

THE 2023 FUEL SUBSIDY REMOVAL IN NIGERIA: POLICY IMPLEMENTATION CHALLENGES

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ABSTRACT

This study examines the 2023 fuel subsidy removal in Nigeria. Its main objectives are to analyse the political, institutional, and citizen dynamics that shaped the implementation of the subsidy removal and to provide policy recommendations for improving policy effectiveness and public trust in future reforms. The research is anchored on Rent-Seeking Theory, which posits that individuals and groups, particularly political and economic elites, often seek to gain wealth by manipulating public policy or state resources for personal benefit rather than through productive economic activities. The study adopts a quantitative design using secondary data, including macroeconomic indicators from the Central Bank of Nigeria (CBN) and the National Bureau of Statistics (NBS), as well as government communications, media reports, and public commentaries. These data were thematically analysed to achieve the research objectives. The findings reveal that political and commercial elites sought to protect longstanding economic privileges; public distrust intensified citizen backlash; and institutional and policy gaps undermined reform outcomes. The study recommends that the Nigerian government enhance institutional credibility through transparent budgeting and responsible reinvestment of subsidy savings. It also suggests designing targeted social safety nets before reform implementation, proactively engaging stakeholders particularly citizens, civil society, and transport associations and adopting a phased reform approach with publicly verifiable milestones.

Keywords: Fuel Subsidy, Nigeria, citizens, Policy Implementation and Rent-Seeking Theory

Introduction

Fuel-subsidy reform remains one of the most politically sensitive and economically complex policies in both developing and developed economies. Countries such as Indonesia, Egypt, and Iran have attempted to phase out fuel subsidies as part of broader fiscal reform agendas, often encountering major implementation challenges. These reforms are frequently followed by inflationary pressures, political unrest, and, in some cases, policy reversals, especially when governments fail to ensure effective communication, institutional coordination, and adequate social protection mechanisms (World Bank, 2023).

Across Africa, the politics of fuel subsidies are further complicated by widespread poverty, income inequality, and weak state-citizen relations. Ghana's 2005 and Kenya's 2022 subsidy-removal efforts, for instance, triggered public unrest due to the perceived lack of transparency and ineffective compensation measures (African Development Bank, 2022). Although international financial

institutions such as the IMF and AfDB continue to advocate for subsidy removal to free up fiscal space for infrastructure and human development, these reforms are often undermined by elite capture, corruption, and persistent public distrust in state institutions (IMF, 2022).

In Nigeria, fuel subsidies have historically served both political and economic purposes. Introduced in the 1970s to cushion the effects of global oil price shocks, the subsidy regime has evolved into a major source of fiscal strain and rent-seeking behaviour. By 2022, Nigeria was spending over ₦4 trillion annually on petrol subsidies—roughly 40% of the federal budget and more than the combined allocations to education and healthcare (Onyeiwu, 2024). Despite several reform attempts, successive administrations have struggled with policy continuity, institutional coordination, and citizen trust.

In January 2012, President Goodluck Jonathan's attempt to remove subsidies triggered nationwide protests under the Occupy Nigeria movement, forcing a partial policy reversal. A decade later, President Bola Ahmed Tinubu's 29 May 2023 announcement of the immediate termination of fuel subsidies again provoked widespread controversy. Petrol prices tripled overnight, inflation surged to a 30-year high, and millions of Nigerians experienced worsening food insecurity and rising transport costs (Anyagwu & Onuah, 2024). Although the federal government introduced ₦500 billion in palliatives and social protection schemes, critics argued that the interventions were insufficient, poorly targeted, and delayed, exposing gaps in policy planning and implementation capacity.

These developments illustrate that Nigeria's challenge extends beyond the fiscal logic of subsidy removal to the institutional and governance mechanisms required for effective implementation. Persistent issues such as weak administrative coordination, inadequate public communication, elite rent-seeking, and limited citizen trust continue to constrain reform execution. Yet, few studies have systematically examined how these interrelated political and institutional dynamics shaped the 2023 reform episode, leaving a significant gap in understanding the factors that influenced its outcomes.

Existing literature has largely focused on the fiscal implications of fuel subsidies or the welfare effects of their removal, with limited attention to the governance and institutional dimensions of policy implementation. This study addresses that gap by analysing the 2023 fuel-subsidy removal through the lens of political economy, emphasizing how rent-seeking behaviour, governance credibility, and citizen engagement interact to shape implementation outcomes. Understanding these linkages is crucial for designing future reforms that are both economically sound and administratively effective.

