



Fuel Subsidy Reform as a Political Bargain: Public Trust, Welfare and Reform Acceptance in Nigeria

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Publication Date: 2026/06/22

Abstract

Fuel subsidy reform in Nigeria is not merely a fiscal measure but a political process involving household welfare, stakeholder interests, public trust and the distribution of costs and benefits. This paper examines the 2023 fuel subsidy reform as a political bargain between the state and citizens, focusing on the conditions that may influence public acceptance. It adopts a qualitative documentary research design, drawing on academic literature identified through Google Scholar, government publications, policy documents and institutional reports published between 2000 and 2026. Twenty-five search results were identified for screening, and the documentary evidence was assessed for relevance, credibility and contribution to the research objectives. Guided by Public Choice Theory and Social Contract Theory, the study synthesises evidence on the political economy of reform, distributional consequences, government credibility and public responses. The analysis highlights the potential tension between fiscal benefits and immediate socioeconomic costs, including increased transport and business expenses and pressure on household purchasing power. It proposes five conditions that may strengthen reform acceptability: transparency and accountability in the management of fiscal savings; credible compensation and social protection; effective communication and stakeholder participation; equitable distribution of costs and benefits; and visible improvements in public services. These conditions inform the proposed Fuel Subsidy Reform Political Acceptability Model (FSRPAM), which conceptualises possible relationships among policy implementation, perceived fairness, public trust and reform acceptance. The paper argues that sustainable reform may depend on credible implementation, protection for vulnerable groups and demonstrable public benefits. FSRPAM remains a conceptual framework whose proposed relationships require empirical testing using household welfare data, public-opinion surveys, fiscal records and evidence of compensation and service delivery.

Keywords: *Fuel subsidy reform; public trust; household welfare; political economy; policy acceptability; social contract; Nigeria.*

Introduction

Fuel subsidy has occupied a central position in Nigeria's political economy for decades. Petrol, particularly Premium Motor Spirit (PMS), is essential to transportation, production and household welfare. Changes in its price can therefore affect food prices, business operations and the cost of essential services, making petroleum pricing a matter of economic efficiency, social justice and political legitimacy. Nigeria's subsidy regime developed partly to shield consumers from international oil-price volatility amid dependence on imported refined petroleum products. However, regulated prices also imposed substantial fiscal costs and raised concerns about inefficiency, smuggling, rent-seeking and inadequate domestic refining capacity. Successive attempts to reform the regime frequently encountered resistance from labour organisations, civil society groups, consumers and political actors (Ering & Akpan, 2012; Omotosho, 2019).

The issue became particularly prominent on 29 May 2023, when President Bola Ahmed Tinubu announced the discontinuation of the fuel subsidy in his inauguration speech. The announcement was followed by sharp increases in petrol prices and transportation costs, intensifying concerns about inflation, household expenditure and the adequacy of government assistance. Although subsidy removal may create fiscal space for infrastructure, education, healthcare and social protection, the anticipated benefits depend on how savings are managed and translated into public services. Citizens, meanwhile, experience price increases immediately. This imbalance raises questions about the credibility of government commitments and the fairness of the reform.

This paper examines fuel subsidy reform as a political bargain in which citizens are expected to tolerate immediate economic pressures in anticipation of longer-term public benefits. Its analysis draws on existing

research concerning reform-related welfare effects, government credibility and public attitudes, including McCulloch, Moerenhout and Yang (2021). It proposes the Fuel Subsidy Reform Political Acceptability Model (FSRPAM), which brings together stakeholder interests, distributional effects, transparency, compensation, public trust and visible public benefits to explain conditions that may influence reform acceptance and sustainability. The model represents a conceptual synthesis of these factors; its proposed relationships have not yet been empirically validated.

The study is guided by the following research questions:

- i. How do stakeholder interests, political incentives and institutional dynamics shape the political economy of fuel subsidy reform in Nigeria?
- ii. How are the costs and potential benefits of fuel subsidy reform distributed among major stakeholders, particularly households, businesses and government?
- iii. How do public trust, perceived fairness and government accountability relate to the political acceptability of fuel subsidy reform in Nigeria?
- iv. How can existing theories and documentary evidence inform the development of a conceptual model for explaining the political acceptability of fuel subsidy reform?
- v. What policy measures could improve the equity, accountability and political sustainability of fuel subsidy reform in Nigeria?

By addressing these questions, the paper connects the political economy of subsidy reform with the social contract between government and citizens and develops a framework for subsequent empirical investigation.

Objectives of the Study

The general objective of this paper is to examine fuel subsidy reform in Nigeria as a political bargain shaped by stakeholder interests, household welfare and public trust. Its specific objectives are to:

- i. examine the political economy of fuel subsidy reform in Nigeria;
- ii. analyse the distribution of reform costs and potential benefits among major stakeholders;
- iii. assess how public trust, perceived fairness and government accountability relate to reform acceptance;
- iv. develop a conceptual model, derived from existing theories and documentary evidence, to explain the political acceptability of subsidy reform; and
- v. identify policy measures that could improve the equity, accountability and political sustainability of subsidy reform.

Statement Of The Problem

The central dilemma of fuel subsidy reform in Nigeria is how to achieve fiscal sustainability without imposing excessive economic hardship or undermining political legitimacy. While subsidies can constrain public expenditure and create opportunities for inefficiency and rent-seeking, their removal can increase transportation, food and production costs. Low-income households, informal workers, farmers and commercial transport operators may be particularly affected, although the extent of these burdens varies by income, location and livelihood.

The challenge extends beyond price increases to the management and distribution of fiscal savings. Removing subsidies does not automatically improve public services or household welfare; these outcomes depend on expenditure priorities, implementation capacity and accountability. Consequently, public acceptance may weaken when reform costs are immediately visible but anticipated benefits remain uncertain.

Although existing studies examine the economic consequences of subsidy reform, compensation, public services and government credibility, further analytical integration is needed to explain how stakeholder interests and distributional effects interact with perceived fairness, public trust and reform acceptability. Nigeria's January 2012 fuel subsidy protests further illustrate the political significance of transparency, consultation and credible government commitments, providing historical context for assessing the 2023 reform.

This paper addresses this analytical problem through the proposed Fuel Subsidy Reform Political Acceptability Model (FSRPAM), which examines how fairness, institutional trust, compensation and visible public benefits may influence responses to reform. It considers how government can pursue fiscal and structural objectives while addressing unequal economic burdens and maintaining public confidence. FSRPAM is a conceptual framework intended to guide analysis and future empirical research; its proposed relationships remain to be tested.

Research Method

This study adopted a qualitative documentary research design to examine fuel subsidy reform in Nigeria as a political bargain shaped by stakeholder interests, household welfare, public trust and policy acceptability. The design was appropriate because the study synthesised existing literature, policy documents and institutional evidence to develop the Fuel Subsidy Reform Political Acceptability Model (FSRPAM), rather than estimate causal relationships using primary quantitative data. The analysis focused on Nigeria's 2023 fuel subsidy reform, drawing on earlier domestic experiences and relevant international literature for historical and comparative context.

The study relied on secondary sources, including peer-reviewed journal articles,

scholarly books, government publications, policy documents and institutional reports published between 2000 and 2026. Google Scholar was used to identify relevant academic literature. Institutional sources represented in the references included the World Bank, National Bureau of Statistics (NBS), International Monetary Fund (IMF) and Central Bank of Nigeria (CBN). Relevant journal publications included *Energy Policy*, *Energy Economics*, *The Extractive Industries and Society*, *Perspectives on Psychological Science* and *Journal of Trust Research*. A total of 25 search results were identified for screening. This figure represents search results identified, not necessarily the number of documents ultimately included in the analysis.

