

# The Political Economy of Subsidy Removal: Public Response, Institutional Adaptation, and Electoral Consequences in Nigeria's Fourth Republic.

ABODUNDE OMOTAYO JACOB (PH.D.)

*Department of Political Science and International Relations University of Abuja*

*Abstract- This article examines the political economy of fuel subsidy removal in Nigeria following President Bola Ahmed Tinubu's May 2023 announcement. Drawing on extensive secondary data from Afrobarometer surveys, World Bank reports, academic studies, and policy analyses published between 2020 and 2025, the paper investigates three interconnected dimensions: public response to the policy, adaptation strategies of key institutional actors, and the emerging electoral implications. The article employs a multi-theoretical framework combining institutional theory, social contract theory, and the political economy of reform literature to analyze the complex dynamics of policy implementation in a weak governance context, while using the secondary means of data collection of published works to harvest its data. The findings reveal that despite the policy's economic rationale, it has generated overwhelming public opposition (85% disapproval), deepened lived poverty (affecting 79% of Nigerians), and exacerbated a profound trust deficit between citizens and the state. Critically, new evidence indicates that only 50% of subsidy savings are being remitted to the Federation Account, with the Nigerian National Petroleum Company (NNPC) retaining the remainder to offset past arrears, undermining the fiscal rationale for the policy. Institutional actors—including the Nigeria Labour Congress, Central Bank of Nigeria, and National Assembly—have demonstrated varying adaptation strategies ranging from mobilization to monetary policy tightening. While electoral consequences remain nascent, preliminary indicators from the 2026 Federal Capital Territory area council elections suggest the policy may be gaining grudging acceptance among some urban constituencies, challenging assumptions that economic pain automatically translates to electoral punishment. The article concludes that the policy's legitimacy and sustainability depend critically on governance frameworks that translate macroeconomic gains into tangible improvements in citizens' welfare and ensure transparent utilization of subsidy savings.*

*Keywords: Fuel subsidy, Nigeria, political economy, governance, institutional adaptation, trust deficit, electoral politics*

## I. INTRODUCTION

On May 29, 2023, immediately after his inauguration as Nigeria's president, Bola Ahmed Tinubu announced the removal of the long-standing fuel subsidy with a terse declaration: "Fuel subsidy is gone". This announcement ended a decades-old policy that had become one of the most contentious and fiscally burdensome interventions in Nigeria's political economy. The subsidy, first introduced in the 1970s in response to the 1973 oil-price shock (Chika, 2023, cited in ), had survived multiple attempts at removal—most notably the 2012 effort that sparked nationwide protests and forced the Goodluck Jonathan administration into a partial retreat.

The 2023 subsidy removal represents a watershed moment in Nigeria's post-military democratic governance. Unlike previous attempts, this policy has been sustained despite profound economic dislocation and public opposition. Within months, petrol prices surged from approximately ₦185 to over ₦500 per liter, reaching ₦1,025 per liter by 2024. The parallel unification of the exchange rate saw the naira weaken from ₦460 to over ₦1,700 per US dollar. These twin shocks triggered inflationary pressures that pushed food inflation to record levels and left an estimated 139 million Nigerians living in poverty by 2025 (World Bank, 2025, cited in ).

This article examines the political economy of subsidy removal through three analytical lenses. First, it analyzes public response, drawing on extensive survey data to understand how citizens

have perceived and experienced the policy. Second, it investigates institutional adaptation—how organized labor, monetary authorities, and legislative bodies have responded to the new policy landscape. Third, it explores emerging electoral consequences, considering how the policy might reshape political competition and voter behavior in Africa's largest democracy.

The article argues that while subsidy removal addresses genuine fiscal distortions, its implementation has exposed deeper governance deficits that undermine policy legitimacy. The overwhelming public opposition—85% disapproval according to Afrobarometer data—reflects not merely resistance to economic pain but a profound trust deficit accumulated over decades of unfulfilled policy promises and perceived elite capture of reform benefits. Critically, recent revelations that NNPC is remitting only 50% of subsidy savings to the Federation Account have validated public skepticism about whether reform benefits will ever reach ordinary citizens. The policy's long-term sustainability, therefore, depends not on technocratic correctness but on governance frameworks that translate macroeconomic gains into demonstrable improvements in citizens' lived experiences.

## II. THEORETICAL FRAMEWORK

This article employs a multi-theoretical approach to analyze the political economy of subsidy removal in Nigeria. Three interconnected theoretical frameworks inform the analysis: institutional theory, social contract theory, and the political economy of reform literature.

**2.1 Institutional Theory and Policy Implementation**  
Institutional theory provides a lens for understanding how formal and informal rules, norms, and practices shape policy outcomes. Dernbach (2003) articulated the centrality of integrated decision-making for sustainable development, highlighting how policy effectiveness depends on governance quality. In the Nigerian context, institutional weaknesses—including corruption, lack of transparency, and weak enforcement mechanisms—have historically undermined policy implementation and eroded public trust.

Gbadebo (2025) applied institutional analysis to subsidy removal, finding that "entrenched weaknesses in governance, a lack of transparency, and ongoing corruption have undermined public trust and complicated the policy's legitimacy and acceptance". This institutional perspective helps explain why technically sound policies generate public opposition: citizens evaluate policies not merely on their intrinsic merits but on their expectations of how institutions will implement them. The institutional framework also illuminates the behavior of key actors. Lockwood (2015) examined fossil fuel subsidy reform through the lens of rent management and political fragmentation, arguing that reform sustainability depends on institutional capacity to manage distributional conflicts. In Nigeria's case, the NNPC's retention of 50% of subsidy savings to offset "past arrears" exemplifies how institutional practices can subvert policy intentions.

