Fuel Subsidy and its Economic Implication in Nigeria

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Abstract
The research investigated the implications of fuel subsidies on Nigeria's economy, focusing on the ongoing debate about their removal from both political and economic perspectives. The study utilized primary data gathered through interviews, which allowed for a comprehensive analysis based on recorded information. A qualitative research design and content analysis method were employed. The findings revealed that citizens, particularly the poor, are experiencing hardships due to increased transportation costs and higher prices for food and other essential goods. Conversely, the government maintains that removing the fuel subsidy benefits the economy overall by redirecting funds to enhance infrastructure in sectors such as education, transportation, and health. The government argues that this move will also alleviate price distortions, reduce corruption, and eliminate inefficiencies. The study proposes several recommendations: the government should ensure honesty, transparency, and accountability in the use of funds saved from subsidy removal to promote good governance. Additionally, there should be investments in infrastructure, increased wages for workers, tax exemptions for low-income earners and small agro-allied businesses, immediate rehabilitation of neglected refineries, the introduction of auto gas to lower transportation costs, and the development of transparent social welfare programs to mitigate the negative impacts of subsidy removal on the average Nigerian citizen.

***Key Words**: Fuel Subsidy, Nigerian Economy, Subsidy Removal, Challenges, Way forward*

1. Introduction

Fuel subsidy is a widely debated and trending topic in Nigeria, carrying significant economic implications. The government's long-standing practice of subsidizing fuel prices aims to alleviate the financial burden on citizens. However, this policy has ignited intense discussions among economists, policymakers, and the public. A fuel subsidy is financial support from the government to lower the cost of fuel for consumers. In Nigeria, this practice began in the 1970s to mitigate the impact of high oil prices. Over time, adjustments have been made, with the government bearing a considerable portion of the cost (Yusuf, 2023).

The issue of fuel subsidy in Nigeria is contentious, with strong arguments on both sides. Supporters argue that it is essential to keep fuel prices low and affordable for the average Nigerian. Opponents, however, claim that it drains national resources and that the funds could be better allocated to other economic sectors. The economic implications of fuel subsidies in Nigeria include reduced government revenue, inefficient resource allocation, and effects on inflation and exchange rates. While subsidies offer some benefits, their removal is deemed necessary for long-term economic growth and development (Victoria, Esther, Doris & David, 2017).

Although fuel subsidies have been in place since the 1970s, they have come under increased scrutiny in recent years due to economic challenges and perceived inefficiencies. Despite criticisms, subsidies remain popular, with many arguing they protect the poor and vulnerable from high fuel prices. However, studies question their effectiveness. For instance, research by Adenikinju and Taiwo (2013) suggests that fuel subsidies were poorly targeted and had minimal impact on poverty reduction. This study aims to explore the fuel subsidy debate in Nigeria from 1999-2023, utilizing literature reviews, data from credible sources, economic modeling, and case studies for a comprehensive understanding.

Nigeria, as Africa's leading petroleum producer, exports much of its crude oil to be refined into Premium Motor Spirit (PMS), necessitating the importation of about 70% of its petrol. This situation results from corruption and long-term neglect of local refineries. The price of petrol often constitutes a significant portion of a Nigerian's daily budget of about $2, prompting the introduction of fuel subsidies (Evelyn, 2018).

The fuel subsidy policy has profound implications for the economy, government finances, and social welfare. While Adenikinju and Taiwo (2013) found that subsidies had little impact on poverty reduction, a World Bank (2019) study argued that subsidies could protect the poor from rising energy costs and improve their welfare. The sustainability and effectiveness of the subsidy regime are questioned due to its high financial burden, potential for corruption, and the opportunity cost of diverting funds from other critical sectors. This research examines the implications of fuel subsidies on the Nigerian economy from 1999-2024, including a literature review, methodology, results, discussions, and policy recommendations.