Documents were selected purposively according to their relevance to the research objectives. Inclusion criteria covered fuel subsidy and energy-pricing reform, distributional consequences, household welfare, public trust, perceived fairness, compensation, social protection, accountability, stakeholder interests and policy acceptance. Priority was given to Nigerian evidence, particularly concerning the 2023 reform. International studies were included where they provided relevant comparative insights without assuming that findings from other countries applied directly to Nigeria. Source credibility was assessed through authorship, publication outlet or institutional authority, methodological clarity, relevance to the research questions and the availability of identifiable supporting evidence. Materials with unclear provenance, inadequate credibility or limited relevance were excluded from the substantive synthesis. The selected documents were examined using qualitative thematic content analysis. Coding categories were informed by the research objectives, Public Choice Theory, Social Contract Theory and the principal components of FSRPAM. These categories

included the political economy of reform; distribution of costs and benefits; household welfare; transparency and accountability; compensation and social protection; communication and stakeholder participation; perceived fairness; public trust; and reform acceptance or resistance. Additional themes were considered where they emerged from the literature. Each document was assessed for its central argument, research context, reported methodology, principal findings, limitations and relevance to Nigeria. Evidence was compared across sources to identify recurring patterns, differences and implications for the research questions.

The synthesis distinguished Nigerian evidence from international comparative literature. Nigerian studies and institutional reports provided the principal basis for interpreting the country's experience, while international research contextualised policy options and potentially relevant patterns. The resulting themes informed FSRPAM's proposed relationships among policy conditions, perceived fairness, public trust and reform acceptance. These relationships were treated as conceptual propositions requiring empirical investigation rather than established causal effects.

The study's limitations arise from its reliance on secondary evidence. It does not independently measure citizens' attitudes, quantify individual household welfare effects or establish causal relationships between policy measures and public acceptance. Differences in research methods, publication periods and national contexts also constrain comparisons. Furthermore, inflation, exchange-rate movements and transportation costs complicate the attribution of observed economic changes to subsidy removal alone. FSRPAM should therefore be understood as a conceptual framework requiring further testing through household data, public-opinion surveys, fiscal records and evidence

on compensation delivery and public-service outcomes.

Conceptual Review

Concept of Fuel Subsidy

A subsidy is a government intervention designed to reduce the cost of goods or services or achieve specific economic and social objectives. Fuel subsidies arise when government policies or financial arrangements lower petroleum prices below levels determined by prevailing supply costs and pricing arrangements. They may involve direct budgetary payments, regulated prices or government absorption of supply costs. The International Monetary Fund (IMF) distinguishes explicit subsidies, involving direct financial support, from implicit subsidies arising when environmental and other external costs are not fully accounted for.

In Nigeria, petrol pricing interventions historically sought to protect consumers from high petroleum costs and limit the effects of international price fluctuations on domestic markets. Although justified partly on welfare grounds, subsidies have generated fiscal and administrative challenges. While cushioning consumers against price increases, they may encourage excessive consumption, create opportunities for arbitrage and smuggling, and impose substantial public expenditure costs. Their distributional effects depend on consumption patterns, implementation arrangements and whether benefits reach intended beneficiaries (Clements et al., 2013; McCulloch et al., 2021).

This study conceptualises fuel subsidies as policies with economic, distributive and political implications. Their significance lies in how costs are borne by government and benefits are distributed among social groups. This perspective provides a basis for examining how subsidy arrangements and reforms shape perceptions of fairness,

government accountability and political acceptability.

Fuel Subsidy Removal

Fuel subsidy removal refers to the withdrawal or reduction of government support that keeps retail petroleum prices below the levels that would otherwise prevail under the relevant supply costs and pricing arrangements. It does not necessarily mean the complete withdrawal of government from the petroleum sector. Rather, it changes how petroleum costs are financed and how prices are determined, potentially transferring a greater share of those costs to consumers and market participants.

Subsidy removal may reduce government expenditure associated with maintaining artificially low prices and create fiscal space for other public priorities. However, these potential benefits do not automatically translate into improved household welfare or more effective public services. Higher petrol prices can increase transport fares, business operating costs and the prices of goods and services, with consequences that may vary across income groups, locations and livelihoods. The overall effects depend partly on the management of fiscal savings, social protection, public transportation, domestic refining, market competition and regulatory oversight.

McCulloch et al. (2021) examined Nigerian citizens' attitudes towards fuel subsidy reform and identified economic considerations, perceptions of corruption, confidence in government compensation and the quality of public services as relevant to those attitudes. Their findings underscore the importance of considering the institutional and distributive context in which reform occurs. In this study, subsidy removal is therefore examined as both an economic policy change and a political process whose acceptability may depend on how its costs are distributed and how its promised benefits are managed and delivered.

Public Trust

Public trust refers to citizens' confidence in the competence, integrity, fairness and reliability of government institutions. It is particularly important when policies impose immediate costs while promising future benefits. Research identifies institutional competence, integrity, openness and fairness as important dimensions of government trustworthiness (Prats et al., 2024).

In fuel subsidy reform, public trust concerns whether citizens consider government commitments regarding fiscal savings, compensation and improved public services credible. Limited information about public expenditure, unreliable compensation arrangements and inadequate evidence of promised benefits may weaken confidence. Conversely, transparent decision-making and verifiable public benefits may strengthen trust, although this relationship requires empirical investigation.

McCulloch et al. (2021) found that perceptions of corruption and beliefs about the government's capacity to implement compensation programmes were associated with Nigerian citizens' attitudes towards subsidy reform. These findings highlight the relevance of institutional credibility without establishing that trust alone determines policy acceptance. Within the Fuel Subsidy Reform Political Acceptability Model (FSRPAM), public trust is therefore conceptualised as a potentially influential factor interacting with perceived fairness, policy implementation and citizens' assessments of government performance.

Political Acceptability

Political acceptability refers to the extent to which citizens and relevant stakeholders tolerate, support or cooperate with a policy despite its associated costs. It is distinct from economic efficiency: a policy may be justified on fiscal or economic grounds without securing public support. Acceptance may be

influenced by the distribution of costs and benefits, the credibility of government commitments and the extent to which affected groups consider the policy fair.

Research on public-policy acceptance identifies trust, perceived effectiveness and fairness as relevant considerations in public responses to policy interventions (Grelle & Hofmann, 2024). These considerations are pertinent to fuel subsidy reform because the potential fiscal benefits may coexist with immediate pressure on household purchasing power. The political response is therefore unlikely to depend exclusively on the stated economic rationale for reform; it may also reflect citizens' experiences of implementation and their assessments of the government's response to resulting hardship. For this study, political acceptability encompasses both support for reform and resistance to it. It is treated as an outcome that may be associated with transparency, compensation, stakeholder participation, perceived fairness and public trust. These factors are not assumed to operate in a fixed sequence or to have identical effects across all groups. Their relationships may vary according to income, geographical location, livelihood and confidence in public institutions. FSRPAM provides a framework for examining these proposed relationships rather than claiming that they have already been empirically established.

Household Welfare

Household welfare refers to households' capacity to meet essential needs and maintain an acceptable standard of living. Fuel prices can affect welfare directly through petrol purchases and indirectly through transportation, food distribution, electricity generation and the costs of producing and delivering goods and services. The extent of these effects depends on household expenditure patterns, income, location,

transport dependence and access to alternative energy sources.

Research on Nigerian subsidy reform identifies household economic circumstances and the availability and quality of public services as relevant considerations in citizens' attitudes towards reform (McCulloch et al., 2021). Higher fuel costs may increase living expenses and reduce the resources available for food, healthcare, education and other essential needs. However, the magnitude of these effects should be assessed using appropriate household expenditure, price and income evidence rather than assumed to be uniform across the population. Changes in inflation and living costs must also be interpreted in the context of other economic developments occurring alongside subsidy reform.