### 2.2 Social Contract Theory and the Trust Deficit

Social contract theory, originating in the works of Hobbes, Locke, and Rousseau, posits that legitimate governance rests on implicit agreements between states and citizens: citizens accept state authority and comply with policies in exchange for protection, welfare, and accountable governance. In a contemporary application, McCulloch, Moerenhout, and Yang (2021) analyzed fuel subsidy reform in Nigeria through the social contract lens, examining how subsidy removal affects citizen-state relations.

The Nigerian case reveals what might be termed a "broken social contract"—citizens are asked to accept current hardship in exchange for future benefits, but historical experience suggests such promises are unlikely to materialize. A Business Day editorial (2025) captured this dynamic: "Nigeria today is witnessing a crisis not merely of policy but of confidence. Bold reforms... were introduced to correct long-standing structural distortions. But rather than being met with support, they have triggered anger and protests. This reaction is less about the technical merits of the reform and more about the deep erosion of trust that has built up over the years". The Afrobarometer finding that 58% of Nigerians would prefer to reinstate the subsidy even if this means reducing health and education spending

reflects this trust deficit. From a social contract perspective, citizens are signaling that they prefer the certainty of current arrangements—flawed as they may be—over uncertain promises of future benefits from reform.

### 2.3 Political Economy of Reform: Winners, Losers, and Compensation

The political economy of reform literature, particularly as applied to fossil fuel subsidy removal, provides the third theoretical pillar. Coxhead and Grainger (2018) examined fossil fuel subsidy reform across the developing world, identifying common patterns of distributional conflict and political resistance. They found that "who wins, who loses, and why" determines the political sustainability of reform, with successful cases typically involving compensatory mechanisms for affected populations. Greve and Lay (2023) analyzed the impact of fossil fuel subsidy removal in developing countries, documenting the "stepping down the ladder" phenomenon whereby poor households experience disproportionate welfare losses. Their findings align closely with the Nigerian experience, where low-income households have been hardest hit by cascading price increases.

Mouhoud and Couharde (2020) examined the relationship between fossil fuel subsidies, income inequality, and poverty in developing countries, finding that subsidy removal, without adequate compensatory mechanisms, can exacerbate inequality. This insight is particularly relevant to Nigeria, where Gbadebo (2025) found that subsidy removal "disproportionately impacted low-income households, thereby exacerbating social inequality".

The theoretical framework also incorporates insights from McCulloch, Moerenhout, and Yang (2021), who conducted micro-economic analysis of fuel subsidy reform and the social contract in Nigeria, emphasizing how distributional impacts shape political responses. Their work highlights the importance of understanding not only aggregate welfare effects but also how costs and benefits are distributed across different segments of society.

### 2.4 Integrating the Frameworks

These three theoretical perspectives are mutually reinforcing. Institutional theory explains the mechanisms through which governance quality shapes policy implementation and public trust. Social contract theory situates these dynamics within the broader relationship between states and citizens, emphasizing the normative expectations that underpin policy legitimacy. The political economy of reform literature adds distributional analysis, identifying which groups win and lose and how compensation mechanisms affect political sustainability.

Together, these frameworks generate the following propositions that guide this article's analysis:

1. Policy legitimacy depends not only on technical design but on institutional quality and historical patterns of state-society interaction.
2. Public opposition to reform reflects rational responses to expected implementation failures, not merely resistance to change.
3. The distributional effects of reform—who bears costs and who captures benefits—shape political responses and electoral consequences.
4. Sustainable reform requires governance frameworks that translate macroeconomic gains into tangible improvements in citizens' welfare.

## III. HISTORICAL CONTEXT: THE SUBSIDY DEBATE IN NIGERIA'S POLITICAL ECONOMY

### 3.1 Origins and Evolution of Fuel Subsidy

Nigeria's fuel subsidy regime originated in the 1970s oil boom era as a mechanism to distribute oil wealth to citizens through artificially low petroleum prices (Chika, 2023, cited in ). What began as a populist measure gradually evolved into a structural feature of Nigeria's political economy, creating entrenched interests that made reform extraordinarily difficult. Adenikinju (2021) documented how the subsidy became "politically sacred" despite its growing fiscal unsustainability, with successive administrations fearing the political consequences of removal.

The fiscal burden expanded dramatically over the decades. By 2022, the Nigerian National Petroleum Company (NNPC) Limited reported spending \$10 billion on subsidy payments—funds that otherwise could have been allocated to health, education, and infrastructure. BudgIT (2023) estimated that subsidy expenditures consistently exceeded combined federal government allocations to education and healthcare, highlighting the opportunity costs of the policy.

### 3.2 The 2012 Subsidy Protest as Precedent

The most significant precursor to the 2023 removal was the January 2012 "Occupy Nigeria" protests. When President Goodluck Jonathan attempted to remove the subsidy, spontaneous demonstrations erupted across major cities, uniting labor unions, civil society organizations, and ordinary citizens in unprecedented solidarity. Nwankwo and Ibrahim (2020) analyzed how social media amplified these protests, creating new templates for political mobilization. The government's eventual partial reversal—reducing the price increase rather than fully removing the subsidy—established a powerful precedent: subsidy removal carried extreme political risk.

Olawale and Okonkwo (2020) argued that the 2012 experience created a "policy trauma" that deterred subsequent administrations from attempting similar reforms. Despite acknowledging the subsidy's unsustainability, both the Goodluck Jonathan and Muhammadu Buhari administrations avoided decisive action, opting instead for gradual adjustments and opaque subsidy budgeting.

Houeland (2020) examined the 2012 protests within the context of contentious and institutional politics in a petro-state, analyzing how trade unions navigated between street mobilization and institutional engagement. This analysis provides valuable context for understanding labor's 2023-2025 response.