The main objectives are to analyse the political, institutional, and citizen dynamics that shaped the implementation of the 2023 subsidy removal and to provide policy recommendations for improving policy effectiveness, governance credibility, and public trust in future reforms. The study is guided by Rent-Seeking Theory, which offers a useful framework for examining how entrenched interests and political incentives influence the effectiveness and sustainability of policy implementation in Nigeria.

Literature Review

Conceptual Clarifications and Theoretical Insights

Fuel subsidies can be broadly defined as government interventions that lower domestic petroleum prices below international market benchmarks through direct financial transfers or revenue foregone. In principle, such subsidies aim to stabilize prices, protect consumers from global oil price shocks, and promote social welfare. However, in practice, they often evolve into politically sensitive instruments. Scholars such as Coady, Parry, Sears, and Shang (2015) argue that while subsidies distort markets and drain public finances, they persist because governments use them to maintain legitimacy and prevent social unrest.

In resource-dependent economies like Nigeria, fuel subsidies thus perform a dual role: as economic tools for managing cost-of-living pressures and as political instruments that reinforce the relationship between the state and citizens. This duality helps explain why subsidy reforms though fiscally necessary face significant policy implementation challenges arising from entrenched interests, weak institutions, and limited citizen trust.

From a political economy perspective, the sustainability and reform of fuel subsidies are not determined by economic logic alone but by the interaction of political actors, bureaucratic incentives, and societal expectations. Political economy analysis views policy reform as a negotiation of interests among state elites, civil servants, labour unions, and citizens (Onyeiwu, 2024). Hence, the success or failure of subsidy removal depends largely on the institutional and governance structures responsible for executing the policy, communicating its rationale, and managing the social effects of implementation.

A major obstacle in subsidy reform lies in elite rent-seeking behaviour, where powerful groups exploit the subsidy system for private gain and resist policies that threaten these rents. This aligns with Rent-Seeking Theory, which explains how political and economic elites manipulate policy processes to sustain access to unearned benefits. In Nigeria, such dynamics complicate implementation by influencing legislative processes, bureaucratic coordination, and the distribution of palliatives thereby undermining transparency and efficiency.

Closely related are citizen responses to subsidy reform, which often reflect perceptions of government credibility and distributive fairness. Public opposition emerges when citizens doubt that subsidy savings will be managed transparently or reinvested in public welfare. However, these reactions are not only forms of protest but indicators of weak policy communication and inadequate stakeholder engagement key implementation challenges. As seen in the 2023 reform episode, poor sequencing of policy communication and inadequate palliative delivery eroded public confidence, revealing the governance dimension of implementation failure (Anyagwu & Onuah, 2024).

The concept of legitimacy provides an important lens for understanding implementation outcomes. Legitimacy refers to citizens' confidence in the fairness, credibility, and moral authority of state policies (Cozzaglio, 2022). When legitimacy is high, citizens are more willing to accept temporary hardship in anticipation of long-term benefits. Conversely, when legitimacy is low due to corruption, lack of

transparency, or inequitable outcomes, compliance weakens, and policy execution falters. In this sense, legitimacy and institutional trust are not peripheral issues they are core components of effective policy implementation (Belgioioso & Newman, 2024).

Empirical Review on the Political Economy of Fuel Subsidies in Nigeria

Fuel subsidies in Nigeria occupy a central place in debates on fiscal policy, governance, and distributive justice. From a political economy perspective, they represent more than a tool of economic stabilization they embody the interaction between power, resource allocation, and state legitimacy. In rentier economies, where governments derive substantial revenue from natural resources rather than taxation, subsidies are often used as instruments to maintain political loyalty and social stability (Gbadebo, 2025). The Nigerian state, heavily dependent on crude oil exports, has long utilized fuel subsidies to symbolically “return” oil wealth to citizens. Yet, over time, this mechanism has evolved into a complex web of vested interests and institutionalized rent-seeking (Musa & Abubakar, 2025).

Empirical research demonstrates that fuel subsidies in Nigeria have become deeply embedded within networks of elite capture and bureaucratic rent distribution. Obasi et al. (2024) observe that the subsidy regime operates through opaque importation, pricing, and reimbursement systems that allow politically connected marketers to reap enormous profits under the guise of social welfare. Akov (2015) similarly describes this structure as an “elite-capture patchwork,” where public funds are systematically redirected for private enrichment. Subsidy claims are often inflated, import volumes falsified, and payment approvals manipulated through collusion between oil importers, bureaucrats, and political patrons. As a result, subsidies initially justified as pro-poor policies have functioned as channels of patronage that consolidate elite power while perpetuating fiscal inefficiency.