Household welfare is consequently important to understanding the distribution of reform costs and the adequacy of compensatory measures. A reform may be intended to improve public finances over time while imposing immediate costs on particular households and economic groups. Whether these costs are considered acceptable may depend partly on the availability, accessibility and credibility of social protection and on whether the anticipated public benefits materialise. Within FSRPAM, household welfare therefore provides a distributive dimension through which the relationship between reform implementation, perceived fairness, public trust and political acceptability can be examined.

Historical Development of Fuel Subsidy Reform in Nigeria

Nigeria's petroleum-pricing history illustrates the political sensitivity of fuel subsidy reform. Successive administrations adjusted petrol prices in response to fiscal pressures, international oil prices, exchange-rate movements and domestic opposition. These interventions differed in their implementation,

but repeatedly raised questions about household welfare, government credibility and the distribution of reform costs (Ering & Akpan, 2012).

During the civilian administration of President Olusegun Obasanjo (1999–2007), several petrol-price increases generated public opposition. President Umaru Musa Yar'Adua subsequently reduced the pump price amid concerns about affordability. These episodes illustrated the difficulty of reconciling petroleum-sector reform with public expectations of affordable fuel.

A major turning point occurred on 1 January 2012, when President Goodluck Jonathan's administration announced the removal of the petrol subsidy. The resulting price increase triggered widespread protests involving labour unions, civil society organisations and other groups. Following negotiations, the government reduced the approved pump price and retained a partial subsidy arrangement. The episode demonstrated how organised mobilisation and public opposition could compel government to modify a major economic policy. It also highlighted the importance of negotiation and perceived fairness in determining reform outcomes.

The administration of President Muhammadu Buhari encountered similar challenges. In May 2016, the government introduced a new pricing arrangement under which the approved petrol price rose from approximately ₦86.50 to ₦145 per litre. Subsequent developments in international oil prices, exchange rates and petroleum-sector management continued to complicate efforts to establish a sustainable pricing regime.

On 29 May 2023, President Bola Ahmed Tinubu announced the discontinuation of the existing fuel subsidy arrangement. The announcement marked another major change in petroleum pricing and was followed by substantial increases in petrol prices. Unlike the negotiated adjustment following the January 2012 protests, the 2023 reform placed

renewed emphasis on managing the immediate welfare consequences and demonstrating how the anticipated fiscal benefits would be used.

Historically, three interconnected concerns have shaped Nigeria's subsidy debate: fiscal sustainability, household welfare and political legitimacy. The relationship among these concerns provides the historical basis for examining subsidy reform as a political bargain. It also motivates this paper's proposed framework, which considers how transparency, compensation, perceived fairness and accountable public spending may influence reform acceptance.

The Political Economy of Fuel Subsidy Reform.

Fuel subsidy reform involves stakeholders with different interests, resources and capacities to influence policy. Its political economy therefore depends not only on fiscal considerations but also on the distribution of costs and potential benefits, the negotiation of competing interests and the credibility of government commitments (McCulloch et al., 2021).

Government

Government typically justifies subsidy reform on fiscal grounds, arguing that subsidy expenditure creates opportunity costs by limiting resources available for infrastructure, healthcare, education and social protection (Clements et al., 2013; McCulloch et al., 2021). From a Public Choice Theory perspective, however, political and bureaucratic actors may have different incentives. Political leaders must balance fiscal objectives against the risk of public opposition, while administrative and regulatory institutions influence implementation. These competing considerations can shape the timing, design and credibility of reform (Buchanan & Tullock, 1962; Mueller, 2003).

Consumers and Households

Consumers may experience petrol-price increases through higher transportation, food and other household expenses. The severity of these effects varies with income, location, transport dependence and access to alternative energy sources or assistance. Evidence from a nationally representative survey of approximately 16,000 Nigerian households indicates that economic considerations, perceptions of corruption, confidence in the government's ability to implement compensation and the quality of public services are associated with attitudes towards subsidy reform (McCulloch et al., 2021). A central political economy question is whether citizens consider the immediate costs proportionate to anticipated public benefits and whether government can credibly demonstrate progress towards delivering them.

Organised Labour

The Nigeria Labour Congress (NLC) and Trade Union Congress (TUC) are important organised actors in petroleum-pricing debates. Opposition to subsidy reform has centred on living costs, workers' purchasing power and the adequacy of government mitigation measures. Nigeria's 2012 protests illustrate how labour mobilisation can connect economic grievances with wider concerns about political participation and economic justice (Houeland, 2020). This mobilisation is consistent with Olson's (1965) collective-action argument that organised groups can coordinate demands and exert pressure more effectively than individuals acting separately. Nevertheless, labour organisations do not necessarily represent the full range of experiences and preferences among affected households and workers.

Businesses and Small and Medium-Sized Enterprises

Petrol-price increases can raise business expenditure on transportation, logistics,

electricity generation and production. The extent to which firms absorb or pass on these costs depends on their financial resources, operating conditions and ability to adjust. Smaller and informal enterprises may be particularly exposed where daily earnings and limited financial reserves constrain their capacity to manage higher costs. Possible responses include raising prices, reducing output or working hours, changing energy sources or suspending operations. These are plausible economic mechanisms; their magnitude across Nigerian enterprises requires sector-specific evidence.

Petroleum Marketers and Investors

Market-oriented pricing may create incentives for investment in refining, storage, transportation and petroleum distribution, but investment decisions also depend on regulatory predictability, crude-oil availability, foreign-exchange conditions, infrastructure and competition (Clements et al., 2013). Expanding domestic refining capacity may

reduce reliance on imported refined products, but it does not automatically guarantee lower retail prices. Outcomes depend on production and distribution costs, market structure and regulatory conditions. The political economy significance of investment therefore lies in whether changes in supply arrangements improve product availability, market efficiency and consumer welfare.

Distributional Effects: Who Pays and Who Benefits?

A central question in fuel subsidy reform is how the immediate costs and potential long-term benefits are distributed among stakeholders. Although reform may reduce government expenditure on subsidies, its effects vary according to household income, transport dependence, business resources, geographical location and access to public services. The following comparison presents a qualitative assessment of these effects rather than measured estimates of their magnitude.

Stakeholder	Immediate effects	Potential long-term effects
Low-income households	Increased pressure on transport and essential expenditure relative to available income	Possible welfare gains if targeted social protection and public services improve
Middle-income households	Higher transport and living costs, potentially reducing disposable income	Possible benefits from improved infrastructure and public services
High-income households	Higher fuel-related expenditure, with the proportional burden depending on consumption and income	Possible benefits from improved fiscal stability and public investment
Transport operators	Higher fuel and vehicle operating costs, potentially requiring fare adjustments	More predictable operating conditions if pricing and supply arrangements stabilise
Small and medium-sized enterprises	Increased production, energy and logistics costs	Potential investment and business opportunities if market conditions improve
Government	Reduced direct subsidy expenditure, subject to the fiscal and administrative arrangements adopted	Greater fiscal space if savings are realised and allocated effectively
Petroleum investors	Adjustment costs and uncertainty associated with changing prices and	Potential investment opportunities in refining, storage and

	market arrangements	distribution
Labour unions	Increased pressure from members concerned about purchasing power and living costs	Continued influence over policy negotiations and compensation arrangements
Rural communities	Potentially higher transport and food-distribution costs, depending on location and market access	Possible benefits if fiscal resources support rural roads, transport and essential services

The comparison indicates that the effects of reform are unlikely to be uniform. Low-income households may face greater welfare pressure relative to their resources, while businesses and transport operators may experience cost increases that affect prices, output and employment. Rural communities may also face additional burdens where transport infrastructure is limited or alternative services are inaccessible.

