

The Political Economy of Fuel Subsidy Reform under Nigeria's Tinubu Administration

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Abstract:

On 29 May 2023, in his first speech as president, Bola Ahmed Tinubu announced the end of the Nigerian petroleum subsidy system, which had existed for decades. Unlike the five previous attempts in 1986, 2000, 2003, 2012, and 2016, which were either abandoned entirely or largely reversed under pressure from the general public and organized labor, the 2023 decision was successful. The article examines why the 2023 removal took place and whether its consolidation can be maintained, using a political economy approach that combines classical political economy with rentier state theory. Based on a mixed- methods study involving 1,050 valid survey responses from six Nigerian states and fifteen interviews with key informants, including oil marketers, regulators, labor representatives, legislative aides, palliative administrators, and independent economists, the study finds that the 2023 reform was largely successful because it came at a historically rare moment of a large fiscal deficit, a shortage of foreign exchange, and pressure to service the country's debt, conditions that reduced the state's ability to distribute rent below the level required to keep the old arrangement going ($r = 0.612$, $p < .05$). Resistance from elite groups in the import- dependent downstream sector, not from the general population, turns out to be the most significant threat, both in statistical analysis and in qualitative assessment ($\chi^2 = 138.764$, $p < .001$). The greatest factor in determining public acceptance is transparency in reporting subsidy savings, not the amount of compensation ($\beta = 0.318$). The legitimacy of the reform is not evenly spread throughout the federation but varies according to the level of poverty and the capacity for social protection in each state ($r = -0.871$, $p < .05$). The article contends that Nigeria's 2023 reform does not mark the end of the country's rentier arrangement but rather its temporary suspension as a result of financial pressure, and that the long- term consolidation of the reform will depend on the introduction of specific institutional measures to prevent elite groups from regaining control before the 2027 general elections.

Keywords: Rentier state, Fuel subsidy reform, Political economy, Elite capture, Nigeria, Tinubu administration.

DOI: <https://doi.org/10.5281/zenodo.21864213>

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1. INTRODUCTION

No policy reversal in Nigeria's history since independence has had as much symbolic and practical significance as the withdrawal of the subsidy on petroleum motor spirit. For over three decades, successive governments have introduced, modified, and withdrawn plans to eliminate the subsidy, creating a recurring pattern in which each reform effort led to mass protests, organized action by the labor movement, and, in most instances, a partial or full reversal of the policy (Houeland, 2022). By the early 2020s, the subsidy itself had become one of the clearest examples of Nigeria as a so-called distributive or allocation state, that is, a government in which a large share of public revenue does not come from taxing domestic production but from a single source of income derived from a geographically concentrated resource, namely Nigeria's crude oil exports, and in which the political survival of the state largely depends on its ability to distribute a portion of that income back to citizens through obvious and tangible means, with fuel subsidies the most widely experienced by people (Mahdavy, 1970; Beblawi & Luciani, 1987).

By 2022, the financial cost of this system had become so severe and could be measured in clear figures, making it extremely hard to maintain. The World Bank's April 2023 Macro Poverty Outlook for Nigeria showed that the ratio of the federal government's debt service to total revenue increased from 83.2. 2 percent in 2021 to 96.3. 3 percent in 2022, mainly because of the petrol subsidy bill, which rose from 0.7. 7 percent to 2.3. 3 percent of GDP over that period (World Bank 2023); independent calculations based on data from the Budget Office put the ratio for the first quarter of 2023 at 183 percent (Nairametrics, 2023b). It was this empirically established pattern of development, not just a general feeling of financial difficulty, that removed the possibility of carrying out a phased, negotiated reform such as that tried in 2012 and 2016, and provides the immediate material context against which the crisis severity findings reported in Section 4. 1 should be understood.

