Nextier advisory
The Public Sector Advisory Firm

Oxford Policy Management

Policy Brief

NIGERIA

Fuel Subsidy Reform

Pragmatic Options for the Incoming Government

May 23, 2015 | **Neil McCulloch** and **Patrick O. Okigbo III**

The fuel subsidy system in Nigeria is in urgent need of reform. The recently released Forensic Audit of Nigerian National Petroleum Corporation by PricewaterhouseCoopers showed that fuel subsidies cost Nigeria almost $10 billion between January 2012 and July 2013. Over recent years the fuel subsidy has been between 2 and 5 times the size of the federal education budget and up to 7 times the health budget. Most of the subsidy does not reach the poor because the richest 40 percent of Nigerians consume 85 percent of the gasoline; the poorest 20 percent consume only 2.1 percent. The subsidy system causes shortages and long queues at petrol stations; even when available, most ordinary Nigerians have to pay more than the subsidised price. Subsidies also discourage investment in refineries – one reason why Nigeria produces only 10 percent of the gasoline it consumes.

ISSUE STATEMENT

What options are available to government for a reform on the fuel subsidy regime in Nigeria?

This Policy Brief outlines a range of policy options for reforming the fuel subsidy regime and presents the advantages and disadvantages of each approach. It describes a range of options for compensating citizens for the costs associated with reform and lays out the principles for a successful social protection system.

PREAMBLE

The fuel subsidy has given rise to allegations of corruption on a large scale …

The recently released *Investigative Forensic Audit into the Allegations of Unremitted Funds into the Federation Accounts by the NNPC* (Nigerian National Petroleum Corporation) is merely the latest in a long line of reports and investigations suggesting the loss of significant funds to Nigeria (see Box 1). For example, in February 2014, the Central Bank of Nigeria (CBN) informed the Senate Finance Committee that NNPC needed to account for $20 billion, as CBN could only confirm receipt of $47 billion out of $67 billion revenue between January 2012 and July 2013. NNPC's submissions to the Senate Committee on Finance suggested that almost half of this

Issue Statement: What are the options for a reform of the fuel subsidy regime in Nigeria?

Preamble: The fuel subsidy has given rise to allegations of corruption on a large scale and drains the budget of a vast amount of money. The better off enjoy the benefits at the expense of the poor. The subsidy causes fuel shortages and discourages investment in in-country refining capacity.

Policy Options: The government may consider five options for reforming the fuel subsidy regime:

1. Business as usual
2. Make a one-off increase in fuel prices
3. Introduce a formula for price adjustments
4. Fix the subsidy rather than the fuel price
5. Abolish the subsidy entirely at least for PMS

Options for protecting the people:

1. Set up cash transfer programmes
2. Free education programmes
3. Free healthcare
4. Transportation subsidies
5. Pensions for the elderly
6. Cash for work scheme
7. Fertilizer vouchers

Principles for a social protection scheme

1. Broad based, but focussed on the poor
2. Based on what people need and what people want
3. Built on successful existing schemes
4. Credible because costed and fiscally sustainable

non-remittance consisted of funds retained by NNPC for subsidy claims on imports of Premium Motor Spirit (PMS) and Dual Purpose Kerosene (DPK)[1].

Moreover, there have been frequent allegations about manipulation of the subsidy scheme, with suggestions that the actual landed amounts have been different from those recorded, to facilitate excessive subsidy claims. Similarly, some argue that the price template used by the Petroleum Products Pricing Regulatory Agency (PPPRA) does not reflect the true costs of the oil marketing companies, allowing room for corruption. Unfortunately there is virtually no publicly available data that might shed light on the truth or otherwise of these claims.