The potential benefits are similarly conditional. Reduced subsidy expenditure does not automatically translate into improved public services, greater household welfare or increased investment. Such outcomes depend on the credibility of fiscal reporting, the allocation of public resources, the effectiveness of compensation and the quality of implementation.

Distributional fairness is therefore central to the political acceptability of reform. When the immediate costs are concentrated among vulnerable groups while the benefits remain uncertain or unevenly distributed, public confidence may weaken. Conversely, transparent management of savings and demonstrable improvements in welfare and public services may strengthen perceptions of fairness. This relationship reinforces the paper's argument that fiscal savings alone are insufficient to establish a sustainable political bargain between government and citizens.

Public Trust and the Fuel Subsidy Social Contract

Fuel subsidy reform can be understood as a renegotiation of the relationship between citizens and government. Under a subsidy

arrangement, consumers receive the immediate benefit of relatively lower petrol prices. Following reform, citizens may face higher prices in anticipation of broader public benefits, including improved infrastructure, social protection and public services. The legitimacy of this exchange depends on whether government manages the resulting fiscal resources transparently and fulfils its commitments.

The proposed social contract can be represented as a conceptual pathway:

Higher fuel prices → reduced subsidy expenditure → transparent management of fiscal savings → investment in public goods and social protection → improved welfare → potential increase in public trust.

However, this pathway is not automatic. Where higher fuel and transportation costs increase household expenditure without visible improvements in public services or credible compensation, citizens may perceive the bargain as unfair. This alternative pathway can be expressed as:

Higher fuel prices → increased living costs → limited visible public benefits → declining trust → potential resistance to reform.

McCulloch et al. (2021) provide relevant empirical evidence on the relationship between economic considerations, government credibility and Nigerian citizens' attitudes towards subsidy reform. Their findings inform the present analysis but do not, by themselves, establish every link in these conceptual pathways. Within FSRPAM, transparency, effective communication, credible compensation, stakeholder

participation, equitable benefit distribution and visible public service improvements are therefore proposed as conditions that may strengthen public trust and reform acceptance. These relationships require further empirical testing.

Theoretical Framework

This study combines Public Choice Theory and Social Contract Theory to examine fuel subsidy reform in Nigeria as both a political process involving competing interests and a relationship of reciprocal obligations between government and citizens. Public Choice Theory explains the incentives that shape stakeholder behaviour and policy decisions, while Social Contract Theory provides a basis for examining political legitimacy, public trust and the perceived fairness of reform. Their integration supports the conceptual development of the Fuel Subsidy Reform Political Acceptability Model (FSRPAM).

Public Choice Theory

Public Choice Theory applies economic reasoning to political behaviour and institutions. Its development is associated with scholars including Downs (1957), Buchanan and Tullock (1962), Olson (1965), Niskanen (1971) and Mueller (2003). Buchanan (1984) further articulated its significance as an approach to understanding political decision-making. Rather than assuming that government invariably acts as a unified institution pursuing collective welfare, the theory examines how politicians, bureaucrats, voters and organised interest groups respond to incentives and institutional constraints.

Several principles are particularly relevant to this study. First, self-interest and incentives suggest that political actors may pursue objectives such as electoral support, career advancement, organisational influence and economic advantage. Secondly, rational choice emphasises the consideration of

perceived costs and benefits in decision-making, although information limitations and uncertainty may affect those calculations (Downs, 1957; Mueller, 2003). Thirdly, collective action and interest-group influence explain how organised groups can mobilise to protect their interests and influence public policy (Olson, 1965). Finally, the theory draws attention to potential government failure, including rent-seeking, administrative inefficiency and resource misallocation (Mueller, 2003). Niskanen's (1971) analysis of bureaucratic behaviour further highlights how administrative incentives may influence the implementation of public policy.

These principles illuminate the competing interests surrounding fuel subsidy reform in Nigeria. Government may seek to reduce subsidy expenditure and redirect public resources, while consumers may prioritise affordable petrol and protection from rising living costs. Organised labour may oppose reform where it threatens workers' purchasing power, while petroleum marketers and investors may focus on pricing arrangements, regulation, supply conditions and investment opportunities. Political leaders must also consider the public response to reform and the potential consequences for political legitimacy and electoral support.

Public Choice Theory is useful because it treats government and society as comprising actors whose interests may conflict. It helps explain why reforms that promise fiscal benefits can generate political resistance, particularly when their immediate costs are concentrated among consumers and organised groups can mobilise against them. It also directs attention to the institutional arrangements through which public resources are managed and the incentives that shape decisions about their allocation.

However, the theory has limitations. Its emphasis on strategic behaviour and self-interest may understate the influence of ideology, ethical commitments, social values

and concern for collective welfare. Political decisions may also be shaped by incomplete information, uncertainty and historical experience. Furthermore, the theory does not adequately explain, on its own, why citizens regard some government decisions as legitimate or accept immediate sacrifices in anticipation of future benefits. These limitations make it necessary to complement Public Choice Theory with an approach that explicitly addresses trust, reciprocity and political legitimacy.

In this study, Public Choice Theory provides the analytical basis for examining stakeholder incentives, political negotiations, collective mobilisation and decisions concerning the use of resources released through subsidy reform. It explains the strategic and institutional dimensions of the reform process but does not establish whether government will fulfil its commitments or whether citizens will consider the resulting distribution of costs and benefits fair.

Social Contract Theory

Social Contract Theory examines the foundations of political authority and the obligations connecting the state and its citizens. Its classical proponents include Thomas Hobbes, John Locke and Jean-Jacques Rousseau, whose contributions established important foundations for understanding political legitimacy, consent and governmental responsibility. In *Leviathan*, Hobbes (1651/1996) argued that individuals surrender certain freedoms to a sovereign authority in exchange for security and social order. Locke (1689/1988), in *Two Treatises of Government*, maintained that government derives its legitimacy from the consent of the governed and is responsible for protecting their natural rights, including life, liberty and property. Rousseau (1762/1997), in *The Social Contract*, emphasised popular sovereignty, collective self-government and the general will. Although these thinkers

differed in their conceptions of political authority and the obligations of government, their ideas collectively provide a foundation for examining the legitimacy of public policies and the reciprocal expectations connecting governments and citizens.

Applied to fuel subsidy reform, Social Contract Theory directs attention to the reciprocal expectations underlying public policy. Government may justify subsidy removal by arguing that resources previously devoted to subsidising petrol can support infrastructure, healthcare, education, transportation and social protection. From a Lockean perspective, the legitimacy of such decisions depends partly on whether government protects citizens' interests and exercises public authority responsibly. Rousseau's emphasis on popular sovereignty further highlights the importance of public participation and the consideration of collective welfare in policy decisions. Hobbes's emphasis on security and social order also draws attention to the government's responsibility to maintain stability and protect citizens from severe social and economic disruption. Citizens, in turn, may expect transparent management of public resources, fair treatment and credible improvements in public welfare. The legitimacy of reform therefore depends not solely on its stated economic rationale but also on whether government decisions and subsequent outcomes are consistent with these expectations.

Public trust is central to this relationship. When citizens consider government institutions credible and believe that the burdens of reform are fairly distributed, they may be more willing to tolerate short-term costs. Conversely, perceived corruption, inadequate communication, weak compensation or the absence of visible public benefits may undermine confidence in government commitments. These conditions can intensify public dissatisfaction, even

where policymakers anticipate longer-term fiscal gains. From the perspective of social contract thinking, persistent failure to fulfil public obligations may weaken the perceived legitimacy of government decisions and diminish citizens' willingness to accept the sacrifices associated with reform.