Against this background, President Tinubu's first announcement on 29 May 2023 notably failed to include the extensive technical preparation, the phased timetable, or the negotiated agreement with labour that had been part of earlier attempts, leading to an immediate and uncontrolled triple of pump prices. Just as the 2012 "Occupy Nigeria" protests had caused the Jonathan government to carry out a partial reversal within two weeks of announcing full deregulation (Houeland, 2022), and as the 2016 partial adjustment under the Buhari administration had been achieved through prolonged negotiations with organised labour, the 2023 change has, at the time of writing, remained in place for more than three years without any formal reversal, even though there have been repeated threats of industrial action and ongoing public pressure for relief. This deviation from Nigeria's usual pattern of failing to achieve subsidy reform is the empirical puzzle that this article examines: why did the 2023 attempt manage to be put into effect and maintained when its five previous attempts had not, and what does that answer mean for the long-term viability of the reform as Nigeria nears the 2027 general election cycle?

The article makes three contributions. The first of these is to provide systematic empirical evidence, obtained from a large, geographically diversified survey as well as from structured key informant interviews, regarding the political economy mechanisms that underlie the durability of reform, a field in which the current literature on Nigerian subsidy politics has mostly depended on historical narrative and case studies (Houeland, 2022; Aligbe & Momoh, 2023) rather than on quantitative analysis that is broken down by subnational areas. The second contribution is to apply rentier state theory, which has mainly been developed in the context of Gulf monarchies and other states with a history of distributing resources (Beblawi & Luciani, 1987), to Nigeria, a case where the rentier bargain functions not by means of direct cash handouts but through an indirect and universally accessible subsidy system, and to examine what effect fiscal crisis has when it forces a rentier state to exit that bargain partially. The third is to give a forward-looking evaluation, based on both statistical and qualitative evidence, of the particular structural conditions under which this specific subsidy withdrawal is likely to be durable or reversible, something that has direct relevance for policymakers who are dealing with similar rentier-adjacent reforms in other parts of the oil-exporting global South.

2. THEORETICAL FRAMEWORK

2.1 Political economy theory and the Nigerian state

The analysis begins with classical political economy theory. This framework does not view economic policy as a technocratic activity separate from politics, but rather as the outcome of contested power relations among the state, economic elites, and organized social groups (Marx, 1867; Acemoglu & Robinson, 2008). When this approach is applied to fuel subsidy policy, it shifts the focus away from purely fiscal or welfare-economic justifications for reform. Instead, it examines which coalitions of political and economic actors would benefit or suffer from continuing or eliminating the subsidy, and how the relative bargaining power of these coalitions change under different macroeconomic conditions. Particularly useful in this context is Acemoglu and Robinson's (2008) analysis of how incumbent elites maintain power: according to political economy theory, policies that favor the interests of concentrated elite groups, such as import-licensed oil marketers and downstream distributors who benefited from arbitrage opportunities created by administered pricing, will continue to be pursued even though they impose heavy, diffuse costs on the general population, since the concentrated beneficiaries face smaller collective-action costs when defending their position than the widely dispersed public does when trying to mount opposition (Olson 1965, as cited throughout the political economy literature on subsidy reform).

2.2 Rentier state theory

The second element of the framework is rentier state theory, which offers a more detailed explanation of why fuel subsidies, in particular, have been so politically durable in oil-

exporting countries. According to Mahdavy's (1970) original formulation, rentier states are those in which revenues come mainly from external rent payments made by foreign entities rather than from domestic taxes on production, a characteristic feature that, Beblawi and Luciani (1987) maintain, fundamentally changes the relationship between the state and its citizens. Since the state does not have to tax its population to finance itself, it is not, in turn, obliged to gain that population's consent through representative accountability, as tax-dependent states generally do. Rather, rentier states obtain their legitimacy by means of the direct or indirect redistribution of resource rents, and the subsidized fuel consumed in principle by every citizen, irrespective of political affiliation or region, represents an especially widespread and obvious form of such redistribution.

This theoretical perspective accounts for both the difficulty of removing the subsidy in Nigeria after five previous attempts at reform (since its removal would undermine the redistributive aspect of the rentier arrangement and thus trigger exactly the kind of mass mobilization that was seen in 2012) and the fact that the elite members of the oil marketing and import sector, those who gained a disproportionate benefit from the subsidy's administered pricing structure rather than from the general consumer advantage, constitute a structurally separate and, as this article argues, a more significant threat to the consolidation of reform than the views of the general public.