2. Literature Review

This Section Covers Conceptual Clarifications, Theoretical Frameworks, and Empirical Literature

2.1 Conceptual Clarifications

2.1.1 Fuel Subsidy

Fuel subsidy refers to a government policy of providing financial assistance or other support to lower the cost of fuel for consumers. This typically involves setting fuel prices below market levels to make it more affordable, especially for low-income individuals or those living in remote areas with high transportation costs. Subsidies can take various forms, including direct financial aid to consumers, support to fuel producers or distributors, or tax breaks for certain fuel types. Occasionally, fuel subsidies also support specific industries, such as agriculture or transportation (Obidebube & Richard, 2023).

Fuel subsidy is essentially a government discount on the market price of fossil fuels, allowing consumers to pay less than the prevailing market price (Ovaga and Okechukwu, 2022). When subsidies are in effect, consumers pay below-market prices for petroleum products. Globally, fuel subsidies are debated due to their significant costs and their impact on citizens' welfare and national fiscal health.

Subsidies in Nigeria have existed in various forms for many years, including cash, labor, exports, consumption, education, and housing. According to the Sun Newspaper (May 5, 2012), the idea of subsidizing petroleum products in Nigeria emerged after the collapse of the nation’s four refineries. This collapse turned Nigeria from a significant producer of refined products to a net importer of petroleum products, such as petrol, kerosene, and diesel, for domestic use. By the mid-1990s, the Kaduna, Port Harcourt, and Warri refineries had failed due to poor maintenance. This failure led to a supply shortfall that the government addressed by importing petroleum products through the Nigerian National Petroleum Corporation (NNPC) to mitigate severe shortages and high prices nationwide.

The problem extended beyond the refineries. Key infrastructure in the downstream sector, including petroleum product storage and distribution pipelines, also deteriorated. As a result, fuel had to be transported by truck, incurring significant costs due to logistical challenges and the high interest rates on loans taken by importers to finance these operations. These factors increased the landing costs of imported products compared to locally refined products.

2.1.2 History and Evolution of Fuel Subsidy in Nigeria

The fuel subsidy policy in Nigeria dates back to the 1970s, initially introduced to mitigate the impact of rising oil prices on the populace. It became more formalized in the 1980s with the establishment of the Petroleum Product Pricing Regulatory Agency (PPPRA) to regulate the prices of petroleum products, including gasoline and diesel. The subsidy aimed to ensure that petroleum products remained affordable and accessible, given their importance for transportation, cooking, and power generation, and to redistribute wealth from the oil sector to the broader economy.

Over the years, the subsidy regime has evolved, with adjustments based on economic conditions. During the oil boom of the 1970s, subsidies were less necessary due to high revenue from oil exports. However, in the 1980s and 1990s, economic challenges like high inflation, foreign debt, and currency devaluation forced the government to increase subsidies to alleviate economic hardships.

In 1999, with the return to democratic rule under President Obasanjo, fuel subsidies became a significant political issue. Successive governments have since grappled with the subsidy issue, with some attempting to remove it and others seeking to mitigate its economic impact. In recent years, the subsidy regime has faced increasing scrutiny due to economic challenges and perceived inefficiencies, including corruption and rent-seeking behaviors that benefit only a few and contribute minimally to economic development.

From 2000 to 2007, during Obasanjo's administration, subsidies were introduced, and their removal in 2003 and 2004 affected transportation costs. During the 2007-2015 period, President Yar'Adua decreased fuel prices, but they rose again under President Jonathan, leading to protests. Under President Buhari (2015-2023), there was a 124% increase in fuel prices, impacting transportation significantly. In 2023, after President Tinubu's inauguration, subsidies were removed, causing fuel prices to surge from N195 to N617 per liter, significantly affecting transportation costs.

2.1.1 The Economic Impact of Fuel Subsidies

The impact of fuel subsidies on the Nigerian economy has been a topic of extensive debate among scholars and policymakers. Some scholars argue that fuel subsidies have played a positive role in the country's economic development by making petroleum products affordable and accessible, thereby enabling economic activities that would otherwise be hindered. Others contend that fuel subsidies are a drain on the nation's resources, diverting funds that could be used for critical infrastructure projects such as roads, hospitals, and schools.