Social Contract Theory is particularly useful because it places fairness, accountability and reciprocal obligations at the centre of the analysis. It encourages examination of whether government communicates the rationale for reform, explains how fiscal savings are managed and demonstrates that vulnerable groups are considered in policy implementation. Locke's emphasis on limited and accountable government is particularly relevant to the responsible management of savings from subsidy removal, while Rousseau's ideas highlight the significance of public participation and the extent to which reform reflects collective welfare rather than narrow interests. Hobbes's concern with political stability also provides a basis for examining how economic hardship and public dissatisfaction may affect social order. The theory further highlights the significance of public service delivery: the anticipated benefits of reform must be assessed in relation to citizens' experiences rather than assumed to follow automatically from reduced subsidy expenditure.

Nevertheless, Social Contract Theory has limitations. The idea of a social contract does not necessarily establish a single, agreed set of obligations between government and citizens, particularly in a socially and economically diverse country such as Nigeria. Citizens may disagree about the fairness of reform, the appropriate distribution of costs and the public services government should prioritise. Furthermore, the theory provides a normative basis for assessing legitimacy and reciprocity but does not independently explain all the strategic incentives, fiscal constraints or institutional interests that shape policy

decisions. Consequently, it is useful to complement the theory with empirical evidence on policy implementation, household welfare, public expenditure and citizens' responses to reform.

In this study, Social Contract Theory is used to assess the expectations citizens may hold concerning transparency, compensation, public participation, equitable distribution and the delivery of public benefits following the removal of the petrol subsidy in Nigeria. Hobbes's, Locke's and Rousseau's contributions provide complementary perspectives for examining government responsibility, political legitimacy, public welfare and social stability. The theory provides a basis for investigating how the perceived fulfilment or breach of government commitments may relate to public trust and acceptance of subsidy reform.

Integrating the Theories with FSRPAM

The two theories are complementary but perform distinct analytical functions. Public Choice Theory explains how competing interests, incentives and institutional constraints shape the design and implementation of fuel subsidy reform. Social Contract Theory explains why the perceived fairness of these decisions, the credibility of government commitments and the fulfilment of reciprocal obligations matter to political legitimacy and public trust.

Their integration informs the proposed Fuel Subsidy Reform Political Acceptability Model (FSRPAM), which identifies five interconnected conditions for further investigation: (1) transparency and accountability in the management of fiscal savings; (2) credible compensation and social protection; (3) effective communication and meaningful stakeholder participation; (4) equitable distribution of reform costs and benefits; and (5) visible improvements in public services and household welfare.

These conditions are proposed as factors that may influence public trust and reform acceptance, rather than as relationships already established by this study. Public Choice Theory informs the analysis of incentives, stakeholder influence and resource allocation, while Social Contract Theory informs the assessment of reciprocity, fairness and legitimacy. Together, the theories provide a foundation for examining how the political management of subsidy reform may shape public responses. FSRPAM remains a conceptual framework whose proposed relationships require empirical testing in Nigeria.

The Fuel Subsidy Reform Political Acceptability Model (FSRPAM)

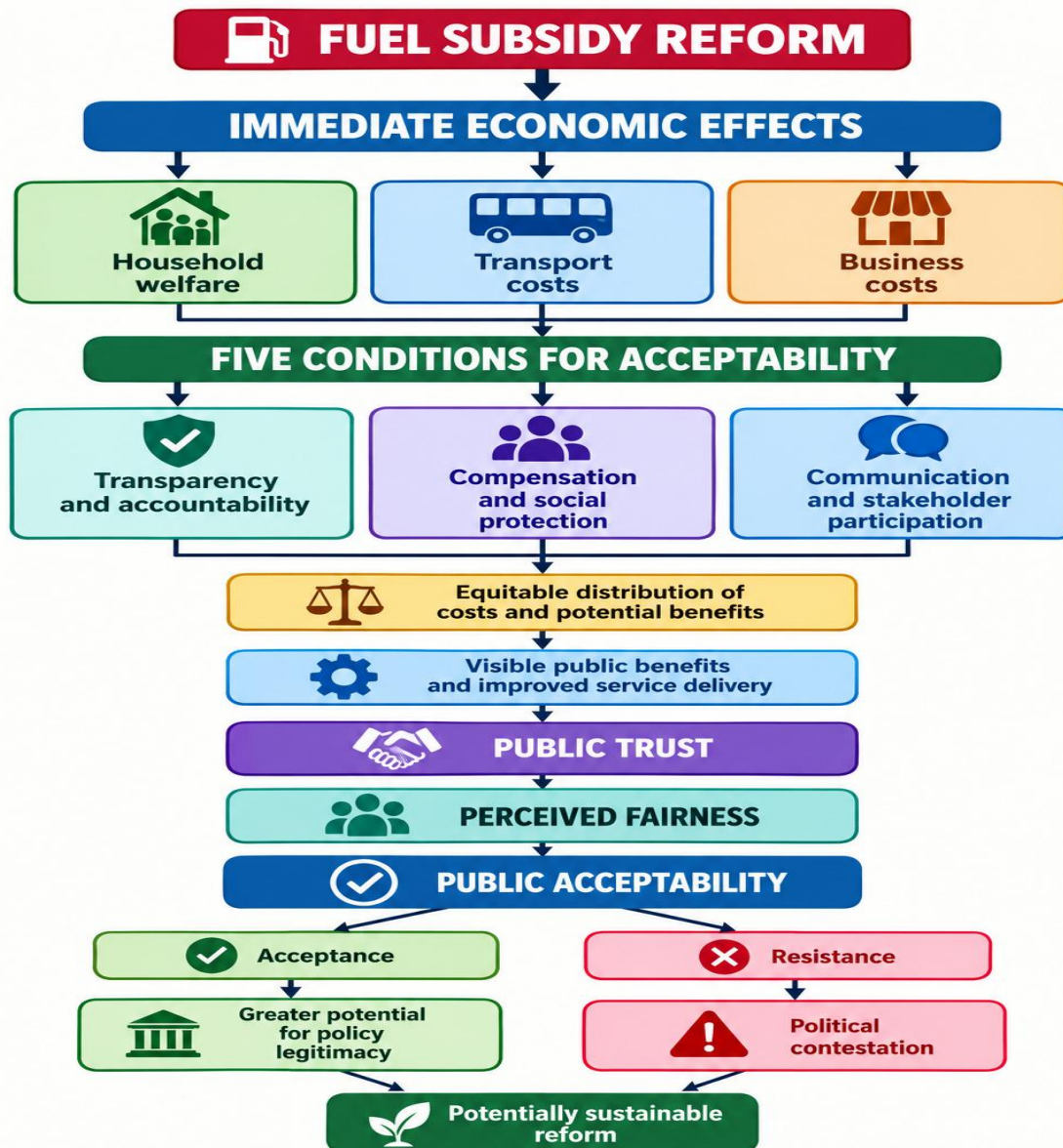
This study proposes the Fuel Subsidy Reform Political Acceptability Model (FSRPAM) as a conceptual framework for examining the conditions under which fuel subsidy reform may gain or lose public acceptance in Nigeria. The model integrates Public Choice Theory, which explains stakeholder interests and incentives, with Social Contract Theory, which emphasises reciprocity, fairness, legitimacy and public trust.