2.2.1 The difference between direct and indirect rentier arrangements

The idea of the classical rentier state, as presented in the literature, was mainly based on the Gulf monarchies, where the redistributive part of the arrangement usually takes a direct form, such as cash payments, guaranteed public-sector jobs, free or heavily subsidized housing, and untaxed personal income, all of which are generally given out without going through a market transaction (Beblawi & Luciani, 1987). The fuel subsidy in Nigeria is a structurally different and indirect version of the same kind of arrangement. Instead of passing on the rent directly to citizens, the Nigerian government imposed a price ceiling on a particular commodity that was being traded, so that the rent moved through a series of importers, marketers, and distributors before reaching the final consumer in the form of a discount at the pump.

This difference has two consequences for which this article's findings provide empirical support. On the one hand, an indirect bargain of this kind must inevitably lead to an intermediate group of actors who capture the rent, such as the oil marketers and import license holders examined in Section 4.2, who did not have a similar form of existence under the Gulf states' direct-transfer model, and whose interest in keeping the pre-reform pricing system in place can differ considerably from that of the general consumer public whom the subsidy was supposed to benefit. On the other hand, since the benefit derived from an indirect bargain is spread out, not clear-cut, and goes through market intermediaries rather than being paid directly into the hands of individuals, it is relatively easier to justify to the public the removal of such a subsidy by referring to

intermediary rent-seeking and "subsidy fraud", a way of framing that Nigerian governments, including the current Tinubu administration, have consistently used, than it would be to justify the removal of a direct cash transfer. The distinction between direct and indirect rentier bargains, which has until now been largely ignored in a body of literature still primarily based on the Gulf cases, is essential for explaining both the specific structure of the coalition that resisted this study and the particular policy instrument, transparency in the use of savings, which is examined in Section 4.3 and turns out to be the most effective in maintaining public acceptance after the direct benefit of cheap fuel has been taken away.

2.3 A framework for reform durability integrated

When the two theoretical approaches are considered together, they yield a joint prediction that forms the basis of the empirical analysis that follows: subsidy reform is most likely to be introduced when a rentier state's fiscal capacity can no longer sustain the redistributive agreement at a critical level (a conclusion supported by both political economy and rentier theory). Afterward, the extent to which the reform is consolidated depends on whether the concentrated elite groups that benefited from the old arrangement still have enough power and motivation to campaign for its reversal once the severe fiscal crisis that made the reform possible has passed. This article contends that the difference between the conditions under which reform begins and those under which it is consolidated is the main analytical gap in the existing literature on Nigerian subsidy politics. It is this gap that the empirical findings below are intended to address.

Evidence from other oil-dependent and oil-dependent-related economies also provides further support for this integrated approach. While Iran's 2010 subsidy reform was initially more thorough in its scheme of cash compensation than Nigeria's 2023 removal, it too proved to be mainly vulnerable not to widespread unrest but to a slow build-up of administrative exemptions and pricing concessions that were favoured by industrial and import-linked interests after the initial wave of reform had subsided (Guillaume, Zyteck, and Farzin 2011). Indonesia's lengthy and inconsistent journey with subsidy reforms under various administrations shows a similar pattern, in that each successive government found it easier to cut back on subsidies when facing severe fiscal or currency crises than to prevent their slow reintroduction after the crises had improved (Chelminski, 2018). Auktor and Loewe (2022), in their analysis of Egypt's post-2014 reform process from a social-contract perspective closely related to the rentier framework used in this study, also point out that the key factor in the consolidation of reform is the strength of elite and import-cartel interests, not mass opposition alone. The case of Nigeria, which is examined here with a degree of subnational empirical detail that is largely missing from these comparative studies, both confirms and extends this pattern observed across countries.

3. METHODOLOGY

The research employed a mixed-methods, concurrent triangulation approach that involved both a structured questionnaire survey and key informant interviews. The minimum sample size needed was calculated using the Cochran (1977) formula for large populations at the 95 percent confidence level (with $p = q = 0.5$ and a margin of error of 3 percent), resulting in a minimum requirement of about 1,067 respondents. A multi-stage sampling method was then applied to distribute 1,200 questionnaires, with 200 allocated to each of the six states chosen to reflect Nigeria's geopolitical diversity (Lagos, the Federal Capital Territory (Abuja), Kano, Rivers, Enugu, and Borno), yielding a total of 1,050 valid responses (a response rate of 87.5 percent). This figure is above the minimum derived from Cochran's formula and was therefore used for the quantitative analysis. In each state, three Local Government Areas were randomly selected to include urban, peri-urban, and rural areas; the wards or clusters were selected by simple random sampling, and individual respondents were chosen through a convenience-cum-quota method designed to match the target distributions for sex, age group, and occupational category.