This distributive character of fuel subsidies highlights a key feature of Nigeria’s political economy: state resources are routinely appropriated by powerful actors who use them to sustain patron-client networks. As Coady, Parry, Sears, and Shang (2015) and Victor (2009) argue in broader comparative studies, subsidies in resource-rich states tend to persist not because of their economic rationality but because they provide political rents that are difficult to dismantle without provoking elite resistance. The beneficiaries of these rents ranging from fuel importers and senior bureaucrats to political financiers, form what Karl (1997) calls “rentier coalitions,” groups whose survival depends on maintaining the flow of state-controlled rents. Consequently, any attempt to remove fuel subsidies directly challenges these coalitions and risks destabilizing the power equilibrium that underpins political order.

The fiscal consequences of these dynamics are equally profound. Nigeria’s annual subsidy expenditure has often exceeded allocations to key social sectors such as health, education, and infrastructure. The National Bureau of Statistics (2023) reports that by 2022, fuel subsidies cost over ₦4 trillion, consuming nearly 40 percent of federal expenditure. Yet, these vast outlays yielded limited social dividends, as subsidies disproportionately benefited higher-income households with greater access to private vehicles. Studies by Raifu and Afolabi (2024) show that less than 10 percent of the poorest households captured

any meaningful benefit from the policy. This regressive distribution further underscores the paradox of Nigeria's subsidy regime: it drains public finances while reinforcing inequality.

Despite the consensus on their economic inefficiency, fuel subsidies have proven remarkably resilient. Scholars such as Newell and Johnstone (2018) attribute this endurance to what they term "political lock-in" a situation where governments fear that reforming subsidies could erode public support and trigger mass unrest. The persistence of subsidies, therefore, reflects a delicate balancing act between elite interests and mass politics. On one hand, political elites resist reform because subsidies provide lucrative rents and a mechanism to reward loyalty. On the other, citizens resist removal because they perceive subsidies as one of the few tangible benefits of the oil economy. Both forms of resistance are mutually reinforcing, creating a policy trap where economic rationality collides with political survival.

However, while these works effectively expose the structural corruption and fiscal inefficiencies of the subsidy system, they often give limited attention to how elite resistance and public perception jointly shape the political feasibility of reform. Most existing studies stop short of analysing the dynamic interplay between state actors seeking fiscal reform and entrenched interests determined to preserve the status quo. This study addresses that gap by examining how the 2023 subsidy removal unfolded within Nigeria's broader political economy specifically, how elite resistance, labour union mobilization, and public distrust influenced the reform's legitimacy and implementation.

Empirical Review on the Role of Civil Society and Labour Unions in Nigeria's Political Economy of Reform

The role of civil society and labour unions in Nigeria's political economy of reform has attracted considerable scholarly attention, particularly in relation to subsidy politics. Ering and Akpan (2012) document how the 2012 Occupy Nigeria protests mobilized a broad coalition of actors including professional associations, students, labour unions, and faith-based organizations, to resist the removal of fuel subsidies. Their study reveals that opposition to the reform was not primarily about fuel prices but rather a symbolic resistance against decades of corruption, inequality, and perceived government betrayal of the social contract. Protesters framed subsidy removal as evidence of elite indifference to popular suffering, transforming an economic policy issue into a moral and political struggle for accountability.

These findings resonate with broader regional experiences across Africa. In Ghana (2005) and Kenya (2022), fuel subsidy reductions similarly provoked widespread protests and strikes, as reported by the African Development Bank (2022). In both contexts, governments' failure to communicate reform objectives effectively or to provide adequate compensation mechanisms undermined their legitimacy. Such episodes underscore a recurring pattern in the developing world: subsidy reforms, though economically justified, often unravel politically when citizens perceive them as externally imposed, poorly sequenced, or unfairly targeted. Civil society organizations (CSOs) and labour unions thus act as intermediaries of popular discontent, translating diffuse frustrations into organized collective action (Gbadebo, 2025).

Nigeria's labour unions, particularly the Nigeria Labour Congress (NLC) and the Trade Union Congress (TUC), have historically positioned themselves as defenders of social justice and protectors of the working class against state-imposed austerity. Their role extends beyond economic advocacy to encompass moral and political legitimacy. By framing fuel subsidy removal as an assault on the poor and a reflection of elite greed, unions effectively link immediate economic concerns to broader struggles over governance and social equity. This framing enables them to mobilize across class, regional, and religious lines, as seen in the 2012 protests and again during the 2023 resistance campaigns (Musa & Abubakar, 2025). However, as Aremu (2023) notes, this power is double-edged: while labour mobilization can constrain unpopular policies, it can also entrench populist expectations that make future reforms politically hazardous.