Several studies have attempted to quantify the impact of fuel subsidies on the Nigerian economy. For example, Ogunleye and Ogundipe (2017) used the Vector Error Correction Model (VECM) to analyze the relationship between fuel subsidies and economic growth in Nigeria. They found that fuel subsidies negatively impact economic growth by diverting funds that could have been allocated to essential infrastructure projects and contributing to fiscal imbalances.

Similarly, Aregbeyen and Adeyemi (2014) employed the Autoregressive Distributed Lag (ARDL) model to investigate the effect of fuel subsidies on inflation in Nigeria. Their findings indicated that fuel subsidies have a positive impact on inflation, leading to increased demand for goods and services, which in turn drives up prices.

2.1.2 Arguments for Fuel Subsidy

Here are some common arguments in favor of fuel subsidies, along with relevant sources:

1. **Poverty Alleviation**: Fuel subsidies are argued to alleviate poverty by making energy more affordable for low-income individuals and households. Lower fuel prices can reduce the costs of transportation, cooking, and heating, which are essential for daily life. A study by the World Bank titled "Fuel Subsidies and Poverty Reduction" suggests that fuel subsidies can effectively protect the poor from rising energy costs and improve their welfare (World Bank, 2018).
2. **Economic Stability**: Fuel subsidies are sometimes seen as a tool to stabilize prices and protect consumers from volatility in global oil markets. By keeping fuel prices lower, subsidies can help manage inflation and maintain economic stability. The International Monetary Fund (IMF) has acknowledged that fuel subsidies can provide short-term benefits by mitigating inflationary pressures and reducing the impact of price shocks on households (International Monetary Fund, 2013).
3. **Industrial Competitiveness**: Fuel subsidies can boost the competitiveness of domestic industries, especially in energy-intensive sectors. By lowering energy costs, subsidies can reduce production expenses and enhance the competitiveness of industries such as manufacturing, agriculture, and transportation. A report by the World Bank titled "Fuel

Subsidy Reform: Lessons and Implications" discusses the potential positive impact of subsidies on industrial competitiveness (World Bank, 2010).

4. **Social and Political Stability**: In some instances, fuel subsidies are used to maintain social and political stability. Subsidies can help prevent public discontent and protests that may arise from sudden price increases. This argument is often made in countries like Nigeria, where fuel subsidies have historically served as a form of social contract between the government and citizens.

2.1.2 Arguments against Fuel Subsidy

There are several arguments against maintaining fuel subsidies in Nigeria. One primary argument is that fuel subsidies drain the country's resources. Critics argue that the funds used for subsidizing fuel could be better spent on other critical sectors of the economy, such as education, healthcare, and infrastructure development.

Another significant argument against fuel subsidies is that they encourage corruption. The subsidy system in Nigeria has been criticized for its lack of transparency and poor regulation, leading to widespread fraud and corruption. Many individuals and businesses have profited from the subsidy system at the expense of the Nigerian populace, with numerous reports of fraud and embezzlement.

Opponents also argue that fuel subsidies are not an effective way to reduce poverty or promote economic growth. While subsidies may make fuel more affordable for the average Nigerian, they do not address the underlying structural issues in the Nigerian economy, such as inadequate infrastructure, poor healthcare and education systems, and a lack of job opportunities.

One of the main arguments in favor of fuel subsidies is that they help to keep fuel costs low, thus reducing the burden on consumers. However, numerous studies have found that fuel subsidies in Nigeria have been largely ineffective in achieving this goal and have had negative impacts on the economy. For example, a study by Saibu (2013) found that fuel subsidies contributed to a significant increase in government spending and a corresponding increase in the budget deficit. This, in turn, led to a reduction in public investment and an increase in inflation. Similarly, a study by Adenikinju (2013) found that fuel subsidies had fostered corruption and rent-seeking behavior among government officials and private sector actors.