This was supplemented by fifteen key informant interviews, selected through purposive and expert sampling. The informants were drawn from seven stakeholder groups: oil marketers and trade associations (IPMAN, PETROAN, MOMAN); NNPC Ltd. and the downstream regulatory authorities; organized labor (NLC/TUC); aides to members of the National Assembly committee; NASSCO/NSIP palliative administrators; independent economists and policy analysts; and civil society and anti-corruption advocates. The number of informants from each group was greater for categories most central to the study's hypotheses, especially H3 concerning elite resistance and H5 relating to electoral-cycle risk. For the qualitative part of the study, sample adequacy was based on thematic saturation rather than on any statistical formula, in accordance with standard qualitative research advice that typically two or three informants per relatively homogeneous stakeholder group are enough to detect recurring themes in this type of semi-structured interview with elites.

The quantitative data were analyzed using descriptive statistics, chi-square tests of independence, Pearson product-moment correlation, and multiple linear regression; the qualitative data were thematically analyzed using the standard procedure of familiarization, coding, theme development, and review. Six hypotheses directed the inferential analysis, corresponding to the six research questions of the study regarding the historical factors that have led to the persistence of subsidies, the particular features of the current reform process, the main obstacles to consolidation, patterns of stakeholder response, the effectiveness of the compensation mechanisms, and the distribution of reform legitimacy at the state level.

4. FINDINGS

4.1 The severity of the crisis and the conditions under which reform is initiated

The Pearson product-moment correlation between an index measuring the severity of the perceived fiscal and foreign exchange crisis before 2023 and an index measuring perceived political willingness to carry out reform showed a strong, statistically significant positive relationship ($r = 0.612$, $p < .001$), supporting the hypothesis that the 2023 removal was implemented to a substantial extent because it occurred during a historically severe convergence of economic crisis conditions that had not been present in earlier reform episodes. This result directly confirms the joint political-economy/rentier-theory prediction formulated in Section 2.3: a fiscal crisis reduces the state's ability to maintain the redistributive bargain. It is exactly this reduction in capacity, not a shift in the preferences of elites or the general population regarding the subsidy, that seems to have provided the political opportunity for reform. Among the study's opportunity indicators, respondents rated the distinctiveness of the current fiscal and foreign exchange crisis context as the highest (mean = 3.86 out of 5). In contrast, their confidence in the administration's political willingness to resist future reversal pressure was rated the lowest (mean = 3.10 out of 5). This imbalance anticipates the consolidation risk discussed in Section 4.2.

4.2 The threat of elite resistance as the main factor in consolidation

This aligns with rentier state theory's prediction that well-concentrated groups that benefit from rent exert significant influence. Elite opposition from oil marketers and groups dependent on imports was found to be the most important barrier to the consolidation of reform, both in descriptive terms (ranked first or second by 61.5 percent of respondents) and statistically, as shown by the chi-square test of independence ($\chi^2 = 138.764$, $df = 18$, $p < .001$). Table 1 presents the full set of results from hypothesis testing for the study's six research questions.

Table 1. Summary of Hypothesis Testing Results

Hypothesis	Relationship tested	Statistic	N (df)	Value	p	Decision
H1	Crisis severity → political willingness to reform	Pearson <i>r</i>	1,050 (1,048)	0.612	< .001	Supported
H2	Palliative/compensation effectiveness → public acceptance	Pearson <i>r</i>	1,050 (1,048)	0.487	< .001	Supported
H3	Elite resistance = most significant obstacle	χ^2	df = 18	138.764	< .001	Supported
H4	Transparency in savings utilisation → trust/support	Pearson <i>r</i>	1,050 (1,048)	0.558	< .001	Supported
H5	Electoral proximity (2027) → reversal probability	Descriptive/KII convergence	1,050 + 15	57.5%–60.0%		Tentatively supported
H6	State social-protection strength → state-level acceptance	Pearson <i>r</i>	6 (4)	−0.871	.024	Supported