### 3.3 The 2023 Policy Announcement and Immediate Aftermath

Tinubu's 2023 announcement differed fundamentally from its 2012 predecessor in both form and execution. Rather than a phased, negotiated removal, the new president opted for what Ikenga and Aluka (2023) described as "shock therapy"—an immediate,

unilateral declaration without prior consultation or preparatory palliatives. Former Sokoto State Governor and Senator Aminu Tambuwal criticized this approach, arguing: "The subsidy was removed without any alternative, without any framework, without thinking it through, and without consulting Nigerians on how best to go about it".

The announcement triggered immediate economic dislocation: transport fares doubled within days, food prices spiked, and panic buying emptied fuel stations nationwide. Evans et al. (2023) documented the immediate socioeconomic impacts, noting that within weeks, the policy had "fundamentally altered the cost structure of the Nigerian economy" with ripple effects across all sectors. The removal coincided with exchange rate liberalization, creating compounded inflationary pressures that the National Bureau of Statistics (2024) recorded as reaching record levels by mid-2024.

## IV. PUBLIC RESPONSE: OPPOSITION, HARDSHIP, AND THE TRUST DEFICIT

### 4.1 Survey Evidence of Public Opinion

The most comprehensive data on public response to subsidy removal comes from Afrobarometer's Round 10 survey, conducted in Nigeria by NOIPolls during June-July 2024 with a nationally representative sample of 1,600 adult Nigerians. The findings reveal overwhelming opposition to the policy and profound deterioration in citizens' assessments of national conditions.

According to the survey, 85% of Nigerians disapprove of the government's decision to remove the fuel subsidy, including 52% who "strongly disapprove." Only 12% express approval. This opposition is remarkably consistent across all demographic groups—region, age, education, and urban/rural location—suggesting that the policy has generated near-universal public rejection.

More broadly, 93% of Nigerians say the country is heading in "the wrong direction," representing a 31-percentage-point deterioration since 2017. Assessments of economic conditions have similarly collapsed: 88% describe the country's economic condition as "fairly bad" or "very bad," up from 58%

in 2020. Personal living conditions received negative ratings from 74% of respondents, compared to 47% in 2020.

Mbaegbu and Nwanze (2025) contextualized these findings within longer-term trends, noting that "Nigerians' already-grim assessments of the country's overall direction, its economic situation, and their personal living conditions have continued to worsen" throughout the post-subsidy period.

#### 4.2 Material Hardship and Lived Poverty

The subjective assessments documented by Afrobarometer correspond to objective measures of material hardship. The survey's Lived Poverty Index—which measures how frequently households go without necessities—reveals that 79% of Nigerians experienced moderate or high levels of lived poverty in 2024, a 41-percentage-point increase since 2017.

Specific deprivations are stark: 95% of respondents report going without cash income at least once during the previous year; 82% experienced food shortages; 82% lacked medical care; 79% went without cooking fuel; and 74% lacked clean water. These figures represent dramatic deteriorations from previous survey rounds, suggesting that subsidy removal, combined with other economic shocks, has pushed millions of households into deeper deprivation.

Gbadebo (2025), in a study of 385 respondents in Bida, Niger State, employed binary logit regression analysis to examine the economic and social consequences of subsidy removal. The findings indicated that "although the subsidy removal policy is intended to relieve fiscal burdens and promote economic efficiency, it has contributed to rising inflation and disproportionately impacted low-income households, thereby exacerbating social inequality". The study emphasized that government-provided palliatives were "widely perceived as insufficient" to offset the scale of economic dislocation.

#### 4.3 The Trust Deficit: Why Good Policies Generate Outrage

A critical dimension of public response concerns the deep erosion of trust between citizens and the state. A

Business Day editorial (2025) articulated this dynamic succinctly: "Nigeria today is witnessing a crisis not merely of policy but of confidence. Bold reforms... were introduced to correct long-standing structural distortions. But rather than being met with support, they have triggered anger and protests. This reaction is less about the technical merits of the reform and more about the deep erosion of trust that has built up over the years".

This trust deficit has multiple origins. Decades of policy announcements without corresponding delivery have created what the editorial termed a "crisis of confidence"—citizens have learned that promises of future benefits rarely materialize. "Corruption, leakages, poor targeting of assistance, and weak enforcement of laws have all contributed. The result is that even well-intentioned reforms are treated with suspicion".

Gbadebo (2025) identified governance weaknesses as central to the policy's legitimacy crisis: "entrenched weaknesses in governance, a lack of transparency, and ongoing corruption have undermined public trust and complicated the policy's legitimacy and acceptance". The study concluded that "the centrality of governance in determining the effectiveness of economic reform policies" cannot be overstated.

This trust deficit manifests in public preferences regarding policy reversal. Afrobarometer found that 58% of Nigerians say the government should reinstate the fuel subsidy even if this means reducing other important expenditures such as health or education. This striking finding suggests that for a majority of citizens, the certainty of current hardship outweighs the promise of future benefits from redirected subsidy savings.

### V. INSTITUTIONAL ADAPTATION: RESPONSES FROM LABOR, MONETARY AUTHORITIES, LEGISLATURE, AND INTERNATIONAL ACTORS

#### 5.1 Organized Labor: The Nigeria Labour Congress and Trade Union Congress

Organized labor has emerged as the most visible institutional actor opposing subsidy removal. The Nigeria Labour Congress (NLC), under the

leadership of Joe Ajaero, has repeatedly threatened and sometimes executed strikes over fuel price hikes, electricity tariff increases, and rising living costs. These actions echo labor's central role in the 2012 protests, demonstrating the continued relevance of union mobilization in Nigeria's political economy.

The Bauchi State Chapter of NLC articulated labor's position forcefully during the 2024 Workers' Day celebration. State Chairman Comrade Dauda Shuaibu declared: "There is no logic in removing subsidy and giving a paltry palliative that cannot cover one quarter of the citizens.... The government at the centre has failed to realize that no developing country will progress without subsidies. Even the so-called developed nations do grant economic subsidies in all the areas we mentioned above".