2.2 Theoretical Framework

2.2.1 The Public Interest Theory

To provide a theoretical foundation for this study, we utilize the "Public Interest Theory," also known as the "Capture Theory," to delve into the rationale behind fuel subsidies in Nigeria.

The Public Interest Theory, associated with Kenneth Arrow in 1963, posits that government interventions, such as fuel subsidies, are intended to protect the public interest. The theory suggests that such interventions are motivated by the desire to serve the public good. According to this theory, the government aims to achieve the following through fuel subsidies:

1. **Protect consumers from high fuel prices**: By subsidizing fuel, the government seeks to make fuel more affordable for the public, particularly for low-income households.
2. **Promote economic growth and development**: Affordable fuel prices can stimulate economic activity by reducing transportation and production costs, thus fostering overall economic development.
3. **Reduce inequality and poverty**: Fuel subsidies are seen as a tool to alleviate poverty and reduce economic inequality by lowering the cost of essential goods and services that depend on fuel.

The Public Interest Theory suggests that the government intervenes in the market to correct perceived market failures and ensure a more equitable distribution of resources. By keeping fuel prices affordable, the government aims to support the general welfare of its citizens. This theory assumes that the government acts as a benevolent entity, prioritizing the welfare of its population. In the context of fuel subsidies, the government seeks to shield consumers from price volatility, support economic development by keeping transportation costs low, and reduce the financial burden on low-income households.

While the Public Interest Theory provides a noble justification for fuel subsidies, critics argue that government motivations may not always align with the public interest. Some suggest that political considerations, rather than genuine concern for public welfare, often drive government decisions on fuel subsidies. Despite these criticisms, the Public Interest Theory remains a crucial framework for understanding the rationale behind government interventions in the fuel market.

2.2.1 The Capture Theory

To provide a theoretical foundation for this study, we utilize the "Public Interest Theory," also known as the "Capture Theory," to delve into the rationale behind fuel subsidies in Nigeria.

The Public Interest Theory, proposed by George Stigler in 1971, posits that fuel subsidies result from the influence of special interest groups, such as oil marketers and transport unions, who shape government policy to preserve their profits and advantages, rather than serving the broader public interest. This theory suggests that these powerful groups capture the policymaking process to secure benefits for themselves.

According to the Capture Theory, fuel subsidies are driven not by public welfare considerations but by the lobbying efforts of these influential groups. The theory further explains that:

1. **Oil marketers benefit from subsidized fuel prices**: They are able to maintain high profit margins due to the artificially low prices set by the government.
2. **Transport unions maintain their profits through subsidized fuel**: Lower fuel costs translate to reduced operational expenses for transport businesses, preserving their profitability.
3. **Other stakeholders benefit from the status quo**: Various industry stakeholders with vested interests in maintaining the subsidy continue to profit from the existing system.

This theory highlights how these special interest groups use their political influence to shape policy decisions in their favor, often at the expense of the general public. It suggests that fuel subsidies perpetuate a system of crony capitalism, where the benefits are disproportionately reaped by those with political clout, rather than serving the broader public good.

While the Capture Theory acknowledges the potential benefits of fuel subsidies, it emphasizes the need for transparency and accountability in policymaking to prevent these vested interests from dominating the process. By recognizing the influence of special interest groups, policymakers can work towards creating a more equitable and sustainable fuel subsidy regime that truly serves the public interest.

i. Oil marketers benefit from subsidized fuel prices.
ii. Transport unions maintain their profits through subsidized fuel.
iii. Other stakeholders benefit from the status quo

This theory posits that fuel subsidies contribute to a system of crony capitalism, where individuals with political influence benefit at the expense of the public. The Capture Theory underscores the risk of fuel subsidies being co-opted by special interest groups, thereby failing to serve the broader public interest. Although the theory acknowledges potential advantages of fuel subsidies, it stresses the importance of transparency and accountability in policymaking to prevent these vested interests from taking control. Recognizing the influence of these special interest groups allows policymakers to develop a more equitable and sustainable fuel subsidy system.