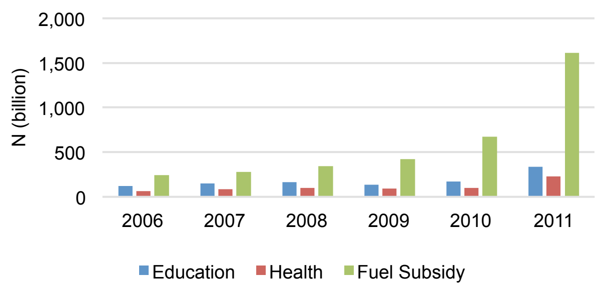
> Box 1: Previous Attempts to Investigate the Fuel Subsidy
>
> Farouk Lawan headed an Ad Hoc Committee of the House of Representatives to look at fuel subsidy issue. The committee found that subsidy payments were in excess of ₦2.5 trillion by December 2011, about 900 percent over the originally budgeted sum of ₦ 245 billion.
>
> Finance Minister, Ngozi Okonjo-Iweala constituted a subsidy review committee chaired by the Access Bank Managing Director and Chief Executive Officer, Mr. Aigboje Aig-Imoukhuede. The committee submitted its report on 13 July 2012 and reduced the Lawan committee's figure of ₦2.5 trillion to ₦422.5 billion.
>
> A Senate Committee on Environment and Ecology, chaired by Dr. Bukola Saraki probed the fuel subsidy scam – but never released its report.
>
> Mallam Nuhu Ribadu, former chairman of Economic and Financial Crimes Commission led the Petroleum Revenue Special Task Force to "determine and verify all petroleum upstream and downstream revenues (taxes, royalties, etc.) due and payable to the Federal Government of Nigeria and to take all necessary steps to collect all debts." Mallam Ribadu submitted the report to the President on 2 Nov 2012.
>
> Source: Ademola A. & Ayo. O. (2012). *The Plot Against Ribadu Report.* Available at: <http://saharareporters.com/2012/11/12/plot-against-ribadu%E2%80%99s-report-thenews/>. (Updated 2012 accessed May 13, 2015.

Even when decisions are made to cancel subsidies, subsidy payments continue. For example, a Presidential Directive on 15 June 2009 instructed that subsidy on Dual Purpose Kerosene (DPK) should be stopped. As a result there was no appropriation for the kerosene subsidy in the 2012 and 2013 budgets. However, the Presidential Directive was not gazetted; as a result NNPC continued to deduct the cost of the DPK subsidy - $3.38 billion from January 2012 to July 2013 - from the funds that it remitted to the Federation Account.

The subsidy drains the budget of a vast amount of money …

Fuel subsidies[2] greatly exceed the budgets for both education and health (Figure 1). Typically fuel subsidies absorb an amount equal to 2 to 5 times the recurrent budget for education, or between 3 and 7 times the recurrent budget for health[3].

Figure 1: Education, Health Budgets and the Fuel Subsidy



Data from the recently published PwC Forensic Audit of remittances from NNPC to the Federation Account show that NNPC deducted ₦1.39 trillion for fuel subsidies during the period from January 2012 and July 2013. Over the same period, the entire health budget (including capital expenditure) was

[1] PricewaterhouseCoopers. (2015). *Investigative Forensic Audit into the Allegations of the Unremitted Funds into the Federation Accounts by the NNPC.* Available at: /http://www.vanguardngr.com/wp-content/uploads/2015/04/Auditreport.pdf/. (Updated 2012 accessed May 01, 2015). The remaining half of unremitted funds were due to deductions made by the NNPC for: costs of the maintenance of the strategic reserve; crude oil and product losses; pipeline maintenance and management costs; other third party financing; and unremitted revenues generated by the Nigerian Petroleum Development Company (NPDC).
[2] PMS (gasoline) and DPK (dual purpose kerosene).
[3] Budget Office of the Federation. (2014). *Understanding Budget 2014.* Available at: <www.budgetoffice.gov.ng/pdfs/2014/Understanding%20Budget%202014.pdf/>. (Updated 2014; accessed May 13, 2015).

