. The gradual decrease in debt over time is a positive sign of fiscal responsibility.

Table 11: Akwa Ibom debt profile

Debt(Exchange Rate)	2021(411)	2022 (448.08)	2023 (899.39)
Domestic	214,608,901,124.02	219,265,319,660.24	190,476,345,365.94
External	46,031,858.21	44,846,320.30	42,611,400.30
External in Naira	18,919,093,724.31	20,094,739,200.02	38,324,267,315.82
Total	233,527,994,848.33	239,360,058,860.26	228,800,612,681.76

Public Investment in Infrastructure and Social Sector

7

7.1 Health

Table 12: Akwa Ibom State health expenditure trend

Year	Personnel		Overhead		Capital Expenditure		Total Allocation	
	Budgeted	Actual	Budgeted	Actual	Budgeted	Actual	Budgeted	Actual
2021	1,684,321,160.00	1,492,623,385.00	3,228,800,000.00	556,625,000.00	6,360,000,000.00	1,310,523,500.00	11,273,121,160.00	3,359,771,885.00
2022	9,471,746,260.00	7,998,313,243.48	3,206,330,000.00	446,384,000.00	5,236,715,000.00	1,602,800,000.00	17,914,791,260.00	10,047,497,243.48
2023	11,917,055,210.00	7,892,947,499.27	3,450,830,000.00	289,405,800.00	14,205,550,000.00	2,339,000,000.00	29,573,435,210.00	10,521,353,299.27

The state's health expenditure indicates a steady increase in personnel costs between 2021 and 2023, recording an increase of 462.35% in 2022 and a 1.32% decrease in 2023. While focusing on the overheads, Akwa Ibom state recorded an expenditure decrease of 19.81% from 2021 to 2022 and a further decrease of 35.17% in 2023. **On capital expenditures such as health infrastructures and other healthcare provisions, Akwa Ibom spent N1.31bn out of 6.36bn allocation in 2021 and N1.60bn out of the budgeted N5.23bn which indicates an increase in spending of about 22.30% in 2022.** In 2023, the state spent N2.33bn out of the allocated budget of N14.20bn which is a 45.93% increase

in spending. This means that, while spending increases year after year, it falls short of allocations. Akwa Ibom should assess particular challenges that delay or impede the proper use of the budget for infrastructure and other long-term projects. Akwa Ibom should take up its policy statements in the ARISE agenda, which aims to provide all citizens with effective, efficient, and comprehensive healthcare services, improve access to affordable and high-quality healthcare services, particularly in rural areas, and increase investments in public health facilities and infrastructure to meet the rising demand for healthcare services in the post-COVID era.

7.2 Education

Table 13: Akwa Ibom State education expenditure

Year	Personnel		Overhead		Capital Expenditure		Total Allocation	
	Budgeted	Actual	Budgeted	Actual	Budgeted	Actual	Budgeted	Actual
2021	24,862,286,660.00	23,583,604,812.00	5,887,916,900.00	2,070,134,095.00	2,475,848,100.00	1,259,621,000.00	33,226,051,660.00	26,913,359,907.00
2022	31,911,383,150.00	24,878,345,881.75	6,362,231,900.00	3,710,863,347.00	2,677,218,370.00	179,400,000.00	40,950,833,420.00	28,768,609,228.75
2023	34,416,961,300.00	22,287,110,307.58	7,394,931,900.00	4,579,791,096.00	10,752,442,510.00	2,360,505,387.75	52,564,335,710.00	29,227,406,791.33

Akwa Ibom state's education expenditure indicates an increase of 5.29% in personnel costs in 2022 and a decrease of 10.41% in 2023. An increase of about N1.64bn overheads indicates a 79.23% increase in 2022 and N868mn (23.42%) increase in 2023. **Taking a look at the state capital expenditure and infrastructural investment in education, there is an indication that Akwa Ibom underdelivers when it comes to budget implementation.** Approximately 50.88% of the education budget was spent in 2021, 6.70%, and 21.95% in 2022 and 2023

respectively. This indicates low utilisation of resources in the area of education. With a policy direction of creating high education standard systems, a lot more has to be done in the area of infrastructural provision. The state's socioeconomic development goals may suffer as a result of the general underimplementation, which suggests that funds designated for infrastructure, development, or other important projects are not being used to their full potential.