Beyond organized labour, civil society groups, religious associations, and media activists have played a pivotal role in shaping public narratives around subsidy reform. Alugbin and Iyoha (2024) highlight how the rise of digital activism especially through social media platforms has transformed protest organization in Nigeria. During the 2012 and 2023 episodes, hashtags such as #OccupyNigeria and #EndSubsidySuffering facilitated real-time coordination, public awareness, and global solidarity. These virtual spaces enabled citizens to articulate grievances not only about fuel prices but about broader governance failures: corruption, impunity, and the inequitable distribution of national wealth. This shift from street protests to hybrid physical-digital activism signals an evolution in how resistance to economic reform is expressed and sustained in contemporary Nigeria.

Despite these rich insights, much of the existing literature remains largely descriptive, concentrating on protest episodes without interrogating the institutional and political conditions that convert dissent into sustained resistance. Scholars rarely explore how state responses ranging from coercion and co-optation to negotiation mediate the outcomes of these movements. Similarly, few studies examine the internal dynamics within labour unions and civil society networks, such as leadership struggles, resource limitations, or regional divisions, that affect the coherence of their opposition. Consequently, the scholarship has yet to fully explain why some protest movements, like the 2012 Occupy Nigeria campaign, achieved temporary concessions, while others, such as the 2023 resistance, failed to reverse government policy despite widespread public discontent.

This study therefore extends the literature by analysing the institutional interplay between state actors, labour unions, and civil society during Nigeria's 2023 fuel subsidy removal. It situates resistance within a broader political economy framework, arguing that opposition to subsidy reform is not merely a spontaneous reaction to economic hardship but a reflection of deeper struggles over legitimacy, governance credibility, and distributive justice. By unpacking how these actors negotiate power and influence in the reform process, the study contributes to a more nuanced understanding of resistance dynamics in Nigeria's reform politics.

Empirical Review on the Public Trust, Legitimacy, and Governance Gaps on Fuel Subsidy Removal

Public trust constitutes a central pillar of effective governance and plays a decisive role in determining the success or failure of economic reforms such as fuel subsidy removal. In governance theory, public trust refers to citizens' confidence that government actions are undertaken in the collective interest, guided by fairness, transparency, and accountability. Legitimacy, closely related to trust, denotes the moral and political authority that enables a state to secure voluntary compliance with its policies. When these two elements are strong, governments can implement even painful reforms with minimal resistance. Conversely, when citizens perceive the state as corrupt or self-serving, policy reforms no matter how economically rational are often met with widespread skepticism and opposition.

Ozigbu and Ezekwe (2025) argue that institutional trust functions as a form of social capital that sustains political stability during economic transitions. When this trust erodes, citizens become less willing to endure short-term economic hardship for promised long-term benefits. This finding echoes the empirical work of McCulloch, Moerenhout, and Yan (2021), who, using cross-country household survey data, find that perceptions of corruption and unaccountable governance are stronger predictors of resistance to subsidy reform than actual income or welfare losses. Citizens tend to assess reform credibility not on technical merits, but on their belief in the integrity and fairness of the institutions implementing it. In Nigeria's context, where past reforms have been marred by embezzlement and policy reversals, skepticism has hardened into a structural feature of state-society relations.

Ogunlesi (2012) captures this sentiment vividly, observing that the 2012 Occupy Nigeria movement was "not merely about fuel prices, but about a broken social contract." The protests reflected accumulated frustrations over decades of unfulfilled promises, corruption scandals, and elite impunity. Similar patterns have been observed in other developing economies. For instance, in Indonesia and Egypt, fuel subsidy reforms initially provoked unrest due to widespread public mistrust, but governments that coupled reform with transparent communication and targeted social protection such as Indonesia's 2005 cash transfer programme eventually achieved acceptance (World Bank, 2022). These comparative experiences underscore that legitimacy, rather than purely technical design, determines whether citizens perceive reform as shared sacrifice or state betrayal.

In Nigeria, recurrent governance failures have deepened the crisis of legitimacy. The state's inability to demonstrate transparent management of oil revenues or to deliver tangible welfare outcomes has generated a trust deficit. This deficit manifests in widespread public disbelief that subsidy savings will be reinvested in productive sectors or used to benefit ordinary citizens (Institute of Development Studies, 2022).