Empirical Literatures

The Nigerian experience with fuel subsidies has been extensively analyzed in academic research, policy documents, and media discussions. Several key studies have explored the impacts of fuel subsidies on the country's economy and society. Below is a summary of notable research on this topic:

Ori, Obidebube, and Richard (2023) conducted a study titled "Fuel Subsidy Debate: The Nigerian Experience from 1999-2023." This research utilized qualitative data to analyze the subject. The study incorporated economic, political, and social theories to explain the complexities of fuel subsidies. The findings highlighted the economic repercussions of fuel subsidies, issues related to corruption, and various policy alternatives. The study concluded that the Nigerian government can only craft an effective fuel subsidy policy—whether full, partial, or removal—by thoroughly considering the elements discussed in the research.

Yusuf (2023) explored the effects of fuel subsidy removal on Nigeria's economy and citizen welfare. Using a descriptive design and content analysis method, the study found that fuel subsidy removal has led to higher transportation costs and increased prices for essential goods, disproportionately affecting the poor. Despite these challenges, the government contends that removing the subsidy will benefit the economy by reallocating funds to infrastructure improvements, education, health, and reducing economic distortions and corruption. Recommendations included ensuring transparency and accountability in managing the funds saved, enhancing infrastructure, increasing workers' wages, providing tax exemptions for low-income earners and small agro-businesses, rehabilitating defunct refineries, introducing auto gas to lower transportation costs, and establishing transparent social welfare programs to mitigate the adverse effects on ordinary citizens.

Peterson and Kingsley (2023) analyzed the "Implications of Fuel Subsidy Removal on the Nigerian Economy" using discourse analysis. Their study discussed both positive and negative implications of the 2023 subsidy removal. On the positive side, removing the subsidy could free up financial resources for other sectors, incentivize domestic refineries, reduce reliance on imported fuel, create jobs, enhance public infrastructure, decrease the budget deficit, and combat corruption. Conversely, the negative impacts might include short-term economic slowdowns, increased inflation, higher poverty levels, fuel smuggling, crime, elevated fuel prices, and job losses in the informal sector. The study recommended that the government carefully assess these impacts and provide economic relief and support programs to ease the transition for individuals and businesses.

Okongwu and Imoisi (2022) examined the "Removal of Petrol Subsidy: Legal Implications for the Nigerian Economy." This qualitative study found that fuel subsidy removal negatively affects the economy and noted that such reforms are often accompanied by measures to mitigate the shock of price increases. The study emphasized the importance of maintaining public trust and stakeholder support during the transition to market-determined pricing. It suggested that a thoughtful, accountable approach is necessary to manage the shift effectively and sustain public confidence.

Aminu and Ramatu (2022) explored the "Political Economy of Fuel Subsidy Removal in Nigeria: Issues, Challenges, and the Way Forward." This study used political economy and public choice theories to analyze the implications of subsidy removal. The research argued that the 2012 subsidy removal violated the state’s fiduciary responsibility as outlined in the 1999 Constitution, highlighting the government's lack of sensitivity to social concerns and suggesting that oil interests are attempting to privatize Nigeria. The paper concluded that unless the government bases its legitimacy on improved socio-economic performance and public support, Nigeria might face further democratic setbacks. Recommendations included strengthening political institutions and ensuring their autonomy to prevent manipulation by vested interests.

Henry, Emmanuel, Eseosa, and Abiola (2020) investigated "Petroleum Subsidy Withdrawal, Fuel Price Hikes, and the Nigerian Economy." Using an input-output model, the study examined how reductions in petroleum subsidies affect fuel prices and other economic sectors. The findings showed that subsidy reductions led to higher fuel prices, which in turn increased transport costs and the prices of other goods due to intersectoral dependencies. The study recommended that policymakers carefully consider the economic impacts of subsidy removal and suggested monitoring mechanisms to manage these effects.