7.3 Water Supply/Sanitation

Table 14: Akwa Ibom State water and sanitation expenditure trend

Year	Personnel		Overhead		Capital Expenditure		Total Allocation	
	Budgeted	Actual	Budgeted	Actual	Budgeted	Actual	Budgeted	Actual
2021	576,092,120.00	555,228,780.62	362,546,900.00	131,959,839.00	190,000,000.00	-	1,128,639,020.00	687,188,619.62
2022	1,138,729,180.00	989,084,009.22	4,792,610,000.00	1,341,318,282.18	8,807,000,000.00	1,279,233,705.95	14,738,339,180.00	3,609,635,997.35
2023	723,678,250.00	602,012,287.63	360,620,000.00	215,481,500.42	244,880,000.00	42,000,000.00	1,329,178,250.00	859,493,788.05

In 2021, Akwa Ibom did not execute any capital expenditure on water supply and sanitation. In 2022 and 2023, Akwa Ibom spent 14.52% and 17.15% of allocated capital expenditure, respectively. **Given the critical nature of water and sanitation in Akwa Ibom state due to the environmental impact of oil spillage, Akwa Ibom needs to utilise its budget capital expenditure. The state government needs to implement focused investments to tackle the**

degraded ecosystem. There is a need to provide water treatment equipment, develop alternative water supply, and provide adequate sanitation infrastructure for the people of the state, especially those living in the most affected areas such as Inua Eyet Ikot, Iwuo Ukpom, Mkpanak, etc.¹⁹ While the state is executing a larger percentage of its personnel and overhead allocations, the same must be done in infrastructure and capital development in the state.

7.4 Environmental Protection

Table 15: Akwa Ibom State expenditure trend on environmental protection

Year	Personnel		Overhead		Capital Expenditure		Total Allocation	
	Budgeted	Actual	Budgeted	Actual	Budgeted	Actual	Budgeted	Actual
2021	463,825,060	463,825,060	1,322,550,000	450,000,000	1,861,352,710	409,000,000	3,647,727,770	1,322,825,060
2022	537,603,770	445,198,044	836,200,000	477,300,000	4,335,607,830	980,000,000	5,709,411,600	1,902,498,044
2023	560,565,390	421,673,340	855,200,000	8,999,500	13,273,362,920	6,033,411,687	14,689,128,310	6,464,084,527

19. Moffat, C. (2024, August 14). Akwa Ibom Communities Lament As Fresh Oil Spill Pollutes Water Bodies. Channels TV. <https://www.channelstv.com/2024/08/19/akwa-ibom-communities-lament-as-fresh-oil-spill-pollutes-water-bodies/>

Between 2021 and 2023, Akwa Ibom State allocated N9.69bn for environmental protection. Nevertheless, the budget execution in this sector needs to be improved, especially regarding capital expenditures. For example, in 2023, merely N6.03bn was utilised from the N13.27bn allocated, accounting for 45.4%, highlighting a notable discrepancy between budgeted and actual spending. This pattern of underutilisation is not a recent phenomenon. **In 2021 and 2022, only 22% and 22.6% of the budget, respectively, were spent on environmental projects.** The ongoing shortfall in implementation indicates insufficient public funding for environmental protection, which poses serious

consequences for the health and welfare of residents in Akwa Ibom. A lack of commitment to environmental preservation results in reduced funding for pollution management, waste disposal, and natural resource protection. This situation could lead to heightened environmental deterioration and increasing public health challenges through pollution, water contamination, and inadequate sanitation. Moreover, it weakens the state's ability to cope with the effects of climate change, such as flooding and erosion, which disproportionately impact vulnerable populations.

7.5 Social Protection

Table 16: Akwa Ibom state expenditure trend on social protection

Year	Personnel		Overhead		Capital Expenditure		Total Allocation	
	Budgeted	Actual	Budgeted	Actual	Budgeted	Actual	Budgeted	Actual
2021	251,077,760.00	226,948,102.95	1,783,520,000.00	1,500,000.00	533,000,000.00	115,000,000.00	2,567,597,760.00	343,448,102.95
2022	27,799,892,920.00	20,865,131,128.63	3,635,470,000.00	1,167,509,660.00	607,490,480.00	160,000,000.00	32,042,853,400.00	22,192,640,788.63
2023	32,181,349,950.00	24,003,119,317.19	2,483,970,000.00	669,585,480.00	3,665,588,500.00	24,000,000.00	38,330,908,450.00	24,696,704,797.19