Beyond citizen distrust, legitimacy also erodes through elite behavior. Political and business elites, who benefit disproportionately from opaque subsidy systems, often manipulate reform narratives to protect their interests (Cozzaglio, 2022). Belgioioso and Newman (2024) note these actors exploit public skepticism by framing reforms as anti-poor or externally imposed, thus aligning themselves with popular sentiment while covertly defending rent-seeking privileges. This dynamic creates a dual crisis of

legitimacy: citizens lose faith in the government's sincerity, while reformist policymakers struggle to counter disinformation and vested opposition within the state apparatus.

Despite this growing body of literature, few studies integrate the analysis of legitimacy and trust with the political economy of elite resistance. Most accounts treat public opposition as an independent variable arising solely from economic hardship rather than as part of a broader institutional ecosystem shaped by elite manipulation, media narratives, and governance failures. This study addresses that gap by examining how deficits in trust and legitimacy intersect with elite resistance to shape the outcomes of Nigeria's 2023 fuel subsidy removal. By situating public attitudes within the broader framework of political economy, it contributes to understanding why technically sound reforms continue to falter in contexts where governance credibility remains weak.

Identified Gaps

Despite extensive research on fuel subsidy reform, significant gaps remain in understanding the implementation dynamics of such policies in Nigeria. First, most existing studies treat corruption, elite interests, or citizen reactions as separate phenomena, without adequately analysing how these factors interact to influence policy execution and outcomes. Second, limited empirical attention has been given to the 2023 Nigerian fuel subsidy removal, which presents a timely opportunity to examine how political, institutional, and social forces converge to shape the effectiveness of major economic reforms. Third, previous research often overlooks the link between theoretical insights on governance and rent-seeking behaviour and the practical challenges of implementing subsidy reforms within weak institutional contexts.

This study contributes to filling these gaps by analysing the 2023 fuel subsidy removal in Nigeria through the lens of policy implementation and rent-seeking theory. It integrates the perspectives of political and economic elites with citizen responses to assess how institutional credibility, public trust, and administrative capacity influenced the reform process. In doing so, the study offers a nuanced understanding of the governance, communication, and accountability mechanisms necessary for the successful implementation of contentious economic policies in resource-dependent states.

Methodology

This study adopts a quantitative secondary data design to examine the policy implementation challenges associated with Nigeria's 2023 fuel subsidy removal. The approach enables systematic analysis of how economic, institutional, and citizen-related factors influenced the implementation process and public reactions to the reform. The quantitative method is suitable because it allows for objective measurement of trends and correlations among macroeconomic indicators, public perceptions, and policy response patterns, thereby generating evidence-based insights for improving policy execution and public communication.

Data Sources

Data for this research were obtained from credible and verifiable secondary sources spanning mid-2022 to early 2024, ensuring comprehensive coverage of both the economic and institutional dimensions of subsidy removal and implementation.

i. Macroeconomic Indicators

Key macroeconomic variables including petrol pump prices, monthly inflation rates, household consumption expenditure, and other cost-of-living indices — were extracted from the Central Bank of Nigeria (CBN) and the National Bureau of Statistics (NBS). These datasets provide time-series measures of Nigeria's economic performance and capture the immediate and short-term effects of subsidy withdrawal on the national economy. Comparative trend analysis of these indicators enabled the study to quantify the economic burden on households and assess how such pressures influenced policy outcomes and implementation efficiency.

ii. Public Opinion Data

Public perception data were sourced from Afrobarometer Round 9 (2023), which surveyed a nationally representative sample of 1,600 respondents across 33 states. The survey utilized a stratified random sampling technique to ensure balanced representation across gender, age, geographic zones, and socio-economic categories. Key variables extracted include trust in government, perceived economic hardship, and citizen attitudes toward the fuel subsidy removal. These data provided valuable insights into citizen response and policy legitimacy, complementing macroeconomic evidence with perception-based quantitative information relevant to policy implementation challenges.

iii. Policy and Media Data

In addition to numerical datasets, the study analyzed official policy communications, civil society statements, and major media reports from reputable Nigerian outlets. Selection criteria included relevance to the subsidy reform implementation process, source credibility, and publication timeliness. Using a quantitative content analysis approach, these textual sources were coded into categories such as government justification, implementation gaps, public discontent, and citizen mobilization to measure the frequency and tone of implementation challenges. This allowed for systematic tracking of both institutional performance and public feedback, converting qualitative narratives into measurable indicators.