Shuaibu further framed the policy as externally imposed: "We view the action of the government on the removal of subsidies as an effort to impoverish the citizens and turn all of us into slaves and beggars. This is also in a bid to satisfy the Western world and their retrogressive agenda against all African countries with huge potentials, which they view as a threat to their economies".

However, the 2023-2025 labor response has differed from 2012 in important respects. Despite widespread hardship, the scale of street protests has been more muted. This relative quiescence may reflect several factors: the absence of a clear alternative policy framework, divisions within labor leadership, or the sheer scale of economic dislocation that makes sustained mobilization difficult. Houeland (2018) analyzed the role of Nigerian trade unions in popular protests, noting the complex navigation between "the street and Aso Rock" that characterizes labor's strategic positioning.

The NLC's strategy has evolved toward demanding specific palliatives and policy adjustments rather than outright subsidy reinstatement. These demands include wage increases, targeted social interventions, and greater transparency in the utilization of subsidy savings. The demand for a new minimum wage has become particularly salient, with Shuaibu warning: "We are therefore calling on workers to brace up and

prepare for a big showdown if the issue is further delayed unnecessarily".

### 5.2 Central Bank of Nigeria: Monetary Policy Responses

The Central Bank of Nigeria (CBN) has confronted unprecedented challenges in the post-subsidy environment. Soaring inflation—driven by fuel price increases, exchange rate depreciation, and second-round effects on food and transportation costs—has compelled aggressive monetary policy tightening.

Omotosho (2019) had earlier modeled the macroeconomic implications of subsidy removal, predicting that such a shock would necessitate "significant monetary policy responses to anchor inflation expectations". The CBN under Governor Olayemi Cardoso has indeed raised monetary policy rates substantially, though inflation has proven resistant to conventional tightening due to the structural nature of the price shocks.

Adebiyi and Mordi (2012) provided analytical frameworks for understanding exchange rate pass-through to domestic inflation—dynamics that have played out dramatically in the post-subsidy period. As the naira depreciated following exchange rate unification, import-dependent sectors experienced cascading cost increases that monetary policy could only partially address.

The World Bank's May 2025 Nigeria Development Update acknowledged improvements in fiscal and monetary policies, including "unified exchange rates, tighter monetary controls, increased transparency, and the government's resolve not to monetise its deficit". These institutional adaptations have helped stabilize certain macroeconomic indicators, though their benefits have yet to reach most citizens.

### 5.3 National Assembly: Legislative Oversight and Representation

The legislative response to subsidy removal has been characterized by what Gbadebo (2025) termed "performative opposition"—rhetorical criticism without substantive efforts to reverse the policy. National Assembly members have voiced constituents' concerns, conducted oversight hearings, and demanded greater transparency in the utilization

of subsidy savings, but have stopped short of legislative action to reinstate the subsidy.

This posture reflects the political calculations facing legislators. With 85% of constituents opposing subsidy removal, lawmakers face immense pressure to demonstrate opposition. Yet the fiscal reality—subsidy expenditures were consuming resources that could otherwise fund constituency projects—creates countervailing incentives. The result has been symbolic opposition coupled with *de facto* acceptance.

Senator Orji Uzor Kalu offered a contrasting legislative perspective, describing subsidy removal as President Tinubu's "boldest, best decision." Kalu argued: "Tinubu made the best decision to stop the subsidy for the money to go to the rightful owners – the people.... the truth is most of those fighting him are people who used to make easy money from dollar speculation and subsidy". This defense highlights the distributional conflicts underlying the policy: those who benefited from the old subsidy regime—including "dollar speculators" and those engaged in subsidy arbitrage—have lost privileged access.

Oversight hearings have focused on three issues: the actual savings from subsidy removal, the utilization of those savings, and the adequacy of palliatives. The Nigeria Extractive Industries Transparency Initiative (NEITI, 2022) had earlier called for greater transparency in subsidy accounting, a demand that has intensified in the post-removal period.

#### 5.4 International Financial Institutions: IMF and World Bank

The International Monetary Fund and World Bank have been consistent advocates of subsidy removal, praising the Tinubu administration's "bold reforms" in multiple reports. The IMF's 2024 Article IV Consultation described Nigeria's policy direction as "laying the foundation for transforming the country's economic trajectory for decades to come".

However, this endorsement has generated domestic controversy. Labor leaders have framed the policy as externally imposed to "satisfy the Western world and their retrogressive agenda against all African countries". The observation that poverty is projected to worsen despite reform implementation has fueled

skepticism about the international financial institutions' prescriptions.

The World Bank's October 2025 report, "From Policy to People: Bringing the Reforms Gains Home," represented a subtle shift in messaging. While reaffirming support for the reforms, the report acknowledged implementation challenges and the need for better social protection. Most significantly, the World Bank revealed in May 2025 that NNPC was remitting only 50% of subsidy savings to the Federation Account, raising questions about where the remaining funds were going.

#### 5.5 Critical Finding: The NNPC Remittance Gap

Perhaps the most significant institutional development is the revelation that subsidy savings are not fully reaching public coffers. The World Bank's May 2025 Nigeria Development Update disclosed that "despite the subsidy being fully removed in October 2024, NNPC started transferring the revenue gains to the Federation only in January 2025. Since then, it has been remitting only 50 percent of these gains, using the rest to offset past arrears".

Alex Sienaert, the World Bank's lead economist for Nigeria, elaborated: "NNPC began applying the official exchange rates for all its kinds of transactions and fiscal revenue calculations back in October, so no more implicit subsidy. But as of January, NNPC was still only transferring about half of the resulting revenue gains from the subsidy elimination to the federation, and that's because of arrears and counter-arrears".

This revelation has profound implications for the policy's political economy. The central fiscal rationale for subsidy removal—freeing resources for development spending—is undermined if savings are retained by NNPC rather than reaching the Federation Account. It validates public skepticism about whether reform benefits will ever materialize and exemplifies the institutional weaknesses that fuel the trust deficit.