FSRPAM proposes five interconnected conditions that may influence public trust and the acceptance of fuel subsidy reform: (1) transparency and accountability in the management of fiscal savings; (2) credible compensation and social protection; (3) effective communication and meaningful stakeholder participation; (4) equitable distribution of reform costs and benefits; and (5) visible public benefits, including improvements in public services and household welfare. Public trust is treated as an intervening factor through which citizens' assessments of these conditions may influence their perceptions of reform.

The model recognises that subsidy removal can produce immediate economic pressures through higher petrol prices, transportation costs, business expenditure and household living costs. These effects may differ according to income, occupation, location and dependence on fuel-related activities. Citizens may subsequently assess the reform in relation to the credibility of government commitments, the fairness of the distribution of costs and benefits, and the visibility of compensatory measures and public improvements.

The proposed relationships are represented below.

Figure 1. Fuel Subsidy Reform Political Acceptability Model (FSRPAM)



Source: Author's conceptualisation (2026)

The model proposes that the economic costs of subsidy removal do not, by themselves, determine public acceptance. Citizens' responses may also depend on whether government communicates its objectives clearly, manages fiscal savings transparently, protects vulnerable groups and demonstrates that reform produces equitable and visible public benefits. Where these conditions are weak, distrust and perceptions of unfairness may contribute to resistance. Where they are

credible and demonstrable, public trust and acceptance may be strengthened.

FSRPAM is a conceptual synthesis, not an empirically validated causal model. The diagram presents proposed relationships for investigation rather than a sequence that must occur in every circumstance. Future research could examine the relationships using public-opinion surveys, household welfare data, evidence on compensation delivery, fiscal expenditure records and indicators of public

service provision. Such research would help determine whether the proposed conditions are associated with public trust and reform acceptance, and whether these relationships vary across socioeconomic groups and geographical locations.

Empirical Review

Empirical research on fuel subsidy reform examines its macroeconomic effects, distributional consequences, political implications and environmental dimensions. These strands of literature provide a basis for understanding Nigeria's reform experience, although their methods, contexts and findings differ.

Macroeconomic and Distributional Effects

Omosho (2019) examined the relationship between oil-price shocks, fuel subsidies and macroeconomic instability in Nigeria using a New-Keynesian Dynamic Stochastic General Equilibrium model. This modelling approach provides insights into the transmission of economic shocks and the potential macroeconomic implications of subsidy arrangements. However, macroeconomic modelling does not, by itself, establish how households perceive the fairness of reform or how those perceptions influence political acceptance.

The distributional consequences of energy-subsidy reform have also received attention in comparative research. Greve and Lay (2023), Lin and Li (2012), and Prabowo et al. (2022) examine subsidy reform in different economic settings, including China and Indonesia. Collectively, this literature highlights the importance of examining how energy-price changes affect households and how mitigation measures may influence the distribution of costs. However, findings from other countries cannot be transferred directly to Nigeria without considering differences in household energy use, social protection systems, fiscal capacity and institutional arrangements.

Comparative studies are therefore useful for identifying possible mechanisms and policy options rather than establishing the likely outcomes of Nigeria's reform.

Antimiani et al. (2023) considered fossil-fuel subsidy reform in the European Union, where energy policy also intersects with climate objectives, energy prices and industrial competitiveness. Their work broadens the debate beyond immediate fiscal savings, although the institutional and economic conditions of the European Union differ considerably from those of Nigeria. The implications for Nigeria must consequently be assessed in light of its petroleum dependence, household vulnerabilities and capacity to deliver compensatory measures.

Public Attitudes, Political Contestation and Government Credibility

Research on Nigeria highlights the political sensitivity of subsidy reform and the importance of public perceptions. Ering and Akpan (2012) examined the political and socioeconomic implications of fuel subsidy reform, drawing attention to the relationship between petroleum pricing, public opposition and government decision-making. Uwak et al. (2024) examined the politics of Nigeria's fuel subsidy regime under the Tinubu administration, providing a more recent perspective on the political and economic implications of reform. These contributions help situate subsidy reform within Nigeria's broader political economy, although their specific methods and findings should be assessed against the original publications.

McCulloch et al. (2021) are particularly relevant because their research draws on a nationally representative survey of approximately 16,000 Nigerian households to investigate attitudes towards fuel subsidy reform and the social contract. Their analysis connects public support with economic considerations and perceptions of government credibility, service delivery, corruption and

the state's capacity to compensate affected citizens. This evidence provides an important empirical foundation for examining why the distribution of reform costs and confidence in government commitments matter to public attitudes. Nevertheless, survey evidence on attitudes and associated factors should not automatically be interpreted as proof of causal relationships between particular policy measures and reform acceptance.

Environmental and Developmental Dimensions

Omitogun et al. (2021) examined relationships among economic growth, fuel subsidies and environmental outcomes in Nigeria, extending the debate beyond fiscal expenditure and household costs. This perspective is relevant because petroleum pricing can intersect with energy consumption and environmental policy. However, environmental implications do not resolve the separate question of how reform burdens are distributed or whether citizens consider the policy legitimate.

Umeji and Eleanya (2021) discussed Nigeria's petroleum resources and the relationship between resource management and living standards. Their contribution is relevant to the question of whether changes in public revenue translate into tangible developmental improvements. The implications for subsidy reform depend on the evidence presented in the original study and should not be treated as proof that removing subsidies necessarily improves welfare.

Research Gap

Existing research on fuel subsidy reform in Nigeria has examined its macroeconomic implications, fiscal costs, distributional consequences, political contestation and environmental effects. Studies have also considered public attitudes towards reform, government credibility and the importance of compensation. However, these strands of

research differ in their analytical focus, methods and treatment of the relationship between economic adjustment and political legitimacy.

Three related analytical gaps inform the present study. First, there is a need to bring the economic and distributional consequences of reform into closer dialogue with political acceptability as a distinct analytical outcome. Evidence about fiscal savings or changes in household welfare does not, by itself, explain why citizens may accept, tolerate or resist reform under different institutional and socioeconomic conditions.

Second, although existing research recognises the relevance of government credibility and public attitudes, further conceptual clarification is needed regarding the role of public trust in the relationship between reform conditions and acceptance. In particular, transparency, compensation, communication and visible public benefits may shape how citizens assess the credibility of government commitments. The extent to which trust mediates these relationships, however, remains a proposition requiring empirical investigation.

Third, there is scope to integrate stakeholder incentives, unequal welfare effects and state–citizen relations within a common analytical framework. These dimensions are interconnected: stakeholders experience reform differently, while perceptions of fairness may depend on how government manages fiscal savings and responds to the needs of affected groups.

This paper addresses these analytical needs by conceptualising fuel subsidy reform as a political bargain and proposing the Fuel Subsidy Reform Political Acceptability Model (FSRPAM). The model brings together transparency and accountability, compensation and social protection, effective communication and stakeholder participation, equitable distribution of costs and benefits, and visible public benefits. Its contribution

lies in organising these factors within a framework that connects the economic consequences of reform with public trust, perceived fairness and political acceptability. FSRPAM is a conceptual synthesis rather than an empirically validated model; its proposed relationships require further testing using evidence on public attitudes, household welfare, compensation and government expenditure.

The paper's central proposition is that the political sustainability of fuel subsidy reform may depend not only on its fiscal rationale but also on whether government manages the costs fairly, protects vulnerable citizens and translates anticipated fiscal savings into credible and visible public benefits.

The 2023 Subsidy Removal as a Case Study

Nigeria's 2023 fuel subsidy reform provides a relevant case for examining the relationship between fiscal policy, household welfare, stakeholder interests and public acceptance. Following President Bola Tinubu's announcement on 29 May 2023 that the petrol subsidy would end, petrol prices increased substantially. The reform was implemented alongside foreign-exchange policy changes, making it important to distinguish the effects of individual policies from the wider macroeconomic conditions. The case is therefore used to apply the Fuel Subsidy Reform Political Acceptability Model (FSRPAM), rather than to claim that the model has been empirically validated.