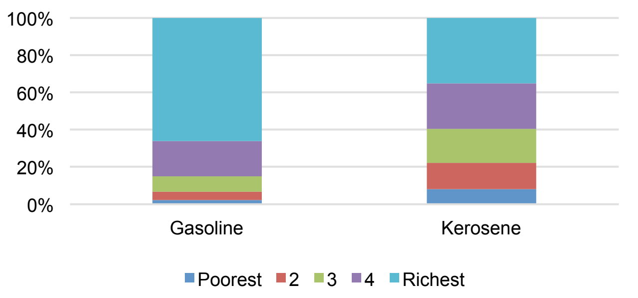
₦448 billion[4]; the entire education budget was ₦769 billion[5]. Removal of the fuel subsidy could therefore allow a near doubling of the education budget, or a trebling of the health budget with no change in the overall fiscal position.

And benefits the better off at the expense of the poor …

Analysis of the General Household Survey shows that a third of all Nigerians live below the poverty line. But expenditure on PMS is strongly biased towards the better off. The richest quintile (that is the richest 20 percent of the population), consume almost two-thirds of all gasoline (66.2 percent) and the richest 40 percent of the population consume 85 percent of gasoline (Figure 2). By contrast, the poorest 20 percent of the population consume only 2.1 percent of all the gasoline consumed in Nigeria. Kerosene, by contrast, has a more equal consumption – but even for kerosene the bottom 40 percent of the population consume less than a quarter of all the kerosene consumed.

The extremely skewed distribution of consumption means that the benefits of fuel subsidies go overwhelmingly to better off Nigerians rather than to the poor. Even when one takes into account the indirect benefits of subsidies, for example, through lowering the cost of transportation consumed by the poor, or reducing the price of food, the distribution of benefits is still extremely biased to the better off. Overall, it costs more than ₦25 in subsidies to get ₦1 to the bottom 20 percent of the population, making fuel subsidies an extraordinarily inefficient way of subsidising the poor[6].

Figure 2: Share of fuel consumption by quintile



Recent survey data from NOI Polls[7] shows that 52 percent of the respondents believe Nigerians have not enjoyed the full benefit of the petrol subsidy. This perception was highest among respondents whose ages range from 22 to 60 years. The respondents believed the factors hindering Nigerians from fully benefiting from the subsidy include corruption (66 percent), poor management of subsidy (39 percent), inefficient regulatory authorities (18 percent), differences in cost of fuel importation (12 percent), inefficiencies of petrol price control mechanism (12 percent), bad government or leadership (4 percent), and others (2 percent).

The subsidy causes shortages and queues…

Nigeria's regulations require that fuel be sold at a fixed price across the country. Because the price is fixed, there is little incentive for marketers to distribute fuel widely, particularly to the more remote regions of the country (despite the fact that the PPPRA compensates marketers for doing so). Moreover, the impact of the subsidy on the budget results in periodic uncertainty about whether or not the petroleum product marketers can be paid. Marketers respond to this by restricting supply - since they do not wish to sell fuel at a loss – creating long queues at filling stations.

[4] Budget Office of the Federation. (2012). *Understanding the Budget 2012.* Available at: http://www.budgetoffice.gov.ng/pdfs/2012_appropriation_act/UNDERSTANDING%20BUDGET%202012.pdf/. (Updated 2012 accessed May 13, 2015).
[5] Budget Office of the Federation. (2013). *2013 Fiscal Year - Understanding the Budget 2013.* Available at: http://www.budgetoffice.gov.ng/pdfs/bof_2013-update/Understanding%20the%202013%20Budget.pdf/. (Updated 2013 accessed May 13, 2015).
[6] Nigeria Subsidy Reform – World Bank. Share of Fuel Consumption by Quintile.
[7] NOI Polls. (2015). *High Cost of Petrol: Nigerians Not Enjoying Full Benefits of Petrol Subsidy.* Available at: http://www.noi-polls.com/root/index.php?pid=327&parentid=13&ptid=1#_ftn2/. http://www.budgetoffice.gov.ng/pdfs/bof_2013-update/Understanding%20the%202013%20Budget.pdf/. (Updated 2013 accessed May 13, 2015).