Sienaert acknowledged the importance of addressing this gap: "It's just going to be important in the coming months to keep tracking this, and ultimately that all revenue gains from the difficult job of eliminating the

subsidy do flow to the federation, so that that can support a continued healthy fiscal picture."

## VI. ELECTORAL CONSEQUENCES: EMERGING POLITICAL REALIGNMENTS

### 6.1 The 2023 Election Context

The subsidy removal occurred against the backdrop of Nigeria's most competitive election since the 1999 democratic transition. The February 2023 presidential election produced a narrow victory for Bola Tinubu of the All-Progressives Congress (APC), defeating Atiku Abubakar of the Peoples Democratic Party (PDP) and Peter Obi of the Labour Party (LP). Obi's strong performance, particularly among young and urban voters, signaled the emergence of new political cleavages.

Tambuwal, however, questioned the credibility of the electoral process itself, warning that "public confidence in elections is rapidly eroding." He argued that "elections in Nigeria are not completely decided by the electorate," citing "manipulation at multiple levels of the process," including "late commencement of voting, failure of technology, compromised officials, and poor result transmission". This erosion of electoral credibility compounds the trust deficit surrounding economic policy.

### 6.2 The 2026 FCT Area Council Elections: An Early Test

The February 2026 Federal Capital Territory (FCT) area council elections provided the first electoral test of public sentiment since subsidy removal. These elections, while local in scope, carry symbolic significance as they occur in the seat of national power.

Political analyst Tochu Okorie interpreted the results as potentially signaling a shift in public attitudes: "Beneath their ostensibly municipal character lies a deeper narrative—one that foreshadows a potentially commanding performance by the All Progressives Congress (APC) in the 2027 general election and as well could signal a gradual but unmistakable consolidation of public acceptance of President Bola Ahmed Tinubu's reform agenda".

Okorie argued that despite economic hardship, "the APC has demonstrated resilience—if not outright ascendancy—in the FCT council elections," challenging "conventional political wisdom [that] would predict voter backlash against the ruling party, particularly in urban constituencies like Abuja, where economic sensitivity is almost infinitely elastic".

Several factors may explain this outcome. First, "the matter of policy coherence" — Tinubu's reforms, though painful in the short term, have increasingly been framed—and understood—as structural rather than cosmetic. Second, "the Federal Government's parallel investments in infrastructure and social protection mechanisms have begun to temper earlier anxieties. Expanded cash transfer programmes, targeted palliatives, and renewed emphasis on capital projects within the territory contribute to a perception—however tentative—of forward motion". Third, "the opposition's narrative appears increasingly fragmented. The fervour that characterised the 2023 presidential contest... has arguably dissipated into internal wrangling and ideological ambiguity". Without "a cohesive counter-voice capable of articulating a credible economic roadmap, opposition parties risk being defined more by bile and criticism than by constructive propositions".

Okorie's analysis suggests a nuanced interpretation: "Acceptance does not necessarily imply uncritical approval. Many voters may still harbour reservations about the pace and cushioning of reforms. Inflation remains a tangible concern.... Yet electoral behaviour often reflects comparative judgment rather than utopian expectation. Faced with alternatives perceived as less coherent or less prepared to navigate economic turbulence, voters may opt for continuity".

### 6.3 Voting Behavior and Policy Preferences

Afrobarometer data reveal that economic issues dominate citizens' priorities for government action. The increasing cost of living is cited by 33% as the most important problem, followed by poverty (27%), unemployment (27%), and management of the economy (25%). These issue priorities suggest that electoral competition will increasingly revolve around economic management—a domain where the

Tinubu administration currently receives overwhelmingly negative ratings.

Government performance on specific economic indicators is rated negatively by more than nine in ten Nigerians: keeping prices stable (97% negative), narrowing gaps between rich and poor (95%), creating jobs (94%), managing the economy (93%), and improving the living standards of the poor (92%). These evaluations create a challenging electoral environment for incumbent politicians, who must defend their record while asking voters for continued support.

Yet the FCT results suggest that negative evaluations do not automatically translate into opposition voting. As Okorie noted, "voters are often willing to endure discomfort if convinced that sacrifice today yields stability tomorrow. The FCT results suggest that a critical mass of voters may now view Tinubu's reforms through that long-term lens".

Gbadebo (2025) emphasized that "the centrality of governance in determining the effectiveness of economic reform policies" extends to electoral consequences. Without transparent mechanisms demonstrating how subsidy savings benefit ordinary citizens, the policy may become an electoral liability rather than a demonstration of governing competence. The NNPC remittance gap is particularly damaging in this regard, as it suggests that even the fiscal benefits of reform are not reaching public coffers.

## VII. FINDINGS AND DISCUSSION

### 7.1 Summary of Key Findings

This article's analysis yields several key findings:

**Finding 1: Overwhelming Public Opposition with Deep Trust Deficit.** Afrobarometer data document 85% disapproval of subsidy removal, with opposition consistent across all demographic groups. This opposition is rooted not merely in economic pain but in a profound trust deficit accumulated over decades of unfulfilled policy promises. The finding that 58% would reinstate the subsidy even at the cost of reduced health and education spending reflects the depth of this trust deficit.

**Finding 2: Severe Material Hardship with Disproportionate Impact on Vulnerable Households.** Lived poverty has increased dramatically, with 79% experiencing moderate or high levels of deprivation—a 41-percentage-point increase since 2017. Necessities, including food (82% experiencing shortages), medical care (82%), and clean water (74%), are increasingly out of reach for ordinary Nigerians. Gbadebo's (2025) regression analysis confirms that low-income households have been disproportionately affected, exacerbating social inequality.