Akwa Ibom State has consistently exhibited a low utilization rate in its actual spending on capital investments for social protection over the years, revealing significant inefficiencies in the execution of capital-intensive initiatives. In 2021, the state spent just N115mn, which is 21.58% of the N533 mn that was budgeted. This figure saw a slight improvement in 2022, with 26.3% of the allocated N607mn being utilized. However, in 2023, actual expenditures on social protection plummeted to N24mn, accounting for a mere 0.7% of the N3.6bn budgeted. This ongoing underachievement in capital spending highlights the considerable difficulties in effectively carrying out planned

social protection initiatives. Regarding allocation trends, there was an extraordinary increase of 1,148.1% in the total social protection budget from 2021 to 2022, indicating a strong prioritization of the sector. From 2022 to 2023, the budget saw a more modest rise of 19.6%, suggesting a gradual move toward expansion. **Nevertheless, the heightened allocations have not resulted in substantial implementation, as shown by the significant disparity between the budgeted amounts and the actual spending.** This discrepancy between budget allocation and implementation undermines the desired impact of increased investment in

social protection. Although budget figures signal a commitment to prioritizing the sector, the failure to effectively utilise these funds highlights the need for better planning,

stronger execution frameworks, and improved monitoring systems to ensure that the allocations provide real benefits to the residents of Akwa Ibom State.

7.6 Agriculture

Table 17: Akwa Ibom State expenditure trend on agriculture

Year	Personnel		Overhead		Capital Expenditure		Total Allocation	
	Budgeted	Actual	Budgeted	Actual	Budgeted	Actual	Budgeted	Actual
2021	1,549,947,430.00	1,488,740,076.80	2,395,530,000.00	37,250,000.00	10,775,500,000.00	4,488,834,117.33	14,720,977,430.00	6,014,824,194.13
2022	1,779,427,350.00	1,848,763,942.86	2,361,680,000.00	743,923,000.00	12,989,266,000.00	3,483,400,001.76	17,130,373,350.00	6,076,086,944.62
2023	1,908,649,350.00	1,519,501,110.96	2,903,434,000.00	56,105,900.00	9,078,746,000.00	633,500,000.00	13,890,829,350.00	2,209,107,010.96

Akwa Ibom State, characterized by its fertile alluvial soils and conducive climate, possesses considerable potential for agricultural output, producing a range of items including palm oil, cassava, yam, rice, and seafood. However, despite these favourable conditions and the state's capability to serve as a food hub for Nigeria and West Africa, recent capital spending trends display a troubling pattern of underperformance of the agricultural budget and sector, particularly given its significance for subsistence and commercial agriculture.

In 2021, Akwa Ibom spent N4.48bn on capital projects in the agricultural sector, a drop of 22.40% drop in 2022, decreasing the budget to N3.48bn, with an even more drastic 81.81% decline in 2023, which brought it down to N633mn. Remarkably,

only N633mn of the N9.07bn earmarked for capital expenditures in 2023 was utilised, highlighting a major underuse of the allocated budget. This lack of execution directly affects smallholder farmers and large-scale agricultural enterprises. Smallholders, who depend significantly on government assistance to enhance their farming techniques and market access, find it challenging to capitalise on agricultural opportunities without adequate infrastructure and funding. Likewise, farms that cultivate cash crops such as rubber and cocoa, vital to the state's economy necessitate ongoing investment to sustain and grow their operations, leading to increased revenue, job creation, and overall economic development.

7.7 Budget Credibility

Table 18: Akwa Ibom state budget credibility

Sectors	Budgeted	Actual	% Implementation
Health	29,573,435,210.00	10,521,353,299.27	35.58%
Education	52,564,335,710.00	29,227,406,791.33	55.60%
Water Supply	1,329,178,250.00	859,493,788.05	64.66%
Environmental Protection	14,689,128,310.00	6,464,084,527.09	44.01%
Social Protection	38,330,908,450.00	24,696,704,797.19	64.43%
Agriculture	13,890,829,350.00	2,209,107,010.96	15.90%