As a result, many regions suffer from shortages or people have to pay more than the regulated price. Data from monthly surveys conducted by NOI Polls between January 2013 and June 2014 showed that in most regions, more than half of Nigerians paid more than the regulated price for PMS. In January 2015, the Federal Government of Nigeria reduced the pump price of PMS from ₦97 to ₦87 per litre in response to the decline in international crude oil prices. Data from surveys conducted by NOI Polls after the decrease in pump price show that over 90 percent of respondents across all the geo-political zones in Nigeria pay more than the regulated price for PMS with the North-East zone recording the highest average price per litre at ₦129 (Table 1). With the on-going fuel scarcity in Nigeria, PMS is selling in the "black market" at over ₦250 per litre in most parts of the country.

Table 1: Percentage of Nigerians purchasing PMS at above ₦87 per liter by region

Region	Average percentage of Nigerians purchasing PMS at above ₦87 per litre
North Central	88
North East	97
North West	96
South East	96
South South	92
South West	72

Source: NOI Polls data processed by Nextier

… and discourages job creation and investment in processing and manufacturing

Nigeria's refineries operate well below their capacity. In 2013 the Warri refinery operated at 36 percent capacity; the performance of the Kaduna and Port Harcourt refineries was even worse at 29.3 percent and 9.2 percent respectively. As a result, Nigeria's refineries produce only around 1.6 billion litres of PMS each year – only 10 percent of Nigeria's annual consumption of around 16 billion litres. For household kerosene, Nigeria produces only 915 million litres a year – only a third of the 2.7 billion litres consumed[8].

There are many reasons for the poor functioning of Nigeria's refineries. However, one of the reasons that the refineries operate at such low capacity is that the low fixed price of fuel strongly discourages investment in the downstream/processing sector. With high costs of production and no ability to sell output at a market price, it is extremely difficult for refineries to attract the investment that they need. The fuel subsidy therefore results in most of the value-added from processing Nigeria's crude oil going abroad.[9]

POLICY OPTIONS

Below are some options for reforming the fuel subsidy regime for consideration by the government of Nigeria.

Business as usual

The fall in world oil prices has had a major negative impact on Nigeria's economy; but it has also reduced the amount of fuel subsidy payable. If the current oil price of $62.98 per barrel[10] is maintained, the cost to the Federal Government of the fuel subsidy will be substantially lower in 2015 than in previous years. One option, therefore, would be to focus on other things and defer changes to the fuel subsidy regime. The downside of doing this is that, if oil prices continue to rise, fuel subsidy payments will rise with them. Moreover, even if international prices stay the same, the cost of the fuel subsidy rises over time due to inflation and the depreciation of the Naira. Hence deferring the problem may result in a more difficult problem in the future.

[8] NNPC. (2013). *2013 Annual Statistical Bulletin.* Available at: http://www.nnpcgroup.com/Portals/0/Monthly%20Performance/2013%20ASB%201st%20edition.pdf/. (Updated 2013 accessed May 15, 2015).

[9] The Brookings Institutions. (2012). *Removal of Fuel Subsidies in Nigeria: An Economic Necessity and a Political Dilemma.* Available at: http://www.brookings.edu/research/opinions/2012/01/10-fuel-subsidies-nigeria-songwe/. (Updated 2012 accessed May 15, 2015).

[10] OPEC. (2015). *OPEC Daily Basket Price.* Available at: http://www.opec.org/opec_web/en/923.htm/. (Updated 2015 accessed May 15, 2015).

Make a one-off increase in the prices of fuel

Historically, Nigerian governments have responded to the escalating cost of the fuel subsidy through one-off increases in the prices of various fuels. For example, the previous government attempted to increase the price from ₦65 per litre to ₦140 per litre in January 2012, but was forced by widespread protests to reduce the increase to ₦97 per litre[11].