**Finding 3: Institutional Adaptation Varies Across Actors.** Labor has mobilized through strikes and demands for wage increases while stopping short of the mass protests seen in 2012. The CBN has pursued aggressive monetary tightening to combat inflation, with the World Bank's acknowledgment of improved policy frameworks. The National Assembly has engaged in performative opposition, rhetorical criticism without substantive reversal efforts.

**Finding 4: Critical Governance Failure in NNPC Remittance.** The World Bank's revelation that NNPC is remitting only 50% of subsidy savings to the Federation Account fundamentally undermines the fiscal rationale for reform. This finding validates public skepticism and exemplifies the institutional weaknesses that fuel the trust deficit.

**Finding 5: Electoral Consequences Are Complex and Contingent.** While economic dissatisfaction is nearly universal, the FCT area council elections suggest that voters may distinguish between policy intentions and implementation challenges. The APC's performance in these elections, despite economic hardship, challenges assumptions that economic pain automatically translates to electoral punishment.

### 7.2 Theoretical Implications

These findings have important implications for the theoretical frameworks employed in this article.

**Institutional Theory:** The NNPC remittance gap powerfully illustrates Dernbach's (2003) argument about the centrality of governance to policy effectiveness. Technically sound policy design (subsidy removal) is subverted by institutional practices (NNPC retaining savings to offset

"arrears"). Gbadebo's (2025) finding that "entrenched weaknesses in governance, a lack of transparency, and ongoing corruption have undermined public trust" is empirically validated by the remittance revelation.

**Social Contract Theory:** The trust deficit documented in Afrobarometer data and Business Day analysis reflects a broken social contract. Citizens are being asked to accept current hardship based on promises of future benefits, but historical experience suggests such promises are unreliable. The NNPC remittance gap becomes, in this framework, not merely a technical accounting issue but a fundamental breach of the implicit agreement between the state and citizens.

**Political Economy of Reform:** The distributional analysis central to Coxhead and Grainger (2018) and Greve and Lay (2023) is confirmed by Gbadebo's (2025) finding of disproportionate impact on low-income households. However, the FCT election results complicate simple models of electoral punishment, suggesting that voters' decisions reflect comparative judgments and future expectations, not merely current deprivation.

### 7.3 The Governance Paradox

A central paradox emerges from this analysis: Nigeria has implemented a technically sound, economically necessary reform, but governance weaknesses prevent citizens from experiencing its benefits. The policy addresses fiscal distortions but, as currently implemented, may deepen the trust deficit that undermines all governance.

The Business Day editorial captured this paradox: "Trust is not built with declarations but with deeds. If Nigerians come to see that painful reforms yield concrete improvements, cheaper power in real terms, better roads, schools, hospitals, and stable inflation, then the skepticism that greets policy will gradually fade". Yet deeds require functional institutions capable of translating macroeconomic gains into tangible outcomes.

The NNPC remittance gap is particularly damaging because it suggests that even the direct fiscal benefits of reform are not reaching public coffers. If subsidy

savings are being used to settle "arrears" within NNPC rather than funding development or social protection, then citizens' skepticism is entirely rational. As Sienaert noted, ensuring "that all revenue gains from the difficult job of eliminating the subsidy do flow to the federation" is essential for maintaining fiscal health and public confidence.

### 7.4 Electoral Implications Reconsidered

The FCT election results invite reconsideration of simple models linking economic conditions to electoral outcomes. Several factors may explain why voters might support the ruling party despite economic hardship:

1. **Comparative Judgment:** Voters compare incumbent performance not against an ideal standard but against perceived alternatives. If opposition parties are viewed as offering no coherent alternative vision, the incumbent may retain support despite poor performance.
2. **Policy Coherence:** As Okorie noted, reforms framed as "structural rather than cosmetic" may gain grudging acceptance if voters believe they address fundamental problems.
3. **Future Expectations:** Voters may accept current hardship if convinced it will yield future benefits—what Okorie termed "comparative judgment rather than utopian expectation".
4. **Distributed Impacts:** The costs of reform are not uniformly distributed. Those who previously benefited from subsidy arbitrage have lost privileged access, while those who never benefited may be less aggrieved.

However, the FCT results should be interpreted cautiously. As Okorie cautioned, "it would be premature to extrapolate national inevitability from a single electoral theatre. Nigeria's political landscape is vast and variegated. Regional dynamics, security considerations, and shifting alliances will inevitably shape the 2027 calculus".

## VIII. CONCLUSION

This article has examined the political economy of subsidy removal in Nigeria through three analytical lenses: public response, institutional adaptation, and

electoral consequences. The analysis reveals complex interactions between economic policy, public opinion, institutional behavior, and political dynamics.

The policy's implementation has generated overwhelming public opposition (85% disapproval), deepened material hardship (with 79% experiencing high lived poverty), and exacerbated a profound trust deficit between citizens and the state. Institutional actors have responded in varied ways—organized labor through mobilization, monetary authorities through policy tightening, the legislature through symbolic opposition, and international financial institutions through continued endorsement. Critically, the NNPC's retention of 50% of subsidy savings has undermined the fiscal rationale for reform and validated public skepticism.

Electoral consequences are complex and contingent. While the FCT area council elections suggest possible grudging acceptance among some urban constituencies, the depth of economic dissatisfaction documented in Afrobarometer data suggests that significant political risks remain.

## 8.2 Policy Implications

Several implications emerge for policy and governance:

First, address the NNPC remittance gap urgently. The revelation that only 50% of subsidy savings are reaching the Federation Account must be addressed as a matter of priority. Full transparency regarding the "arrears" being offset and a clear timeline for achieving full remittance are essential for restoring any semblance of fiscal credibility. As Sienaert emphasized, ensuring that all revenue gains flow to the federation is critical for "a continued healthy fiscal picture".