Looking at the degree to which actual expenditures align with planned budgets, the health sector has had a low implementation rate, with only 35.58% of the budgeted funds. This significant shortfall indicates challenges in achieving healthcare goals, possibly affecting service delivery, infrastructure, and public health outcomes. **On education, although there has been a better implementation rate of 55.60%, it still needs to catch up to full utilisation. This gap may limit improvements in school infrastructure, teacher recruitment, and access to quality education.** The water supply sector has the highest implementation rate at 64.66%, though it remains underutilised. This indicates moderate progress but suggests room for improvement

in achieving water supply targets essential for public health and sanitation. Environmental protection has an implementation rate of 44.01%, which may hinder the state's ability to address issues like pollution, waste management, and conservation, with potential health and ecological impacts. Social protection achieved 64.43% of its budget, the second-highest implementation rate. While this indicates some success, the unspent budget could mean missed opportunities to support vulnerable groups effectively. Agriculture has the lowest implementation rate at only 15.90%, which is concerning given the sector's importance for food security and economic growth. This significant underutilisation limits the state's agricultural productivity potential.

Table 19: Sectoral Expenditure as a percentage of total Expenditure

Sectors	As a percentage of Total spending
Health	2.32%
Education	6.46%
Housing And Community Ammenities	0.19%
Environmental Protection	1.43%
Social Protection	5.45%
Agriculture, Forestry, Fishing, And Hunting	0.49%

Only 2.32% of Akwa Ibom's budget is dedicated to health, considerably below the recommended benchmark of the Abuja Declaration of 2001. This inadequate funding for health could hinder the state's capacity to deliver quality healthcare services, enhance medical infrastructure, and fund public health initiatives. UNESCO suggests that 15-20% of the budget should be dedicated to education. Akwa Ibom is currently allocating only 6.46%, below this advised range. With less than half of the suggested funding, Akwa Ibom could encounter difficulties in increasing access to quality education and upgrading school facilities. This shortfall in funding may impede the state's initiatives to improve literacy rates, the quality of education, and the essential human capital development required for economic growth.

The meagre allocation of 0.19% points to a lack of investment in housing and community facilities. This could hinder the growth of affordable housing, necessary urban infrastructure, and public services, which are vital for enhancing living standards, particularly in expanding urban areas. With only 1.43% allocated to environmental protection, Akwa Ibom State shows minimal investment, revealing limited resources for addressing environmental concerns such as

waste management, pollution mitigation, and conservation initiatives. The potential environmental and health consequences of underfunding this area may create challenges for maintaining a sustainable ecosystem, especially with the rise of urbanisation and industrial activities.

Social protection receives one of the larger budget shares at 5.45%, indicating a commitment to assisting at-risk populations. Nevertheless, this funding falls short of adequately meeting the needs of vulnerable communities, especially during economic downturns or crises. Increased resources could enhance the effectiveness and reach of social safety programs.

Akwa Ibom's agriculture budget allocation of just 0.49% falls significantly short given the state's many agricultural advantages. Agriculture is critical in ensuring food security, maintaining economic stability, and supporting rural livelihoods in Akwa Ibom. Inadequate investment in this sector may restrict agricultural output, impede rural growth, and diminish the state's ability to fulfil food requirements. Furthermore, this could result in lost opportunities for diversifying the state's economy beyond the oil and gas industry.

Table 20: General public services

Sectors	Budgeted	Actual	% Implementation
General Public Services	379,095,378,970	184,416,881,095	48.65%
Economic Affairs	260,116,812,360	96,093,585,702	36.94%
Transport	223,020,624,100	90,341,661,735	40.51%
Road Transport	219,391,332,100	89,731,550,936	40.90%
General Services	171,343,665,820	80,658,742,317	47.07%
Executive And Legislative Organs, Financial and Fiscal affairs, External Affairs	127,443,318,520	52,543,386,972	41.23%
Public Debt Transactions	76,700,000,000	50,859,509,673	66.31%

Looking at the general public services, out of a budget of N379.1bn, just 48.65% (N184.4 bn) was spent. This shortfall could suggest either inefficiencies or a reallocation of resources initially set aside for public services.

Furthermore, despite having a budget of N260.11bn, only 36.94% (N96.1bn) was spent on economic affairs, revealing a significant gap. This under implementation may impede economic growth if critical programs or projects related to economic affairs need adequate support.