Babatunde (2019) conducted research on "Oil Price Shocks, Fuel Subsidies, and Macroeconomic Instability in Nigeria." Utilizing a New-Keynesian DSGE model, this study evaluated the effects of international oil price fluctuations on the retail price of fuel. Results indicated that oil price shocks significantly impact output, inflation, and the exchange rate.

The study found that while fuel subsidies dampen the adverse effects of negative oil price shocks on GDP, their removal could exacerbate macroeconomic instability. The paper emphasized the need for targeted safety nets and sustainable adjustment mechanisms in fuel subsidy reforms.

Adeniran (2019) examined "The Effects of Fuel Subsidy on Transport Costs and Transport Rates in Nigeria." The study investigated how fuel subsidies influence transport costs and rates. It found that fuel subsidies impact these costs, contributing to improved welfare for middle- and low-income earners. However, the research also highlighted the need for stringent monitoring to prevent corruption and recommended implementing strict penalties for corrupt officials before considering subsidy removal.

Victoria, Esther, et al. (2017) analyzed "The Political Economy of Fuel Subsidy Removal in Nigeria and Its Implications." This study, based on secondary data, explored both the advantages and disadvantages of subsidy removal. It found that widespread corruption in Nigeria's oil sector has exacerbated economic difficulties for ordinary Nigerians. The study recommended revamping refineries, strengthening anti-corruption efforts, and establishing a regulatory framework to protect citizens, contrasting Nigeria's approach with Ghana's more effective subsidy phase-out strategies.

Opeyemi (2016) investigated "The Long-Run Effects of Fuel Subsidy Reform on Environmental Quality in Nigeria" using Johansen and Granger co-integration techniques. The research developed three scenarios: (i) subsidy payment, (ii) effective subsidy, and (iii) no subsidy payment. The results indicated that neither the subsidy payment nor the removal of subsidies had a significant impact on environmental quality.

These studies provide a comprehensive view of the multifaceted effects of fuel subsidy policies in Nigeria, highlighting the complexities of managing such reforms in a developing economy.

Methodological Issues

This qualitative study explores the economic effects of fuel subsidy policies in Nigeria using a phenomenological approach. It aims to understand the experiences and perceptions of stakeholders in the fuel sector. A comprehensive review of the existing literature on fuel subsidies and their economic impact in Nigeria provided a foundational understanding of the topic.

The study uses a qualitative research design with a case study approach to investigate the economic consequences of fuel subsidies. Participants were selected through purposive sampling, including fuel marketers, transport union members, government officials, and economists. Data were gathered through semi-structured interviews, which were audio-recorded and transcribed for analysis.

Data Analysis Techniques

Thematic analysis was employed to identify patterns and themes related to the economic implications of fuel subsidies. Ethical guidelines were followed to ensure participant privacy and confidentiality. Member checking and peer debriefing were used to enhance the trustworthiness of the data. Findings are presented in a narrative format, highlighting key themes and patterns.

Results and Discussions

The removal of fuel subsidies by the Nigerian government has had several legal and economic implications, many of which have been negative. The current administration justified the subsidy removal with several arguments: it benefits only a few wealthy individuals and oil marketers, it frees up funds for critical projects, it is plagued with corruption, and it promotes consumption over production. Despite these arguments, the increase in fuel prices has had widespread adverse effects on Nigerians.

For instance, the Federation Account distributable pool increased significantly in July 2023, with substantial amounts allocated for infrastructure development. However, the removal of fuel subsidies has led to a sharp rise in public transport fares, making commuting unaffordable for many workers. Small businesses are struggling with higher operational costs, leading to job losses and reduced productivity in some states. The increase in fuel prices has also resulted in higher costs for goods and services, exacerbating poverty and inequality.

The World Bank reported that the subsidy removal could push an additional 7.1 million Nigerians into multidimensional poverty by the end of 2023. Without adequate palliatives and wage increases, many households might fall deeper into poverty, and some might resort to reducing essential expenses like education and healthcare. The Nigerian Labour Congress and Trade Union Congress have even planned a nationwide protest in response to the government's decision.