One-off adjustments successfully reduce the subsidy cost temporarily, but they do not solve the underlying problem. Within a few years, the problem re-emerges. Also, because governments typically delay making an adjustment until a crisis emerges, the one-off adjustments tend to be large and disruptive.

Introduce a formula for fuel price adjustment that gradually eliminates the subsidy

If the government decides that it wishes to eventually abolish the fuel subsidy, it may be concerned about the speed at which this adjustment is made. One option therefore is to switch from a fixed domestic price to a formula-based mechanism. There are a number of different formulae that could be used to move gradually from the existing price up to the international price, however, they all share the same two principles:

1. To increase the domestic price to the international price in the long-run
2. To avoid large changes in price over a short period of time

The advantage of a formula based approach is that the subsidy is gradually eliminated and sudden price spikes are avoided. The disadvantage is that the budgetary gains from removing the subsidy are also only obtained gradually; and, as prices rise, political opposition to the changes can grow, threatening the ability to complete the transition to international prices.

Fix the subsidy rather than the fuel price

Another way of minimising the cost of the subsidy would be to fix the size of the subsidy rather than the price of fuel. For example, the subsidy could be set to be ₦200 billion per year or, alternatively, set as a particular percentage (e.g. 10 percent) of recurrent expenditure. Oil marketing companies and retailers would then be free to set prices at whatever level they wish, with competition ensuring that prices would be lower than the international price as a result of the subsidy. The important point is that the size of the subsidy would not be dependent on the volume of fuel sold – it is fixed and cannot be changed. With this option, domestic fuel prices would fluctuate up and down, but at a level slightly lower than the international prices.

The advantage of this approach is that the size of the subsidy is entirely predictable and chosen by the government. The disadvantage is that the subsidy will still crowd out other expenditures and distort investment decisions as currently; and fuel prices will still fluctuate in the same way as they would if the subsidy had been eliminated. Consumers are also not likely to be aware that domestic prices are lower than international prices, and will instead perceive the price fluctuations as negatively as in a no-subsidy scenario.

Abolish the subsidy entirely, at least for PMS

The final option would be to abolish the subsidy immediately and entirely, at least for fuels consumed primarily by the better off, such as PMS. This would have the advantage of saving around ₦705 billion (US$ 3.58 billion) in the current financial year. And the savings would happen every year because there would be no chance of the subsidy increasing again as a result of the oil price increasing; as a result this option would generate the largest

[11] The Guardian. (2012). *Nigeria restores fuel subsidy to quell nationwide protests.* Available at: http://www.theguardian.com/world/2012/jan/16/nigeria-restores-fuel-subsidy-protests/. (Updated 2012 accessed May 15, 2015).

savings to the national budget. Moreover, this option would eliminate corruption associated with the fuel subsidy since there would be no subsidy to steal. Some countries have adopted reform options similar to this (see Box 2).

The disadvantage of abolishing the subsidy is that it would require an immediate and substantial increase in the price of the fuels for which the subsidy was eliminated. For example, at the current international oil price, PPPRA estimate the open market price of PMS to be ₦131.39[12] per litre. Hence abolishing the subsidy would immediately increase the price of PMS from ₦87 to ₦131.39 – a 51 percent increase. Moreover, if the subsidy were abolished entirely, then fuel prices would fluctuate with world prices, both up and down.

No matter which policy option is chosen, it will be important for the government to improve the transparency of the pricing regime and the quality of its enforcement. This will include transparency about the quantity and quality of fuel imported and produced and the prices at which it is sold at every point along the value chain. It will require effective complaint mechanisms and transparent prosecution of illegal activity. And, if prices are to be set by the market, the government will need to ensure a competitive market for fuel products and build effective institutions to monitor and sanction anti-competitive behaviour.

For all the options that involve an increase in the price of fuel for the consumer, governments typically provide some form of compensation or protection for the people. We outline below some options for protecting ordinary Nigerians from the impact of fuel subsidy reform.