Second, strengthen governance frameworks for utilizing subsidy savings. Gbadebo (2025) recommended."

targeted subsidies for vulnerable populations, increased investment in accessible public transportation infrastructure, and comprehensive institutional reforms to improve transparency and accountability in the allocation of subsidy savings".

These recommendations align with the World Bank's call to "bring the reforms gains home" through effective social protection and visible public investment.

Third, rebuild trust through consistent communication and visible delivery. The Business Day editorial (2025) emphasized that "clear and predictable policy signals," "strengthened legal and institutional frameworks," "effective social safety nets," and "accountability in delivery" are essential for rebuilding confidence. Without these elements, even well-designed policies will encounter resistance rooted in historical experience rather than technical disagreement.

Fourth, develop compensatory mechanisms for disproportionately affected populations. Greve and Lay (2023) demonstrated that subsidy removal without adequate compensation exacerbates inequality and generates political resistance. Gbadebo's (2025) finding that low-income households have been hardest hit underscores the urgency of targeted interventions for vulnerable groups.

Fifth, strengthen institutional capacity for policy implementation. The NNPC remittance gap exemplifies how institutional weaknesses subvert policy intentions. Lockwood's (2015) analysis of rent management and political fragmentation highlights the need for institutional reforms that ensure policy implementation aligns with policy design.

Sixth, engage organized labor and civil society in policy dialogue. Houeland's (2018) analysis of Nigerian trade unions suggests that excluding labor from policy processes generates opposition, while meaningful engagement can build support for difficult reforms. The contrast between the 2012 protests and the more muted 2023-2025 response may reflect different strategic calculations, but sustained exclusion risks renewed mobilization.

Seventh, communicate clearly about the distribution of reform benefits and costs. Senator Kalu's defense of subsidy removal as directing resources to "the rightful owners – the people" represents one framing, while labor's characterization of the policy as externally imposed impoverishment represents

another. The government's ability to shape public understanding of who benefits and who bears costs will influence political sustainability.

### 8.3 Theoretical Contributions

This article contributes to the theoretical understanding of reform politics in several ways. First, it demonstrates the centrality of institutional quality to policy legitimacy, extending Dernbach's (2003) framework by showing how governance weaknesses subvert even technically sound policies. Second, it illustrates the relevance of social contract theory to contemporary policy debates, showing how historical patterns of state-society interaction shape responses to current reforms. Third, it complicates political economy models by showing that electoral responses to economic conditions are mediated by comparative judgments, future expectations, and perceptions of policy coherence.

The Nigerian case also contributes to a comparative understanding of fossil fuel subsidy reform. Consistent with Coxhead and Grainger (2018), distributional conflicts are central to political dynamics. Consistent with Greve and Lay (2023), poor households bear disproportionate costs. However, the Nigerian experience also reveals how institutional factors—specifically, the NNPC's role as both policy implementer and beneficiary—create distinctive dynamics not fully captured in existing frameworks.

### 8.4 Limitations and Future Research

This article has several limitations that suggest directions for future research. First, the analysis relies primarily on secondary data; primary research, including interviews with key actors and household-level surveys, would enrich understanding. Second, the electoral analysis is necessarily preliminary, as no national elections have occurred since subsidy removal. The 2027 general elections will provide crucial evidence about the policy's electoral consequences. Third, the focus on national-level dynamics may obscure important subnational variation; research examining how subsidy removal affects different states and localities would be valuable.

Future research should also examine the long-term effects of subsidy removal on economic structure, poverty dynamics, and political behavior. As Yusuf (2025) observed, "development has never been born from austerity alone"; understanding whether the current sacrifices yield sustainable development gains requires longitudinal analysis beyond the scope of this article.

### 8.5 Concluding Reflection

The political economy of subsidy removal in Nigeria illuminates fundamental questions about governance, trust, and development. The policy addresses genuine fiscal distortions—subsidy expenditures that consume resources desperately needed for health, education, and infrastructure. Yet its implementation has exposed deeper governance deficits that undermine its legitimacy and sustainability.

The central challenge is not technical but political and institutional: how to translate macroeconomic gains into tangible improvements in citizens' lived experiences. As the Business Day editorial (2025) concluded, "if Nigerians come to see that painful reforms yield concrete improvements... then the skepticism that greets policy will gradually fade. If not, even the most necessary reforms will be resisted".

The NNPC remittance gap is particularly troubling because it suggests that even the direct fiscal benefits of reform are not reaching public coffers. If subsidy savings are being used to settle internal "arrears" rather than funding development or social protection, then citizens' skepticism is not merely understandable but rational. Addressing this governance failure is therefore not optional but essential—without it, the policy's economic rationale collapses, and its political sustainability becomes impossible.

Nigeria's experience offers broader lessons for developing countries contemplating similar reforms. Technocratic policy design, however sound, cannot substitute for the institutional arrangements that translate policy into perceived and actual benefits for citizens. Sustainable reform requires not only fiscal discipline but also strategic investment in people, productivity, and the governance frameworks that connect policy to lived experience. The Nigerian case

demonstrates that political economy analysis cannot separate policy content from policy process, or economic design from governance context. Subsidy removal, however necessary fiscally, must be understood as embedded in historical relationships between state and society—relationships that will determine whether current hardships are remembered as necessary sacrifices or as yet another episode of unfulfilled promise.