When calculating the degrees of freedom for Pearson correlations, one must use $N - 2$. Hypothesis H5 is tentatively supported, as its time-dependent aspect goes beyond what the study's cross-sectional design can fully establish regarding causality. Hypothesis H6 is based on only six observations at the state level ($df = 4$). However, the correlation is both strong and significant; the result obtained with such a small sample size should be interpreted with due caution, as further discussed in Section 4.4.

In qualitative terms, the key informants from the oil marketing sector consistently stated that they accepted deregulation on the condition that they would continue to have reliable access to foreign exchange for importing products, rather than expressing full support for the reform. One of the regulatory-side informants described this position as having shifted "from outright resistance to watchful cooperation". Several informants noted that downstream firms that had benefited from the previous subsidy-disbursement system still had both the financial means and the political links to campaign for a return to administered pricing if market conditions became sufficiently adverse. This qualitative pattern supports the quantitative result that elite resistance, although at present latent rather than openly confrontational, represents the most structurally important threat to consolidation, exactly the kind of dynamic that rentier state theory would predict when

an acute fiscal crisis, which had temporarily weakened the elite's bargaining power in 2023, starts to fade.

4.3 The gap between compensation and transparency

There was a noticeable discrepancy between the public's awareness of palliative measures and both the actual extent to which these measures reached people and the degree to which they were believed to be effective. For instance, the Compressed Natural Gas (CNG) and mass transit conversion program had 71.5 percent public awareness. However, only 9.0 percent of respondents reported personally benefiting, and the measures were rated as 24.0 percent effective, as shown in Table 2. Despite this gap, palliative effectiveness was significantly and positively correlated with public acceptance of the reform ($r = 0.487$, $p < .001$), supporting hypothesis H2. More remarkably, transparency in the use of subsidy savings was significantly correlated with public trust and support for continuing the reform ($r = 0.558$, $p < .001$), thereby supporting H4. Transparency was also the strongest predictor of public acceptance in a multiple regression analysis that accounted for about 45 percent of the variance in acceptance ($R = 0.674$, $R^2 = 0.454$, adjusted $R^2 = 0.451$, $F(3, 1046)$, $p < .001$). In this regression model, perceived transparency ($\beta = 0.318$, $p < .05$) was the most important predictor, outpacing perceived political willingness ($\beta = 0.229$, $p < .05$) and palliative effectiveness ($\beta = 0.211$, $p < .05$).

Because the three regression predictors (perceived transparency, political willingness, and palliative effectiveness) are conceptually linked aspects of respondents' general assessment of the reform process, it is appropriate to conduct multicollinearity diagnostics before interpreting the individual beta coefficients listed above as indicating separate and distinct effects. When reporting the regression results, the variance inflation factor (VIF) values for the three predictors should be reported to ensure that there is no severe multicollinearity. Severe multicollinearity is generally considered to exist when VIF values exceed a threshold of 2.5 to 5.0 for concepts that are conceptually related but empirically distinct, as in this case.

Table 2 Awareness–Benefit–Effectiveness Gap for Selected Palliative Measures

CNG/mass transit conversion scheme	71.5	9.0	24.0
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Note that the size of the gap between awareness and both the occurrence of benefit and perceived effectiveness reflects the pattern observed among the palliative measures examined in the original study.

The result has a clear theoretical implication for rentier state theory. Since the traditional rentier bargain is based on the direct and obvious distribution of rent (in this instance, fuel made artificially cheap), the present findings indicate that in an environment

following the withdrawal of subsidies, the credibility of information concerning the redeployment of the foregone rent serves as a substitute for the legitimacy that had previously come from direct redistribution. Thus, transparency seems to be performing a political function that palliative spending on its own cannot fulfill, a conclusion whose implications reach well beyond the Nigerian case to other rentier and rentier-adjacent states that are considering a similar withdrawal of subsidies.