Analysing both transport and road transport, both sectors exhibit comparable execution rates, with transport at 40.51% and road transport at 40.90%. Considering the essential role of transportation infrastructure in economic growth, these low spending rates

could result in incomplete or postponed infrastructure projects. On General services, Akwa Ibom, out of a budget of N171.3bn, utilised only 47.07% (N80.66bn). N127.4bn was budgeted for Executive and Legislative Organs, Financial and Fiscal Affairs, and External Affairs and N52.5bn, which comprise 41.23% of the budgeted allocation. **This could imply either cost-cutting measures or possible delays in administrative operations. Public Debt Transactions: This sector has the highest execution rate at 66.31%, with N50.9bn utilised from a planned budget of N76.7bn. This indicates a greater emphasis on debt servicing, ensuring the state fulfils its debt commitments.**



Opportunities for Diversification from Oil and Gas

8

With the global shift away from fossil fuels and a projected 50%²⁰ drop in global oil demand, Nigeria faces a pressing challenge due to its heavy dependence on oil revenue. Akwa Ibom, one of the country's top oil-producing states, contributes approximately 504,000 barrels of oil per day, playing a pivotal role in Nigeria's overall output.²¹ **However, as climate change intensifies, oil companies, including Akwa Ibom, withdraw from Nigeria due to environmental pressures and changing market conditions.** This exit will significantly reduce the state's revenue from oil and deprive it of vital corporate social responsibility initiatives previously undertaken by these companies. As a result,

while state expenditure is expected to rise, revenue will likely decline, placing additional strain on Akwa Ibom's finances.

To address this impending financial shortfall and build resilience, Akwa Ibom must expedite efforts to diversify its economy. Expanding investment into alternative sectors already viable and underutilised within the state can provide new revenue streams and stabilise the local economy. A strategic approach to economic diversification will cushion the effects of the oil transition and position Akwa Ibom for long-term sustainability and growth.

20. See, Table 4

21. LekOil Nigeria Limited (n.d.). Akwa Ibom Communities Lament As Fresh Oil Spill Pollutes Water Bodies. Lekoil. <https://lekoil.com/oil-producing-states-nigeria/#:~:text=Akwa%20Ibom%20State%2C%20located%20in,output%20with%20about%20504%2C000%20BOPD>.

8.1 Blue Economy

Akwa Ibom's strategic location along Nigeria's coastline offers immense potential for a thriving Blue Economy, leveraging its abundant ocean resources to fuel fisheries, maritime transportation, and eco-tourism. With a wealth of marine resources and a strong fishing industry, Akwa Ibom could become a regional leader in ocean-based economic activities through modern infrastructure and sustainable practices in Nigeria. Expanding aquaculture, marine logistics, and port development investments could turn the state into a dynamic maritime hub. Additionally, its scenic coastlines offer prime opportunities for eco-friendly tourism that could attract domestic and international visitors, generating substantial revenue and creating jobs. Sustainable investment in these sectors also aligns with global climate goals, as it emphasises the preservation of marine ecosystems while promoting economic growth.

In recent years, Akwa Ibom has demonstrated a commitment to its Blue Economy. At the International Conference on Blue Economy in Uyo in July 2024, practitioners and policymakers highlighted the importance of managing Nigeria's ocean resources sustainably to promote environmental stewardship and foster equitable growth. By diversifying economic activities along the coast, Akwa Ibom can unlock a socio-economic transformation, balancing resource management with new economic opportunities²². From the present situation, the government of Akwa Ibom is well-positioned to support this transformation. A comprehensive policy and regulatory framework could encourage sustainable investments across marine industries, providing confidence for local and foreign investors. Public-private partnerships (PPPs) will be essential here, as collaborative efforts with the private sector can establish policies that protect marine resources while enabling steady growth. With PPPs, the government can also mobilise investments in key infrastructure projects, such as port expansion and marine logistics facilities,

which are critical to supporting the anticipated growth in aquaculture and fisheries. By sharing costs and expertise, these partnerships can ensure that the infrastructure meets both local needs and international standards, enhancing the state's attractiveness as a base for regional maritime activities.

Capacity building and education are vital to cultivating a skilled workforce for the Blue Economy. Training programs, created through partnerships with educational institutions and private companies, would equip locals with specialised marine conservation, aquaculture, and tourism management skills. This approach not only fosters local employment but also strengthens the expertise needed to develop the sector sustainably. Likewise, collaboration with research institutions and private investors can drive innovation, advancing sustainable practices in areas like marine biotechnology and eco-tourism.