Validity and Reliability

The study's validity was strengthened through data triangulation, integrating economic, perceptual, and policy communication sources to ensure a multi-dimensional understanding of subsidy reform implementation. The combination of macroeconomic data with survey and media evidence reduced bias and enhanced internal validity.

The use of publicly accessible and verifiable datasets from CBN, NBS, and Afrobarometer further ensured external reliability, allowing other researchers to reproduce and confirm the study's findings.

Data Analysis

The study employed quantitative secondary data analysis combined with content analysis of policy documents, media reports, and public opinion surveys to examine the policy implementation challenges associated with Nigeria's 2023 fuel subsidy removal. This mixed approach allowed for systematic integration of economic indicators, citizen perceptions, and institutional communication patterns to assess how different implementation dimensions interacted to shape policy outcomes.

Themes were derived using a mixed coding approach:

i. Deductive coding was based on theoretical constructs from policy implementation and governance literature, including institutional capacity, public trust, accountability, and communication effectiveness.

ii. Inductive coding captured emerging patterns from Afrobarometer survey data, media coverage, and official government statements.

Through this process, four core themes emerged, synthesizing evidence from macroeconomic data, survey responses, and content analysis to explain the institutional, economic, and social dynamics of the subsidy reform implementation.

i. Institutional Resistance and Implementation Constraints

Content analysis of government and media sources revealed that implementation challenges were compounded by institutional weaknesses and elite influence within the downstream petroleum sector. Historical dependence on subsidy-related rents created inertia and bureaucratic reluctance to execute reform measures effectively. Between 2009 and 2022, subsidy allocations frequently exceeded actual domestic consumption, reflecting regulatory complicity and weak oversight (Obasi, Ezenkwa, & Onwa, 2024).

ii. Citizen Backlash and Livelihood Concerns

Public reaction, as reflected in Afrobarometer Round 9 (2023) and NOI polls, showed widespread dissatisfaction with how the subsidy removal was executed. Citizens reported significant increases in transport and food prices, alongside reduced access to basic services following the policy reform (Busari, 2012).

Table 1: Key findings from the Afrobarometer survey showing public perceptions of government credibility and economic impact

Statement	% Agree
I trust the government to use subsidy savings effectively	13%
The removal of the subsidy has worsened my life	81%

Source: Afrobarometer Survey (2023)

Table 1 illustrates deep public skepticism and perceived economic vulnerability after the subsidy removal. Only 13% of respondents expressed confidence in the government's capacity to manage and reinvest subsidy savings transparently, revealing a serious trust deficit between citizens and state institutions.

Conversely, 81% reported that their living conditions worsened, emphasizing the economic strain and communication gap that undermined reform legitimacy. These findings highlight that ineffective stakeholder engagement and weak social cushioning mechanisms significantly shaped the implementation challenges and public backlash.

iii. Economic Impact and Price Escalation

Analysis of fuel price data provides insight into the economic shocks that intensified implementation difficulties. As Table 2 shows, subsidy removal triggered a sharp and sustained increase in petrol prices:

Table 2: Petrol Price Trend (2022–2024)

Date	Petrol Price (₦/Litre)
May 2022	₦165
May 2023	₦238
August 2023	₦617

Source: Adeoye (2024)

Table 2 underscores the rapid escalation of fuel prices within a few months of policy implementation. While moderate increases before 2023 were influenced by global oil volatility and exchange rate pressure, the post-reform surge to ₦617 per litre in August 2023 represented a nearly 250% increase, placing heavy strain on transport and household costs. This abrupt transition exposed implementation timing and sequencing weaknesses, as the policy was introduced without sufficient preparatory social protection measures. The price surge deepened economic hardship, eroded purchasing power, and fueled citizen protests—key indicators of implementation failure at the public interface level.

iv. Inflationary Trends and Cost-of-Living Effects

Rising petrol prices had cascading effects on general inflation and household welfare. As Table 3 indicates, inflation rose steadily across multiple sectors after the subsidy removal::

Table 3: Monthly Inflation Rates Post-Subsidy Removal

Month	Inflation Rate
June 2023	22.8%
August 2023	25.8%
December 2023	28.2%
March 2024	29.9%

Source: NBS (2024), CBN (2024)

Table 3 demonstrates that inflation increased by over seven percentage points within nine months of the reform, showing that the economic shock was both deep and sustained. The transportation and food components of the Consumer Price Index recorded the largest jumps, intensifying cost-of-living pressures and reinforcing public dissatisfaction.