4.4 Legitimacy within the federation is uneven

There was a strong, statistically significant negative correlation between state-level poverty headcount rates and the average level of acceptance of subsidy reform across states ($r = -0.871$, $df = 4$, $p = .024$), supporting hypothesis H6 and showing that the legitimacy of reform varies across regions, reflecting differences in the strength of social protection and poverty levels across Nigeria's states. Because focusing only on overall regional trends may mask the local factors underlying this relationship, Table 3 breaks down the average acceptance scores against the published state poverty headcount rates for each of the six states surveyed individually.

Table 3: State-Level Mean Acceptance Score against Published Poverty Headcount Rate

Lagos	3.42	4.5
FCT Abuja	3.21	14.8
Rivers	3.05	29.8
Enugu	2.94	27.1
Kano	2.61	55.1
Borno	2.38	65.4

Note: The acceptance scores are from the field survey, and the poverty headcount rates are from the National Bureau of Statistics' Multidimensional Poverty Index (2022).

The pattern at the state level is consistent and monotonic: Lagos, which has the lowest poverty headcount rate (4.5 percent), also has the highest mean acceptance score (3.42), whereas Borno, with the highest poverty headcount rate (65.4 percent), has the lowest (2.38). The two states in the North Central/South zone with medium levels of poverty, Rivers (29.8 percent) and Enugu (27.1 percent), have intermediate acceptance scores as well (3.05 and 2.94, respectively). Similarly, the two northern states, Kano and Borno, both have high poverty headcount rates and the lowest acceptance scores of all the states in the sample. This pattern, when examined state by state, supports rather than repeats

the finding at the zonal level: it shows that the relationship between poverty and acceptance is graded and continuous, reflecting each state's particular socioeconomic situation rather than representing a simple dichotomy between a favored South and a disadvantaged North. Since the correlation in Table 1 is based on just six state-level observations ($df = 4$), this result should be regarded as indicative rather than conclusive until it has been verified across all of Nigeria's thirty-six states, a point discussed further in Section 6.1. The presence of this finding places the study's political economy analysis within the context of Nigeria's well-documented pattern of uneven regional capacity and provision of social protection. It implies that reform legitimacy cannot be achieved through a uniform and undifferentiated national palliative policy design.

4.5 Electoral proximity as a mechanism for the political business cycle

More than half of the people who took the survey (57.5. 5 percent) and 60.0. 0 percent of the key informants expected significant pressure to reverse or resubsidize fuel prices as the 2027 electoral cycle neared. Both the national Assembly aides and independent economists agreed that as the party primaries and general elections drew closer, the political cost of keeping fuel prices high would rise, which in turn would lead both incumbent politicians and their challengers to promise relief, even if doing so meant going against fiscal sustainability.

This expectation can be understood using the theory of the political business cycle (PBC), first developed by Nordhaus (1975), which holds that in democratic systems incumbent politicians have a built-in incentive to adopt expansionary policies that are visible in terms of welfare benefits in the period leading up to an election, even if such policies are fiscally expensive or undo previous reforms, since voters tend to give much more weight to the economic situation in the period before an election when making their voting decisions. When applied to Nigeria, the PBC framework exactly predicts the pattern that the respondents and informants in this study anticipated: as the 2027 election draws nearer, the political benefit of promising fuel price relief, regardless of its fiscal sustainability, should become greater in comparison with the benefit of keeping the currently deregulated pricing system, thus giving rise to a structural rather than just a temporary risk of reversal pressure that is separate from the elite-resistance mechanism discussed in Section 4. 2. Since this hypothesis is fundamentally time-dependent, the cross-sectional design of the study limits the strength of the causal conclusions that can be reached, and H 5 is therefore only tentatively, not fully, supported; nevertheless, the agreement between the quantitative and qualitative evidence on this issue and its alignment with the existing PBC literature are noteworthy.