Akwa Ibom's coastlines, renowned for their beauty, hold great promise for eco-tourism. Developing coastal eco-resorts that emphasise nature conservation and marine-based adventure tourism activities, such as snorkelling, scuba diving, and kayaking, could make Akwa Ibom a sought-after destination for environmentally conscious travellers. Establishing marine conservation parks would also attract visitors while promoting environmental education and conservation. These tourism initiatives, ideally pursued through public-private partnerships, would enhance the state's appeal as a sustainable tourism hotspot, attracting steady tourist flows that generate revenue and create jobs while promoting environmental stewardship.

The state should be focused on sustainable development through strategic policies and investments. Akwa Ibom can harness its ocean resources to fuel a diversified economy and secure a resilient future for its people. With PPPs driving infrastructure, research, and tourism initiatives, the state is poised to build a Blue Economy that meets present demands while preserving its coastal assets for future generations.

22. <https://aksu.edu.ng/newsite/international-conference-on-blue-economy/>

8.2 Agriculture

Agriculture holds immense promise for Akwa Ibom as the state seeks to diversify its economy away from oil. With fertile soil, a favourable climate, and vast arable land, the state can expand its agricultural base, particularly in staple crops such as cassava, rice, maize and high-value export crops like oil palm and cocoa. By expanding agribusiness, the state could enhance food security, reduce dependence on imported food products, and significantly cut its reliance on oil revenue. Agriculture can become a stable, high-growth sector with short- and long-term economic benefits.

A strategic focus on agribusiness growth, underpinned by modern farming practices and technology, would increase crop yields and improve local farmers' livelihoods. For example, cassava, widely cultivated in Akwa Ibom, could be processed locally to produce flour, starch, and ethanol, adding value to the supply chain and generating income. Likewise, investing in rice and maize production could help meet local demand and supply regional markets. Livestock farming and poultry production also offer considerable potential. By investing in feed production, animal husbandry, and modern processing facilities, Akwa Ibom could create robust agricultural value chains capable of employing thousands, from smallholder farmers to skilled labour in processing and logistics.

Palm oil production, in particular, represents a lucrative growth avenue for Akwa Ibom. Globally, the palm oil sector has grown significantly, with a market value exceeding \$50bn in 2021, projected to reach \$65bn by 2027. Production has risen dramatically, reaching 74.7mn metric tonnes in 2020 from just 42.6mn tonnes in 2008, according to the Food and Agriculture Organization of the United Nations (FAO).²³ With Nigeria still reliant on palm oil imports, the opportunity to boost local production is evident. Akwa Ibom has already made strategic moves in this sector by resuming the management of Dakkada Global Oil Palm Limited, formerly known as

Akwa Palms Estate. This estate has the potential to close Nigeria's palm oil supply gap and reduce dependency on costly imports—Nigeria imported 350,000 metric tonnes of palm oil in 2022, with imports from Malaysia alone valued at nearly N20bn in the third quarter.²⁴ By scaling up production at the Dakkada farm, Akwa Ibom can position itself as a major palm oil producer in the region, creating a steady supply of palm fruit for local processing and export markets. Developing agro-processing zones, investing in storage, and improving transportation infrastructure would allow the state to capture more value within the agricultural sector, building a resilient economy less vulnerable to oil price fluctuations.

With a well-implemented agricultural strategy, Akwa Ibom can generate substantial revenue, create jobs, and ensure a sustainable economic future. Through agriculture, the state has the potential to transform its rural areas, drive industrial growth, and cultivate a diverse, oil-independent economy.

8.3 ICT

The ICT sector offers vast potential for Akwa Ibom, especially as Nigeria's tech ecosystem continues to expand. The state can attract investments in digital infrastructure, create tech hubs, and promote ICT education and skills development. By investing in broadband connectivity and creating technology incubation centres, Akwa Ibom can position itself as a regional tech hub, drawing talent and startups interested in leveraging digital solutions to solve local problems. Encouraging innovation in fintech, software development, and digital services could also stimulate the local economy. With the growing demand for ICT professionals and services, Akwa Ibom could establish partnerships with educational institutions to develop a pipeline of tech-savvy talent, further attracting investments and creating job opportunities in the digital economy.