Immediate Price Shock

The removal of the petrol subsidy resulted in a substantial increase in retail petrol prices, with implications for road transportation, distribution and business operations. The World Bank (2023) reported that petrol prices rose sharply following the reform and warned that the adjustment would place pressure on poor and economically insecure households. Because petrol is used directly by households and businesses and indirectly through

transport and distribution networks, higher prices can affect the cost of goods and services across the economy.

However, the scale of these effects varies according to transport dependence, location, business activity and access to alternatives. The immediate price shock illustrates why the fiscal rationale for reform must be considered alongside its distributional consequences.

Household Welfare

National Bureau of Statistics data show that Nigeria's year-on-year headline inflation rate increased from 22.79% in June 2023 to 34.19% in June 2024. Over the same period, food inflation rose from 25.25% to 40.87% (National Bureau of Statistics [NBS], 2024). These figures indicate intensifying cost-of-living pressures during the period following the reform.

Nevertheless, the inflation figures should not be interpreted as evidence that subsidy removal alone caused the increase. Foreign-exchange depreciation, food-supply constraints, distribution costs and other macroeconomic developments also influenced prices. The figures establish the economic context in which households experienced the reform, rather than isolating its independent effect.

The consequences are unlikely to be uniform. Low-income households generally have less capacity to absorb increases in essential expenditure, particularly where transport and food account for substantial portions of their budgets. Households with higher incomes or access to alternative transport and energy sources may have greater capacity to adjust. This distributional concern supports the need for targeted social protection and accessible public transportation. Household-level expenditure and income data would, however, be required to quantify the differences between groups.

Business Effects

Higher petrol prices can increase transport, logistics and operating costs for businesses,

including small and medium-sized enterprises and informal-sector operators. Businesses with limited financial reserves or restricted access to credit may find it more difficult to absorb these increases. Depending on market conditions and their ability to adjust, firms may raise prices, reduce output, alter working hours or limit employment.

These are plausible mechanisms through which fuel-price adjustments may affect business activity, rather than outcomes that can be assumed for every enterprise. Establishing the scale of the effects would require evidence on operating costs, prices, employment, output and business closures. The case nevertheless highlights the importance of considering SMEs and informal livelihoods when assessing the distribution of reform costs.

The Informal Economy as a Transmission Mechanism

The informal economy is an important channel through which fuel-price changes may affect household welfare in Nigeria. It includes commercial transport operators, market traders, artisans, food vendors, small manufacturers and household enterprises, many of which depend on transportation, petrol-powered equipment or fuel-related distribution networks. When petrol prices increase, these operators may face higher operating costs and have limited capacity to absorb them.

Depending on market conditions and their financial resources, informal operators may transfer additional costs to consumers, reduce operating hours, lower output or accept reduced earnings. These responses can affect the prices and availability of goods and services, household income and employment opportunities. The informal economy therefore provides a potential transmission mechanism between petroleum-price changes and wider socioeconomic pressures.

This relationship also has political implications. The effects of subsidy reform extend beyond households purchasing petrol directly to people whose livelihoods depend on fuel-intensive economic activities. FSRPAM consequently treats household welfare and the distribution of reform costs as important considerations in assessing public trust and political acceptability. However, the magnitude of these effects should be established through evidence on transport fares, business costs, earnings and household expenditure rather than assumed to be uniform across the informal sector.

Urban–Rural and Income Differences

The effects of fuel subsidy reform may vary across geographical locations and income groups. Urban households may have access to a wider range of transport services and employment opportunities, but they may also face substantial increases in commuting costs, particularly where public transport depends heavily on petrol. Rural households may encounter different pressures because of long distances to markets, limited transport infrastructure and dependence on the movement of agricultural inputs and produce. These differences can influence how higher fuel prices affect food distribution, access to employment and the cost of essential services. Nevertheless, urban and rural experiences are not uniform: the severity of the burden depends on household income, transport availability, occupation, location and access to alternative energy sources.

Income differences are equally important. Households with greater financial resources may be better positioned to absorb higher transport and living costs, whereas lower-income households may have less capacity to adjust expenditure without sacrificing essential needs. This suggests that the distributional consequences of reform should be assessed rather than inferred from national averages alone.

For FSRPAM, these differences reinforce the importance of equitable benefit distribution and targeted social protection. Compensation arrangements should consider the circumstances of vulnerable households and the accessibility of support across locations. Evidence disaggregated by income, geography and livelihood would help determine which groups bear the greatest costs and whether government interventions adequately address their needs.

Domestic Refining and the Missing Link in Reform Sustainability

Domestic refining is an important consideration in assessing the long-term sustainability of Nigeria's fuel subsidy reform. Although Nigeria possesses substantial crude-oil resources, its historical dependence on imported refined petroleum products has exposed domestic supply to international market conditions, foreign-exchange pressures and import-related costs. Changes in these conditions can influence the prices of petroleum products and the wider economy.

Subsidy removal changes the way petroleum costs are financed, but it does not, by itself, resolve the structural challenges associated with refining capacity, product supply, distribution and market competition. If domestic supply remains vulnerable to external price and exchange-rate movements, households and businesses may continue to experience substantial fuel-price fluctuations even after government expenditure on subsidies has declined.

Domestic refining may improve supply security, reduce some import-related costs and create investment and employment opportunities. However, increased refining capacity does not automatically guarantee lower retail prices. Actual outcomes depend on crude-oil availability, refining and distribution costs, foreign-exchange conditions, market competition, regulatory arrangements and the pricing of refined

products. The effects on consumers therefore require assessment rather than assumption.

A sustainable reform strategy should consequently integrate subsidy policy with measures to strengthen domestic refining, promote a competitive downstream market, improve regulatory oversight, support efficient distribution and protect vulnerable households. The relationship can be summarised as follows:

Subsidy reform + reliable domestic supply + competitive markets + effective regulation + targeted social protection.

The missing link is the connection between changes in petroleum pricing and improvements in the wider conditions that determine supply reliability, market performance and household welfare. Within FSRPAM, these structural factors influence whether reform produces visible benefits that citizens consider credible and equitable. They should therefore be examined alongside transparency, compensation, stakeholder participation and accountable public spending.

Comparative Policy Lessons

International experience provides useful perspectives on the design and implementation of energy-subsidy reform. However, lessons from other countries must be interpreted in relation to differences in fiscal capacity, energy markets, administrative institutions, household vulnerability and social protection systems. Comparative evidence can identify relevant policy principles, but it does not establish that a particular intervention will produce identical results in Nigeria.

Indonesia offers a relevant case for examining the relationship between subsidy reform and measures intended to protect vulnerable households. Research on energy-subsidy reform, including Prabowo et al. (2022), can inform consideration of the distributional effects of price adjustments and the role of compensation. For Nigeria, the central lesson is the importance of examining whether

assistance reaches intended beneficiaries, arrives when needed and adequately addresses the costs they face.

China provides a different comparative perspective on the wider economic implications of fossil-fuel subsidy reform. Lin and Li (2012) examine the implications of reform in a context that differs from Nigeria in its economic structure and institutional arrangements. The relevance of this literature lies in the need to consider effects beyond government expenditure, including implications for production, energy use and economic adjustment. Specific policy lessons should be drawn only after the original study's methods and findings have been verified.

Evidence concerning the European Union also highlights the interaction between fossil-fuel subsidy reform, environmental objectives, energy prices and industrial competitiveness. Antimiani et al. (2023) provide a comparative perspective on these issues. However, the European Union's regulatory and institutional context differs substantially from Nigeria's, limiting direct policy transfer. Its experience is therefore best used to frame questions about the coordination of energy, environmental and distributional objectives.