5. DISCUSSION

When the findings are considered together, they lend support to a particular and, as this article contends, theoretically significant interpretation of the 2023 Nigerian subsidy reform: rather than marking the resolution of Nigeria's rentier bargain, the reform

amounts to a temporary suspension of that bargain under conditions of severe fiscal stress, with consolidation continuing to depend on factors that classical rentier state theory, when extended to distinguish between elite and mass beneficiaries, would be expected to identify as decisive. The reason for the reform's initiation is well accounted for by the crisis-severity result in Section 4.1: when a rentier state can no longer afford to fund redistribution, as Nigeria's fiscal and foreign exchange position had by 2022–2023, the political cost of keeping the subsidy in place can, for a short period of time, exceed the political cost of withdrawing it, that is, a reversal of the incentive pattern that had prevailed for the previous four decades. What previous explanations of Nigerian subsidy politics have been less successful in specifying, and what this study's analysis of elite and mass response patterns directly tackles, is that after the acute crisis has passed, the threat to consolidation comes mainly from a small and highly concentrated group of downstream elite interests rather than from the dispersed general public, whose earlier protest (most notably in 2012) is more frequently mentioned in the literature as the main barrier to Nigerian subsidy reform (Houeland, 2022).

The way this issue is framed has important consequences for the approach to reform consolidation. If widespread public opposition had been the main threat, the appropriate policy response would have been to focus almost entirely on the extent and scope of compensatory, temporary spending. However, the results presented here point to a more nuanced situation: although the effectiveness of such palliative measures affects public acceptance (Section 4.3), transparency in reporting subsidy savings matters more, and the most serious structural threat to consolidation is not the public but rather the potential of import-dependent elites to lobby for a return to administered, rent-generating pricing (Section 4.2). This aligns with broader comparative research on subsidy reform in other oil- and gas-exporting developing countries such as Indonesia, Iran, and Egypt, where similarly concentrated downstream and import interests have been identified as central to both the initial resistance to and the later vulnerability of subsidy reform (Chelminski, 2018; Guillaume, Zyteck, and Farzin 2011; Auktor & Loewe, 2022). The case of Nigeria contributes to this body of literature by providing a nationally representative, subnationally disaggregated empirical test of the distinction between elites and the general population, a distinction that much of the existing case-study literature claims but does not directly measure.

The uneven geographic distribution of reform legitimacy, as shown in Section 4.4, still makes it more difficult to present a simple story about national consolidation or its reversal. Since acceptance follows existing patterns of poverty and the level of social protection, the political sustainability of the reform is not a single national figure but rather a distribution across the whole federation, with the North-East and North-West areas remaining consistently prone to political vulnerability no matter what the national elite does. This result is in agreement with and goes beyond the existing body of work on the regionally uneven capacity of Nigeria's state (Diamond, 1988; Ihonvbere & Shaw, 1998) when it comes to the specific empirical area of subsidy-reform legitimacy.

6. THE POLICY IMPLICATIONS AND IMPLEMENTATION MATRIX

The results support several specific and sequential interventions, each aiming at a separate mechanism identified in Section 4. Table 4 sets these out in the form of a structured Policy Implementation Matrix, with the different timeframes, policy mechanisms, target institutions, and the particular empirical risk that each intervention is intended to address.

Table 4 Policy Implementation Matrix

Timeframe	Policy mechanism	Target institution/actor	Primary risk mitigated
Short-term (0–6 months)	Institutionalise an independent, statutorily backed body to publish quarterly, audited reports on subsidy-savings utilisation, in accessible, non-technical formats.	Independent oversight body / Federal Ministry of Finance	Public distrust and legitimacy deficit ($\beta = 0.318$, Section 4.3)
Short-term (0–6 months)	Transition petroleum product importation to a transparent, rules-based foreign exchange allocation mechanism, removing discretionary allocation	Central Bank of Nigeria / Nigerian Midstream and Downstream Petroleum Regulatory Authority (NMDPRA)	Elite rent-seeking and discretionary capture ($\chi^2 = 138.764$, Section 4.2)
Short-term (0–6 months)	Shift palliative communication from aggregate spending announcements to measurable, publicly trackable beneficiary-reach targets, weighted toward high-poverty states.	NASSCO/NSIP; State Ministries of Budget and Planning	Awareness–benefit gap and geographically uneven legitimacy (Sections 4.3–4.4)
Medium-term (6–18 months)	Accelerate domestic refining capacity, including the Port Harcourt, Warri, and Kaduna refineries and	NNPC Ltd./ domestic and modular refiners	Downstream import dependency and elite bargaining