Box 2: Indonesia Abolishes Subsidy on Gasoline

Indonesia has had fuel subsidies since the 1960s. This has taken the same form as in Nigeria, with the government fixing the retail price of fuel significantly below the international price. When international oil prices have risen, this has imposed a large burden on the budget – in 2014 the fuel subsidy represented almost a quarter of Central Government Expenditure.

Over the years there have been many attempts to reform the fuel subsidy, particularly at times when international oil prices have been high. These attempts have usually taken the form of an increase in the retail price. Whilst such changes have provided temporary relief for the government, inflation inexorably increases the real value of the subsidy, so that the burden of subsidies soon becomes a problem again. Moreover, increases in the retail price are very politically contentious and have frequently been met with significant protests.

On 1 January 2015, newly elected President Joko Widodo tried a completely different approach. The fall in oil prices meant that the fixed retail price was now above the world market price. He therefore removed fuel subsidies on Premium Motor Spirit (gasoline) entirely (except for a distribution subsidy for outlying islands). The base market price is now set by the government monthly based on the international oil price plus taxes, but oil marketing companies are free to determine the final retail prices with a profit margin pegged at between 5 to 10 percent of the base market price.

The Indonesian government has also changed the system for the diesel subsidy. Whilst a subsidy has been maintained, it has shifted to a per litre subsidy (of IDR 1000 – around 7.6 US cents). Shifting from a "fixed price" to a "fixed subsidy" approach makes the subsidy much more sustainable since inflation will now erode the value of the subsidy rather than increase it.

Whether the Indonesian reforms will be successful remains to be seen. But the way in which the Indonesian government has gone about the reform process is notable.

1: Used the political capital of a popular new presidency to push through reforms early
2: Undertook extensive communication about why the change was necessary, including by the President himself
3: Exploited the historically low oil prices to minimise the pain of reform and
4: Ensured effective social safety nets were in place (cash transfers, as well as free health and education for poor Indonesians)

OPTIONS FOR PROTECTING THE PEOPLE

Reforming fuel subsidies often involves a significant increase in fuel prices. This can hurt consumers, both households and businesses. As a result, such reforms are often accompanied by measures to cushion the shock of the price increase or to provide compensatory benefits. The SURE-P programme was one such attempt.

[12] Petroleum Products Pricing Regulatory Agency. (2015). *Pricing Template – PMS.* Available at: /http://pppra.gov.ng/pricing-template-pms-2/. (Updated 2015 accessed May 13, 2015).

There are, of course, myriad different ways in which to provide a benefit to consumers. Below we outline some of the most commonly used mechanisms for protecting the people and outline some principles for choosing which mechanisms are most appropriate.

Setting up a cash transfer programme: Many countries have put in place programmes that provide cash transfers to poor households. For example, when Indonesia increased the price of fuel in 2013, it provided compensation equivalent to $15 per month for four months to 15.5 million poor households, as well as expanding a conditional cash transfer scheme and increasing subsidies to food, education and infrastructure.[13] Cash transfer programmes are an excellent way of providing direct compensation to the poor. However, to be affordable, they have to have an effective way of targeting the poor and delivering payments, so that the benefits go to those that need them. It can also take a while to get the administration of a national cash transfer programme working well. Nigeria has experience of a few pilot cash transfer programmes, but such programmes are in their infancy and they would have to be greatly expanded if they were to provide compensation for a policy reform now.

Free education programmes: Reducing the cost of education is a popular approach to compensation. To be effective there has to be an appropriate mechanism for ensuring that schools still receive the resources that they need from the government if they are no longer able to charge fees. Other countries have provided compensation by funding scholarship schemes for poor students, although, to work well, these require an effective mechanism for identifying poor students. In addition, benefits will be clustered on families with school-age children, which may not be well correlated with households most affected by high energy prices.

Free health care: Another popular approach is to provide free basic health care. Again, if fees are removed, it is important that alternative mechanisms are put in place to ensure that health centres receive the resources that they need. Where overall cost has been a concern, some countries have limited free care to easily identifiable groups such as pregnant mothers and children under 5. Again, this mechanism will only target households with healthcare needs, and not necessarily those whose costs of living have increased mostly significantly.