8.4 Manufacturing

The manufacturing sector holds immense

23. Global Market report, Palm oil prices and sustainability. July 2023. <https://www.iisd.org/system/files/2023-06/2023-global-market-report-palm-oil.pdf>

24. Global Market report, Palm oil prices and sustainability. July 2023. <https://www.iisd.org/system/files/2023-06/2023-global-market-report-palm-oil.pdf>



potential for Akwa Ibom as it seeks to diversify its economy and reduce its dependence on oil revenues. The state can attract investment in food processing, cement production, and textiles with strategic assets like seaports and highways. Establishing industrial clusters and free trade zones could catalyse growth in light manufacturing, boosting both domestic production and export potential. Akwa Ibom could introduce incentives like tax breaks, streamlined regulatory processes, and reliable energy supplies to foster this growth, making it an attractive destination for local and foreign investors.

Collaborating with established companies through public-private partnerships (PPPs) can enhance the state's manufacturing landscape. For example, Akwa Ibom could partner with the Aluminium Smelter Company of Nigeria (ALSCON) to support the production of solar panels and related components, aligning with the global shift towards cleaner energy sources. Similarly, teaming up with indigenous firms like Sanctus Automobile Services Ltd could enable the production of electric vehicles, helping the state transition toward sustainable transportation. The Nka Imaabasi Ibiono Women Association could also be a key partner in developing effective manufacturing policies for smallholder farmers, particularly for value-added processing that strengthens local agricultural productivity.

Additionally, the state can optimise investment in the St. Gabriel's Coconut Refinery, a state-owned facility in Mkpato Enin Local Government Area. This refinery is a

strategic asset, tapping into the global demand for coconut-derived products such as coconut oil, coconut milk, and activated charcoal. Set to be one of the largest coconut refineries in Africa, with a processing capacity of 300,000 coconuts per day, it leverages Akwa Ibom's extensive coastal coconut plantations to generate employment and boost export revenues.

Globally, the coconut industry has attracted significant investment due to the rising demand for health and beauty products, food items, and sustainable materials. The Philippines and Indonesia, for example, leading global coconut producers, have secured billions in investments from the government and private sectors. The Philippines' coconut oil export industry alone generates over \$1 billion annually. In India, states like Kerala have heavily invested in coconut processing plants, creating a thriving sector with products exported to Asia and Europe.

Expanding investment in the St. Gabriel Coconut Refinery, Akwa Ibom aligns with global trends, meeting local demand and export market opportunities. The refinery's success could pave the way for further private-sector investment in agriculture and agro-processing, setting a benchmark for economic diversification in Nigeria. Forming public-private partnerships with companies like ALSCON, Sanctus Automobile Services Ltd, and local agricultural organisations will ensure shared expertise, resource pooling, and long-term sustainability in Akwa Ibom's diversified economy.



Recommendations

9

Thus, research supplemented by engagements with stakeholders and NRGi's guidebook on energy transition offers recommendations that subnational governments can adopt to enhance economic resilience for the energy transition.

1. Subnational Energy Transition Policy

The government needs to establish a comprehensive policy at the subnational level to address the energy transition. This includes outlining plans to mitigate the environmental, social and economic costs of the fossil fuel phase-out. The following points from NRGi's guidebook on energy transition can aid in preparing a subnational response plan to the transition.

- Conduct a comprehensive assessment of the government's current institutional capacity related to energy transition

governance. Identify strengths, weaknesses and areas that require improvement.

- Develop a strategic plan for each government institution's capacity-building, outlining specific goals, timelines and resource requirements. Align the plan with the broader energy transition objectives and roles of each institution.
- Implement training programs to enhance the skills of government officials involved in energy planning, policy development and project management. Collaborate with industry experts, civil society organisations and educational institutions.
- Establish robust monitoring and evaluation mechanisms to assess the

progress of institutional capacity-building initiatives. Regularly review and update capacity-building strategies based on evolving needs and circumstances.

- Furthermore, state governments should design and implement energy transition plans that provide social safety nets and build fiscal resilience to mitigate the impacts of the energy transition on communities' lives and livelihoods. A comprehensive fiscal sustainability framework that includes buffers where oil revenues diminish, diversification plans beyond oil, expenditure rationalization, revenue management strategies among others.

2. Gender Inclusive policy formulation and implementation

Akwa Ibom must ensure that adequate data and information drive policy planning and implementation for the energy transition. This includes prioritising Gender Responsive Budgeting and gender disaggregated economic data collection. This will help to optimise the resource potential and value addition of the women in the state by promoting the adequate allocation of the resources to stimulate productivity and output among women.