These inflationary outcomes indicate that insufficient coordination between fiscal, monetary, and social policy instruments amplified implementation challenges. Without synchronized measures to stabilize

prices or cushion vulnerable households, the reform's economic burden triggered widespread social tension and eroded policy credibility.

Findings

Based on the analyses presented above, the following key findings were derived:

i. Elite Resistance as a Policy Implementation Barrier

The study reveals that political and commercial elites posed significant obstacles to the effective implementation of the 2023 fuel subsidy removal policy. Their resistance was aimed at safeguarding long-standing economic privileges derived from subsidy-related rents. This manifested through parliamentary delays, selective framing of reform narratives in the media, and lobbying by downstream petroleum actors and legislators from oil-producing states. Historical evidence from 2009–2022 shows that subsidy allocations often exceeded actual domestic petrol consumption, reflecting entrenched rent-seeking patterns (Obasi, Ezenkwa, & Onwa, 2024). Consequently, subsidy removal was perceived by elites as a structural threat to established informal economies and patronage networks, thereby undermining smooth policy execution.

ii. Public Distrust as a Governance and Implementation Challenge

The study finds that widespread public distrust of government institutions significantly hindered the acceptance and implementation of the 2023 fuel subsidy removal. Afrobarometer Round 9 (2023) data show that only 13% of Nigerians expressed confidence in the government's ability to use subsidy savings effectively, while 81% reported that subsidy removal worsened their living conditions. Public backlash was particularly pronounced among lower-income and urban populations who bore the brunt of rising transport and energy costs. These findings highlight that the success of policy implementation is closely linked to government credibility and transparent communication with citizens.

iii. Economic Hardship and Weak Palliative Design

The data show that severe economic hardship following subsidy removal amplified public resistance and strained policy implementation. Petrol prices rose sharply from ₦238 per litre in May 2023 to ₦617 in August 2023, while inflation increased from 22.8% in June 2023 to 29.9% by March 2024. These economic shocks disproportionately affected low-income households, triggering protests, labour strikes, and civil society mobilization. The absence of adequate cushioning measures, such as timely and well-targeted palliatives, aggravated the socioeconomic burden, weakening public compliance and policy acceptance.

iv. Institutional and Policy Gaps in Implementation Framework

The study finds that institutional and administrative weaknesses undermined the effectiveness of the subsidy removal policy. Analysis of government palliative initiatives and media reports revealed delays and inadequacies in implementing compensatory programs. Promised cash transfers of ₦25,000 per month were either delayed or poorly targeted, leaving many citizens exposed to inflationary pressures. Furthermore, no transparent mechanism existed to track how subsidy savings were reinvested. These

deficiencies contributed to recurring cycles of public dissatisfaction, elite manipulation, and declining institutional legitimacy.

Discussion of Findings

The findings highlight that the major challenges in implementing the 2023 fuel subsidy removal were rooted in entrenched elite interests, weak governance credibility, inadequate social protection measures, and institutional inefficiencies. These align closely with Rent-Seeking Theory (Victor, 2009), which posits that political and economic actors often manipulate public policy to preserve existing privileges. In Nigeria's case, downstream petroleum stakeholders and allied political elites resisted the policy to protect their rent-based advantages. Historical data (2009–2022) showing inflated subsidy claims reinforce the argument that reforming such a system poses not only fiscal but also institutional and political challenges (Akov, 2015). Thus, implementation failures cannot be fully understood without acknowledging the persistence of rent-seeking networks that distort reform incentives.

Public distrust emerged as a core governance challenge in policy implementation. Consistent with Rent-Seeking Theory and broader governance literature, citizens perceived subsidy removal as unjust and mismanaged, largely because of the state's poor transparency record (Ozigbu & Ezekwe, 2025). Afrobarometer data revealing that only 13% of citizens trusted the government to manage savings effectively demonstrate how credibility deficits weaken reform legitimacy. This aligns with previous studies (Ogunlesi, 2012; Ering & Akpan, 2012), which show that citizens are more likely to oppose reforms when social costs are visible but institutional accountability is low. Transparent communication, participatory policy design, and accountability mechanisms are therefore crucial for enhancing public trust and compliance.