	support for private modular refining.		power (Section 4.2)
Medium-term (6–18 months)	Expand and continuously verify the National Social Register to capture informal-sector workers currently underserved by existing palliative schemes.	NASSCO; State Social Investment Offices	Low personal-benefit incidence relative to awareness (Table 2)
Long-term (18–36 months)	Anchor the market-determined pricing mechanism in statutory legislation rather than executive policy alone	National Assembly / Presidency	Political business cycle-driven reversal risk ahead of 2027 (Section 4.5)
Long-term (18–36 months)	Build cross-party, pre-election consensus against re-subsidisation through National Assembly committees and civil society platforms	National Assembly committees; civil society coalitions	Electorally opportunistic re-subsidisation (Section 4.5)

The order of the items in Table 4 aligns with the analytical reasoning set out in Section 5. Since elite resistance (Section 4.2) is regarded as the most serious threat to consolidation, the short-term measures focus on actions involving transparent foreign exchange allocation and audited savings reporting, which directly limit the discretionary avenues through which elite rent-seeking has been carried out in the past, rather than on palliative measures alone. The medium- and long-term measures then address the structural factors (dependence on imports and the lack of legislative anchoring) that would otherwise enable elite influence and pressure during electoral cycles to make a comeback when the immediate fiscal crisis that led to the 2023 reform has passed.

6.1 The limitations and possible avenues for future research

The following points should be noted, as they place limitations on the conclusions given above. The first is that, although the cross-sectional approach used in the study is sufficient for identifying the statistical relationships reported in Section 4, it cannot fully clarify questions of causal direction. In the particular case of H5, it also cannot address the time-dependent issue of whether reversal pressure will actually occur as the 2027 elections draw near; only a panel study that follows the same respondents and informants throughout the electoral cycle could provide much stronger evidence on this issue. The second point is that, although the sampling frame of the six states was intentionally

designed to reflect Nigeria's geopolitical diversity, it fails to provide complete national coverage. The state-level correlation mentioned in Section 4.4, although statistically significant, is based on a relatively small number of state-level observations; a more comprehensive analysis covering thirty-six states would increase confidence in the general applicability of the relationship between poverty and acceptance. The third limitation is that, although the sample of key informants has been deliberately chosen to include the main stakeholder groups relevant to subsidy politics, it cannot be said to reflect the full range of views within institutionally diverse categories such as "oil marketers" or "civil society"; further research using a larger and more detailed qualitative sample within each of these stakeholder groups would help to clarify the elite-resistance mechanism identified as central to the main argument of this study. Despite these limitations, the fact that both quantitative and qualitative evidence converge across all the hypotheses tested gives reasonable support to the article's central assertions about the distinct political economy of reform initiation as opposed to reform consolidation in Nigeria's case.

7. CONCLUSION

The article examines why the removal of Nigeria's fuel subsidies in 2023 was successfully implemented and maintained, unlike five earlier attempts over almost four decades. Drawing on a combined political economy and rentier state framework and a large, subnational, mixed-methods study, the article finds that the decision to introduce the reform can be explained by an unusual alignment of fiscal and foreign exchange crises that temporarily reduced the Nigerian state's ability to maintain its historical pattern of redistribution. Importantly, the evidence shows that the long-term stability of the reform is by no means guaranteed. The greatest threat to its persistence does not stem from widespread public dissatisfaction, as often highlighted in the current literature on Nigerian subsidy politics, but rather from the quiet, conditional acceptance of powerful downstream elite groups whose support depends on the continuation of favorable conditions and who can still campaign for the reform to be reversed as the severe crisis that made the reform possible begins to ease.

Transparency in how subsidy savings are reported and used, not the amount of compensatory spending, proves to be the most effective tool for policymakers seeking lasting public acceptance. The legitimacy of the reform remains unevenly distributed across the federation, following existing patterns of poverty and the level of social protection. Therefore, as Nigeria nears its 2027 general elections, the key political economy issue is not whether public opinion will lead to a reversal, but whether the institutional protections needed to prevent the elite from reacquiring the rentier arrangement in an electorally motivated way will have been put in place before that period of vulnerability occurs.

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