Subsidies to public transport. When petroleum prices go up, the costs of transportation go up. Many countries have price controls in the transport sector and do not relax them when fuel prices rise, making transport services unprofitable. Subsidizing public transport in urban areas can help to overcome this problem and cushion the shock experienced by urban populations.

Pensions for the elderly: Another easily identifiable group is the elderly. Some countries have provided compensation in the form of simple pensions for those over a certain age (often 65). This is essentially a variant of a cash transfer scheme targeted to the elderly instead of to poor households. Again, it may not be strongly linked to those most affected by fuel price increases.

Cash for work scheme: One of the criticisms of cash transfer schemes is that they may create dependency. As a result cash (or food) for work schemes are popular in many countries. Experience suggests that such schemes can be effective, but only where they do not distort local labour markets and where the work provided genuinely creates useful public goods. They may also assist households in circumstances where higher energy prices have led to loss of employment.

Fertiliser vouchers: An existing fertiliser voucher scheme in Kano and Taraba states provides an example of a more efficient way of providing a subsidy. Instead of subsidising the price of fertiliser as before, the scheme provides fertiliser vouchers to farmer groups. These vouchers

[13] Indonesia Energy Subsidy Briefing, July 2013, Global Subsidies Initiative, International Institute for Sustainable Development.

can then be used to reduce the cost of fertiliser purchased from private sector traders. In this way the subsidy encourages rather than discourages the development of a private market.

Any compensation for a fuel subsidy reform should be integrated into existing efforts to construct a national social security system. To find the right mix of benefits for such a scheme, it is useful to apply a clear set of principles.

PRINCIPLES FOR A SUCCESSFUL SOCIAL PROTECTION SYSTEM

Broad based, but focussed on the poor

Fuel subsidies primarily benefit the better off; however, compensation schemes should not compensate the rich. Rather, most successful compensation mechanisms are broad based – providing a benefit either to the entire population, or a significant share of the population but with a focus on the poor. With a fixed amount of resources, there is a trade-off between broad schemes – which help to build political support for the reforms but which deliver relatively small benefits for each household – and schemes targeted on the poor – which can provide more substantial compensation to each household, but which do not always garner the same political support. A useful compromise is to introduce schemes focussed on the "bottom half" of the population i.e. those who are poor, or have a high vulnerability to poverty.

Based on what people need and what people want

The needs of Nigerians are not necessarily the same as the needs of people in other countries. It is therefore important for any new system to be based on an analysis of the vulnerabilities and needs faced by Nigerians. Also, since people know their needs better than government, and the political acceptability of a compensation package may have significant implications for its success, it is helpful to ask people what kind of support they want.

Built on successful existing schemes

There is no need to re-invent the wheel. There are numerous examples of effective schemes from other countries that can be adapted to Nigeria's needs. There are also examples of social protection schemes that are working well in Nigeria at the state-level. Any national system should draw on experience of what works in Nigeria.

Credible - because it delivers what is promised

Building credibility is critical to reform. One of the reasons that Nigerians oppose reform is that they do not believe the government's promises to put the money to better use and so prefer to keep the limited benefit of cheaper fuel. Credibility can be built by: setting up compensation before increasing fuel prices; ensuring that plans are costed and fiscally sustainable; having a complaint mechanism and addressing complaints; and being completely transparent about problems and serious in tackling the issues that emerge.

About the Authors

Dr Neil McCulloch is the Director of the Economic Policy Programme at Oxford Policy Management (OPM), providing strategic management to OPM's work on financial and private sector, extractives, and climate change.

Patrick O. Okigbo III is the Principal Partner at Nextier Advisory – a multi-competency public sector advisory firm. He provides strategic leadership to the firms work in the petroleum and power sectors.

www.nextierlimited.com
research@nextierlimited.com
+234 701 002 7301