Ironically, oil marketers have benefited from the subsidy removal by raising fuel prices on old stock purchased at subsidized rates. The government's argument about corruption in the subsidy regime seems inadequate, given the widespread corruption in other sectors. Critics argue that while the government claims the subsidy benefits only the rich, it has failed to address the broader economic challenges and inequalities exacerbated by the removal of the subsidy.

The study highlights a connection between rising petrol prices, inflation, and the cost of living. As petrol is integral to many sectors, price increases directly affect the prices of goods and services, leading to decreased living standards and greater inequality. From May 29 to July 20, 2023, petrol prices surged from N184 to N650 per litre without sufficient justification from regulators.

Experts suggest that Compressed Natural Gas (CNG) could be a viable alternative to petrol in Nigeria, given the country's abundant natural gas resources. CNG is cheaper, cleaner, and more efficient, potentially saving vehicle owners money and reducing maintenance costs. However, significant investment is needed to retrofit vehicles and build a distribution infrastructure.

Finally, compensatory measures, including palliatives for the poor and wage increases for workers, are essential to mitigate the immediate impacts of subsidy removal. While palliatives may provide short-term relief, issues such as inaccurate demographic data and corruption pose challenges to effective distribution. Increasing wages is crucial to maintaining purchasing power and preventing further economic downturns.

The research findings reveal the following key points:

i. **Economic Burden**: Fuel subsidies place a significant financial strain on the Nigerian government, redirecting resources that could otherwise support essential sectors like education, healthcare, and infrastructure development.

ii. **Inefficiencies and Corruption**: The subsidy system is characterized by inefficiencies, poor management, and corruption, resulting in economic distortions and substantial revenue losses.

iii. **Social Impact**: Fuel subsidies often fail to reach the most vulnerable groups effectively. Alternative social welfare initiatives may offer more effective solutions for alleviating poverty and reducing inequality.

iv. **Policy Alternatives**: The study suggests several alternatives to fuel subsidies, including targeted cash transfers, enhancements to public transportation systems, and investments in renewable energy. These approaches could help manage fuel prices and reduce reliance on subsidies.

Conclusion and Recommendations

This study asserts that the Nigerian state has struggled to manage the social and centrifugal forces vying for dominance within its society. This failure is indicative of a state in decline, as it is unable to fulfill its responsibilities to its citizens. Despite substantial expenditure on fuel subsidies, the oil sector remains problematic, with frequent shortages of premium motor spirit. The significant funds allocated to subsidization have hindered infrastructural investments in the oil sector, leaving the nation’s refineries in disrepair. Consequently, there has been minimal improvement in the quality of life for the majority of Nigerians, 64 percent of whom live below the national poverty line.

The Nigerian state fails to act as an impartial regulator in managing conflicts among social forces, which impedes meaningful development. The government's inability to identify and address the so-called oil cabal raises concerns about its autonomy and legitimacy in enforcing laws and regulations. In this context, it is essential to discuss palliative measures that effectively reach the masses. While policy documents may reflect the aspirations of Nigerians, the political will and executive capacity to implement these measures appear insufficient. This neglects the people’s interests, undermining the pursuit of the common good, which is the fundamental purpose of government.

Based on the findings of this study, the following recommendations are made for policy formulation:

1. The removal of fuel subsidies should be postponed until domestic refineries are renovated, new refineries are constructed, and existing ones are fully operational.
2. Nigeria should shift its focus towards agriculture, with an emphasis on increasing agricultural exports of cash crops and livestock.
3. The Nigerian government should invest in tourism, a highly lucrative sector, to achieve higher returns.
4. The Federal Government should establish an independent body or strengthen existing bodies (such as those under the Fiscal Responsibility Act 2007) to address mismanagement of funds and ensure accountability.
5. The government should make realistic promises and ensure they fulfill these commitments to the Nigerian people.

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