3. Diversification of the Economy

Akwa Ibom should diversify its economy, shifting its focus from oil and gas to other sectors. As this research demonstrates, agriculture, fishing, aquaculture, and tourism hold promising prospects for Akwa Ibom state. The state's tourist destinations should be better packaged and promoted to attract local and international tourists. The state should invest in tourism infrastructure and develop policies that promote sustainable fishing, maritime trade, offshore renewable energy and launch campaigns to attract domestic and international tourists. Furthermore, the state should expedite action on the development of the Ibom Deep Sea Port as this will generate employment, attract business investments, and foster industrial growth in the State.

4. Investment in Power Generation

The state should boost investment in its power generation sector to support its domestic economy at all levels, including Small and Medium Enterprises (SMEs) that drive economic activities and employment and large corporations that support large-scale investments across sectors.

5. Digitisation of Tax Administration and Revenue Management: The state will benefit greatly from deploying technology to collect tax and non-tax sources of revenue. The discontinuance of collecting revenues in cash and the adoption of technology will reduce the opportunities for corruption and plug the leakages that exists within the current regime.

6. Autonomy for AKIRS

The Akwa Ibom State Internal Revenue Service (AKIRS) should be granted full autonomy regarding revenue collection to combat corruption and inefficiencies within the state's investment companies. Digital tax collection platforms targeted at reducing leakages and improving accountability is a quick win to resolve some of these issues.

7. Full Operationalisation of its Treasury Single Account

For expenditure control and efficient cash management, the State should fully operationalise its treasury single account to ensure that it can efficiently and effectively allocate resources, curb corruption and reduce ancillary costs like excessive bank charges associated with running too many accounts.

8. Improve the Ease of Doing Business

Beyond oil, SMEs are critical to the sustainability and advancement of the state's economy and catalysing growth. Hence, the state should invest a significant part of its windfall from oil in improving the business environment by investing massively in power generation and human capital development (with a special focus on health, education and WASH), increasing digital access to stimulate

its digital economy, bolstering its security architecture to ensure the safety of lives and livelihoods, improving its road infrastructure to create access to more parts of the state, and harmonising its different taxes, levies and fees to ease payment and reduce the burden on taxpayers.

9. Strengthen State Institutions

The state should urgently operationalise its Audit Law that grants financial and operational autonomy to the Office of the Auditor General of the state. The fiscal resilience of the state post-crude oil is, to a large extent, dependent on its ability to judiciously utilise the available resources at its disposal. The Auditor General is critical to ensuring fiscal discipline, value for money and compliance with provisions of the law in all its financial dealings; hence, the Auditor General's Office must be strengthened to deliver its mandate. Furthermore, the state needs to reform its procurement regime to ensure it fully complies with its procurement law, especially as it regards open and competitive bidding for contracts and disclosing procurement data and documents at all stages of the contracting process.

10. Collaborative Development of Investment Strategy

The government and CSOs should collaborate to develop a state investment strategy document, and CSOs should actively influence its creation. Strategies to enhance returns on existing and new investments by; conducting routine audits of underperforming investments to identify areas for improvement or divestment, collaborating with private sector players to manage state assets more efficiently and commercialization of non-core government assets to generate additional revenue streams.

11. Enhanced collaboration with the private sector can provide needed investments in renewable energy solutions

Investment platforms like the African Climate Foundation can be explored to access

funding support for renewable energy projects. Ensuring a conducive operating environment for businesses is crucial for attracting investments. All relevant data needed for investors and the private sector to participate in the energy transition should be made easily accessible and available for them and for the public.

12. Continual Energy Transition Awareness

There is a need for ongoing awareness campaigns about energy transition in all forms of media, making the message relatable and accessible to community members. Efforts should be made to craft a message that resonates with the people and highlights the impacts of oil revenue losses on the lives and livelihoods of citizens.

13. In recent years, Akwa Ibom has managed its debt fairly well, achieving slight reductions amidst escalating expenditures

The state strives to maintain fiscal stability through prudent borrowing and effective debt repayment strategies. The gradual decrease in debt over time is a positive sign of fiscal responsibility. This is a commendable trend that should be continued to minimise the state's exposure to risk and to maintain a healthy debt sustainability profile.