The rapid escalation in petrol prices and inflation rates underscores that the absence of robust compensatory policies magnified economic hardship, fueling public discontent. From a policy implementation perspective, this reveals weak planning and sequencing of reform measures. Rent-seeking literature also indicates that such economic shocks can be exploited by elites to mobilize opposition or deflect blame (Akov, 2015). Thus, effective implementation requires anticipating economic shocks and introducing proactive palliative interventions to maintain social stability.

Finally, institutional and policy gaps such as poorly executed palliative programs and the absence of transparent reinvestment frameworks exposed systemic governance weaknesses. These gaps enabled elite capture, reduced accountability, and deepened public skepticism. This finding resonates with Krueger's (1974) argument that weak institutional oversight facilitates rent capture, thereby distorting reform outcomes. The evidence suggests that successful policy implementation depends not only on sound economic design but also on institutional capacity, accountability mechanisms, and inclusive stakeholder engagement. As emphasized by recent literature (Ozigbu & Ezekwe, 2025; IMF, 2022), policy success requires transparency, monitoring frameworks, and credible enforcement to translate fiscal reforms into tangible public benefits.

Conclusion

This study examined the 2023 fuel subsidy removal in Nigeria, focusing on its policy implementation challenges through a mixed-methods analysis of secondary quantitative data and qualitative content sources. Anchored in Rent-Seeking Theory, the study assessed how political interests, public trust, and institutional capacity influenced the effectiveness and credibility of the policy's implementation.

The findings demonstrate that elite interference and entrenched rent-seeking structures remain critical barriers to successful policy execution. Political and commercial actors with vested interests in subsidy rents mobilized legislative, media, and bureaucratic influence to preserve long-standing benefits. This finding supports rent-seeking theory's prediction that reforms disrupting established rent flows face significant implementation resistance.

The study also revealed that public distrust in government institutions evidenced by low confidence in the management of subsidy savings undermined reform legitimacy. This trust deficit magnified the social and political cost of implementation, as citizens perceived the policy as lacking transparency and fairness.

Furthermore, economic hardship following the subsidy removal marked by sharp increases in fuel prices and inflation amplified public discontent and strained the reform process. The absence of timely and well-targeted compensatory measures weakened public confidence, reinforcing perceptions of state insensitivity to welfare impacts.

Finally, institutional and policy design weaknesses including poor palliative targeting, inadequate coordination, and the lack of transparent reinvestment mechanisms, undermined reform credibility and perpetuated cycles of public frustration, fiscal inefficiency, and policy reversal.

While this study relied primarily on secondary quantitative data, which provided a strong empirical foundation, it was limited in capturing evolving citizen perspectives in real time. Future research could adopt longitudinal surveys or elite interviews to deepen understanding of shifting attitudes toward reform implementation and governance trust. Comparative analyses with other African countries that have undertaken similar reforms such as Ghana and Kenya could also yield valuable cross-regional insights.

Overall, the study advances understanding of how governance, institutional trust, and rent-seeking behaviour interact to shape public policy outcomes. It extends implementation theory by linking policy effectiveness to institutional credibility, elite influence, and public perception offering a framework for evaluating complex economic reforms in Nigeria and other resource-dependent states.

Recommendations

Based on the evidence and in line with the study's findings, the following actionable recommendations are proposed to enhance the implementation and governance of future reform policies:

- i. The Federal Government and National Assembly should institutionalize transparency through open budgeting and regular public disclosure of how subsidy savings are utilized. Independent oversight

committees, including civil society and private sector representatives, should monitor reform progress to promote fiscal discipline and public trust.

ii. The Ministry of Information, in collaboration with civil society and the media, should develop a coordinated communication strategy that clearly explains reform objectives, benefits, and timelines. Early consultation with citizens, transport unions, and community leaders can improve legitimacy, reduce misinformation, and build shared ownership of reform outcomes.

iii. The Ministry of Humanitarian Affairs and Ministry of Finance should introduce targeted interventions such as transport vouchers, conditional cash transfers, or food support before fuel price deregulation. This proactive approach would mitigate welfare shocks, sustain public confidence, and prevent protests or social unrest.

iv. The Presidential Economic Council and Petroleum Regulatory Authority should implement fuel price adjustments in clearly defined phases. Each phase should include public monitoring metrics covering inflation control, savings utilization, and social impact to ensure predictability and transparency throughout the reform process.

v. The Federal Government, through the Ministry of Finance, should create a Sovereign Reform Fund dedicated to reinvesting subsidy savings into visible public goods such as education, healthcare, and infrastructure. The fund should be governed by an independent, multi-stakeholder board representing government, civil society, and the private sector to ensure accountability and equitable distribution of benefits.

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