Across these cases, several principles are relevant to Nigeria: credible compensation and social protection; transparent reporting and accountable management of fiscal savings; clear public communication; meaningful stakeholder participation; investment in reliable energy and transport alternatives; and demonstrable improvements in public services. Their effectiveness depends on the quality of implementation and the ability of institutions to reach affected groups.

The principal lesson for Nigeria is not to reproduce another country's reform package, but to adapt relevant principles to its own political, economic and institutional conditions. These principles align with FSRPAM by linking the distribution of

reform costs and benefits with public trust, perceived fairness and political acceptability. Their actual contribution to sustainable reform remains an empirical question requiring evidence on implementation, household outcomes and public attitudes.

Discussion

The analysis highlights a fundamental tension between the immediate welfare costs of fuel subsidy reform and the government's longer-term fiscal objectives. From the government's perspective, reducing subsidy expenditure may create fiscal space for other public priorities. For households and businesses, however, the reform is experienced initially through higher petrol prices and their potential effects on transport fares, food prices, production costs and access to essential services. This difference in perspective helps explain the political contestation surrounding reform. Whereas government may emphasise fiscal savings, citizens may judge the policy by its effects on their living conditions and by whether the anticipated public benefits materialise.

Consequently, the assessment of reform should extend beyond the amount of expenditure saved. Relevant indicators include changes in subsidy-related expenditure, household welfare, inflation, social protection coverage, public transport provision, investment in domestic refining, transparency in the use of fiscal savings and public perceptions of government accountability. These indicators provide a basis for future evaluation; their inclusion does not imply that the present conceptual analysis has established measurable improvements or causal relationships between reform and welfare outcomes. In particular, changes in inflation and household expenditure should be assessed alongside other economic influences rather than attributed solely to subsidy removal.

The proposed Fuel Subsidy Reform Political Acceptability Model (FSRPAM) suggests that political acceptance may depend on how reform costs are managed and how its potential benefits are distributed. Its five conditions are transparency and accountability in the management of fiscal savings; credible compensation and social protection; effective communication and meaningful stakeholder participation; equitable distribution of reform costs and benefits; and visible public benefits, including improved public services. Together, these conditions connect the economic consequences of reform with citizens' assessments of government credibility and policy fairness.

Fairness does not require identical benefits for every citizen. Rather, it involves proportionate protection for groups facing greater exposure to reform-related costs, transparent criteria for allocating assistance and accountable decisions about public expenditure. These considerations are particularly important for low-income households, informal-sector workers and communities with limited access to affordable transport or alternative energy sources. However, whether the proposed conditions increase public trust and reform acceptance remains an empirical question. FSRPAM should therefore be understood as a conceptual framework for guiding policy assessment and future research, rather than as an empirically validated explanation of public responses to Nigeria's 2023 reform.

Conclusion

Fuel subsidy reform in Nigeria represents more than a petroleum-pricing adjustment; it tests the relationship between the state and citizens. Although reform may reduce subsidy expenditure, create fiscal space and support domestic petroleum industry development, these benefits are not automatic. Higher fuel prices can increase transportation and business costs, reduce household purchasing

power and disproportionately affect vulnerable groups, depending on their income, location and livelihoods.

The central challenge is ensuring that the potential benefits of reform justify its immediate economic costs. This paper argues that public trust and perceived fairness are important considerations in reform acceptance. Transparency, accountability, adequate protection for vulnerable groups, stakeholder participation and visible improvements in public services may strengthen public confidence. Conversely, inadequate compensation, weak accountability and limited evidence of public benefits may undermine government credibility and intensify political resistance.

The proposed Fuel Subsidy Reform Political Acceptability Model (FSRPAM) identifies five conditions relevant to reform acceptance: transparent and accountable management of fiscal savings; credible compensation and social protection; effective communication and stakeholder participation; equitable distribution of costs and benefits; and visible improvements in public services. The model provides a conceptual framework for examining these relationships but has not been empirically validated against public responses to the 2023 reform.

Ultimately, sustainable reform requires more than a sound fiscal rationale. Government must demonstrate how savings are managed, vulnerable citizens are protected and public benefits are delivered. Future research should test FSRPAM using household welfare data, public-opinion surveys, fiscal records and evidence of compensation and service delivery. Such investigation would clarify the conditions under which subsidy reform can achieve fiscal objectives while maintaining public confidence and advancing social welfare.

Recommendations

Based on the study's objectives and the proposed Fuel Subsidy Reform Political Acceptability Model (FSRPAM), five recommendations are advanced to promote accountability, protect vulnerable groups and strengthen reform sustainability.

Establish a Transparent and Accountable Framework for Managing Subsidy Savings

The Federal Government should establish a publicly accessible framework for reporting subsidy-related fiscal savings, allocations, disbursements and measurable outcomes. The Auditor-General for the Federation, the National Assembly and relevant oversight institutions should strengthen expenditure monitoring through independent audits, legislative scrutiny and regular public reporting. Indicators should include timely publication of fiscal reports, audited expenditure records and evidence that allocations correspond with actual spending. These measures would strengthen accountability and enable citizens to assess whether reform resources generate public benefits.

Provide Targeted Social Protection for Vulnerable Groups

The Federal and state governments should prioritise households, small and medium-sized enterprises (SMEs) and informal-sector workers most exposed to increased fuel and transportation costs. Interventions could include cash transfers, transport assistance, food support, healthcare assistance, accessible business financing and energy-efficiency support. Transparent eligibility criteria, reliable beneficiary identification and effective complaints mechanisms should minimise exclusion and diversion. Monitoring should assess programme coverage, payment timeliness and the extent to which assistance protects essential consumption and livelihoods. Support should reflect vulnerability rather than apply uniformly,

avoiding the fiscal burden associated with universal subsidies.

Improve Public Transportation and Support Competitive Domestic Refining

Federal and state governments should invest in affordable public transportation, including bus services, rail infrastructure and waterways where feasible. Relevant petroleum-sector institutions should support economically viable domestic refining, improve supply and distribution infrastructure, and promote competition and transparent pricing. Domestic refining should not automatically be assumed to reduce retail prices, which also depend on crude-oil costs, foreign-exchange conditions, distribution expenses and market regulation. Progress should be assessed through transport affordability, service availability, refinery utilisation, domestic product supply, import dependence and retail-price movements.

Institutionalise Stakeholder Participation and Effective Communication

Government should consult labour unions, civil society organisations, consumer groups, transport associations, business organisations, state governments and vulnerable communities before and during major petroleum-price reforms. Communication should clearly explain policy objectives, anticipated costs, mitigation measures and the intended use of fiscal resources. Authorities should publish consultation outcomes and explain how stakeholder concerns inform decisions. Participation should facilitate informed policymaking rather than require unanimous agreement. Its effectiveness could be assessed through stakeholder representation, published consultation reports and evidence that identified concerns influence policy design.

Translate Fiscal Savings into Equitably Distributed Public Benefits

The Federal and state governments should prioritise visible public benefits, including healthcare, education, social protection, transportation, reliable electricity and viable

renewable-energy alternatives. Investment should reflect assessed needs and the circumstances of communities most affected by reform. Governments should publish expenditure plans, implementation milestones and performance indicators, monitoring who benefits and whether services improve across income groups and geographical areas. Where outcomes fall short of commitments, responsible institutions should explain the reasons and identify corrective measures. Ultimately, reform sustainability may depend on whether fiscal resources are managed transparently, vulnerable citizens are protected and benefits are distributed fairly. These proposed relationships require further empirical testing.

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