#### REFERENCES

- [1] Adenikinju, A. (2021). Fuel subsidy in Nigeria: Costs, benefits, and policy options. *Journal of Energy Policy Research*, 14(2), 123-138.
- [2] Adebisi, M. A., & Mordi, C. N. O. (2012). A dynamic stochastic general equilibrium (DSGE) model of exchange rate pass-through to domestic inflation in Nigeria. *CBN Journal of Applied Statistics*, 3(1), 1-30.
- [3] BudgIT. (2023). Subsidy hangover: The fiscal and human cost of fuel subsidy in Nigeria. *BudgIT Research Report*.
- [4] Business Day Editorial Board. (2025). Trust deficit spurs outrage against good policies. *Business Day*, October 6, 2025.
- [5] Chika (2023). Cited in Mbaegbu, R. & Nwanze, C. (2025). Nigerians say the country is headed in the wrong direction and oppose fuel-subsidy removal. \*NOIPolls/Afrobarometer Dispatch No. 958\*.
- [6] Coxhead, I., & Grainger, C. (2018). Fossil fuel subsidy reform in the developing world: Who wins, who loses, and why? *Asian Development Review*, 35(2), 180–203.
- [7] Dernbach, J. C. (2003). Achieving sustainable development: The centrality and multiple facets of integrated decision-making. *Indiana Journal of Global Legal Studies*, 10(2), 247–285.
- [8] Ekpe, M. P. (2025). That unflattering World Bank report. *THISDAYLIVE*, October 16, 2025.
- [9] Evans, O., Nwaogwugwu, I., Vincent, O., Wale-Awe, O., Mesagan, E., & Ojapinwa, T. (2023). The socio-economics of the 2023 fuel subsidy removal in Nigeria. *BizEcons Quarterly*, 17, 12–32.
- [10] Gbadebo, A. (2025). The political economy of fuel subsidy removal: Governance and sustainable development in Nigeria. *Journal of Governance and Administrative Reform*, 6(1), 109–134.
- [11] Greve, H., & Lay, J. (2023). "Stepping down the ladder": The impact of fossil fuel subsidy removal in a developing country. *Journal of the Association of Environmental and Resource Economists*, 10(1), 121–158.
- [12] Houeland, C. (2018). Between the street and Aso Rock: The role of Nigerian trade unions in popular protests. *Journal of Contemporary African Studies*, 36(1), 103–120.
- [13] Houeland, C. (2020). Contentious and institutional politics in a petro-state: Nigeria's 2012 fuel subsidy protests. *The Extractive Industries and Society*, 7(3), 912–920.
- [14] Ikenga, F. A., & Aluka, S. (2023). Benefits and challenges of fuel subsidy removal on Nigeria economy of fourth republic. *Hampstead Psychological Associates*, 24(7), 11222–11236.
- [15] Kalu, O. U. (2025). Cited in Oboh (2025). Subsidy removal: Tinubu's boldest, best decision – Kalu. *Vanguard*, February 21, 2025.
- [16] Lockwood, M. (2015). Fossil fuel subsidy reform, rent management, and political fragmentation in developing countries. *New Political Economy*, 20(4), 475–494.
- [17] Mbaegbu, R. & Nwanze, C. (2025). Nigerians say the country is headed in the wrong direction and oppose fuel-subsidy removal. \*NOIPolls/Afrobarometer Dispatch No. 958\*.
- [18] McCulloch, N., Moerenhout, T., & Yang, J. (2021). Fuel subsidy reform and the social contract in Nigeria: A micro-economic analysis. \*WIDER Working Paper 2021/145\*. United Nations University World Institute for Development Economics Research.

- [19] Mouhoud, A., & Couharde, C. (2020). Fossil fuel subsidies, income inequality, and poverty: Evidence from developing countries. *Journal of Economic Studies*, 47(5), 1021–1040.
- [20] National Bureau of Statistics. (2024). Consumer price index and inflation report, June 2024. Abuja: NBS.
- [21] Nigeria Extractive Industries Transparency Initiative (NEITI). (2022). NEITI policy brief on fuel subsidy in Nigeria. Abuja: NEITI.
- [22] Nwankwo, C., & Ibrahim, F. (2020). Social movements and policy change in Nigeria: The case of #OccupyNigeria. *African Studies Quarterly*, 18(3), 45–60.
- [23] Oboh (2025). Subsidy removal: Tinubu's boldest, best decision – Kalu. *Vanguard*, February 21, 2025.
- [24] Okorie, T. (2026). FCT council polls: A litmus test for Tinubu's 2027 prospects. *Daily Trust*, February 25, 2026.
- [25] Olawale, A., & Okonkwo, C. (2020). The political economy of subsidy removal in Nigeria: A review of public protests and government responses. *Nigerian Journal of Public Administration*, 11(1), 89-105.
- [26] Omotosho, B. S. (2019). Oil price shocks, fuel subsidies, and macroeconomic (in)stability in Nigeria. *CBN Journal of Applied Statistics*, 10(2), 1–26.
- [27] Onyemelukwe, S. (2023). Subsidy removal and Nigerian youths. *TheCable*, August 9, 2023.
- [28] Premium Times. (2025). Tambuwal faults subsidy removal, says it lacked a framework. *Premium Times*, June 1, 2025.
- [29] Shuaibu, D. (2024). Bauchi NLC threatens showdown over new minimum wage, condemns subsidy removal. *Daily Post*, May 1, 2024.
- [30] Sienaert, A. (2025). Cited in Ekpe, M. P. (2025). That unflattering World Bank report. *THISDAYLIVE*, October 16, 2025.
- [31] Tambuwal, A. (2025). Cited in Premium Times (2025). Tambuwal faults subsidy removal, says it lacked a framework. *Premium Times*, June 1, 2025.
- [32] World Bank. (2024). Nigeria development update December 2023: Turning the corner – From reforms to renewed hope, to results. Washington, DC: World Bank.
- [33] World Bank. (2025a). From policy to people: Bringing the reforms gains home. Washington, DC: World Bank. Cited in Ekpe, M. P. (2025). That unflattering World Bank report. *THISDAYLIVE*, October 16, 2025.
- [34] World Bank. (2025b). Nigeria development update May 2025: Harnessing the gains of reforms. Washington, DC: World Bank.
- [35] Yusuf (2025). Nigeria and the ghost of the structural adjustment program. *Leadership Newspapers*, November 11, 2025.