

**FUEL SUBSIDY REMOVAL: DEALING WITH THE CHALLENGES, HARNESSING
THE OPPORTUNITIES**

BEING A LECTURE DELIVERED

BY

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Contents

1.0.	Introduction	2
2.0.	Why Talk about Subsidy Removal?	4
3.0.	What is Subsidy, and Why Does it Matter?	7
4.0.	The history and dynamics of petrol subsidy in Nigeria	10
5.0.	Ending the fuel subsidy in Nigeria was a matter of economic survival.	12
5.1.	The hard question: does subsidy really benefit the poor?	13
5.2.	Subsidy payments enabled serious acts of cross-border economic sabotage	14
5.3.	Funding elite corruption	14
5.4.	Subsidy crippled investments in the Petroleum Sector	15
6.0.	Can a good idea be mismanaged?.....	16
7.0.	Where do we go from here?	18
8.0.	Abia and support for businesses and economically vulnerable families and individuals.....	24
9.0.	Conclusion	27
	References	30

Fuel Subsidy Removal: Dealing with the Challenges, Harnessing the Opportunities

“Government Subsidy systems promote inefficiency in production and efficiency in coercion and subservience while penalizing efficiency in production and inefficiency in predation.” — Murray Rothbard (1926-1995)

“You either get free stuff or you get freedom. You cannot have both and you need to make a choice.” – Sarah Palin

1.0. Introduction

Permit me to begin by expressing my most profound gratitude to the Vice Chancellor of this great citadel of learning, Prof. Charles Arinzechukwu Igwe and members of the various organs of the University whose considerations made my nomination and confirmation as the guest lecturer for this year’s UNN’s Founders’ Day celebration possible.

I also want to thank our dearly beloved elder statesman and father, Prof. Elochukwu Amucheazi, for accepting to be the chairman of this event. His presence has no doubt added to the intellectual ambience of this venue, and I am grateful for his sacrifices in time and other resources to be here.

This for me is one honour I do not take lightly for reasons of UNN’s historical standing as the foremost indigenous centre for excellence in scholarship and research. The streams of disruptive ideas and thoughts from this extraordinary institution have continued to set the standards in different fields of learning and human endeavour, including medicine, law and jurisprudence, economics and finance, engineering and sciences, mathematics and computing.

The University of Nigeria, since opening its doors to staff and students 63 years ago has come to represent more than just an institution of learning, for while keeping faith with its founding philosophy which is aptly captured in this simple but thoughtful line “To seek Truth, teach Truth

and preserve Truth,” the University has come to embody the untiring spirit of our people in the search for meaning and significance in a world where superior knowledge and its appropriate application remains the critical factor that separate wealthy, industrial nations from those at the lower rungs of the development ladder.

For millions of people over the last six decades and more, especially the students and scholars who have passed through its hallowed walls, the University of Nigeria, is not just another higher institution, it is the ideal ground for self-discovery through a determined search for the truth, a passionate commitment to teaching the same truth consistently and an abiding duty to the preservation of the whole truth as found and taught, for generations to come.

I am therefore honoured to stand before this august gathering to share my thoughts on what I consider a topical issue in today’s Nigeria; the path to sustainability and stability in the wake of the federal government’s removal of subsidy from premium motor spirit, popularly called petrol or fuel in common parlance.

This podium offers one a national platform to discuss difficult issues, ask hard questions and make recommendations that may not be immediately popular, but hold the key to the long-term solutions that we ultimately seek.

In the spirit of seeking, teaching and preserving the truth which is at the foundation of this University’s very existence, I shall try to keep my engagement firmly on information and data I know to be true, remaining objective and avoiding narrow appeals of sentimentalism while not ignoring the pains of those that have been exposed to new layers of vulnerabilities by the developments in focus.

I want to specially honour all the great men and women who have stood on this podium over the last 63 years, sharing their ideas and thoughts on major issues of the day. I thank them for the foundation of excellence they have laid and hope to continue along that path today.

It is my conviction that when properly harnessed, ideas from platforms such as this have in them the very seeds that, if well-watered, can turn the tide of things around in the country and there is no better time to start than now.

With our nation in dire straits and hopes dissipating for many, even amongst the well-to-do, we must look to the power of ideas; develop the political will to follow through on reforms and make the necessary sacrifices, especially as leaders, to unleash the immense potentials of this great and resilient country called Nigeria.

The first truth we need to know is that time is running out. We can no longer afford to hold off on some of the tough choices that confront us as a people. The time for blame games is long gone and if we do not muster the will to do that which may seem difficult today, we may be ultimately consumed by the inevitable consequences of our indecision tomorrow.

2.0. Why Talk about Subsidy Removal?

I want to specially thank Prof. Bennett C. Nwanguma and his team in the University Senate Ceremonials Committee for generously offering me the freedom to choose the topic for this year's Founders' Day lecture. I am very thankful for that privilege because it afforded me the opportunity to initiate a conversation that has broad national significance. My aim is to ask critical questions that would task us to look at the issues in focus in a slightly different way and be able to deal with things as they are.

The truth is that conversations around the subject of subsidy have become very unpopular and it is a topic many would rather avoid. Yes, those who would rather discuss something else have their justifications because one wrong statement can sink an entire political career, destroy long-standing relationships and attract opprobrium from beneficiaries of the current system. But then, I am not new to the discussion of fuel subsidy. In my Thisday Newspaper Backpage column, Outside The Box, titled, *Subsidies: Working the Monkey & Feeding the Baboon* published on September 24, 2018, I had maintained that subsidies end up benefitting the unintended and penalizing the very people it was meant to protect! In the heat of the Coronavirus pandemic, precisely on August 24, 2020, I had published another article in my column titled *Towards Dismantling the Petroleum Subsidy Regime* in the same Newspaper where I had argued that the pronouncement made by the NNPC GMD that subsidy had gone for good was not going to be effective except the structures supporting it, including PPPRA were dismantled. Sadly, I turned

out to be right, as subsidy staged a huge comeback months later and remained with us until a few months ago.

So, I am not ignorant of the risks associated with this topic, particularly at this time, but then, life is about risks and returns and my life has not been insulated from risks. Permit me to share some examples.

When I quit banking at the peak of my career to join the murky terrain of politics, many, including close friends and family members, were convinced I had lost my mind. Who resigns as the CEO of a thriving bank to join the long queue at what is essentially a gambling session? To many concerned friends and acquaintances, it was a reckless decision I was sure to regret.

When I returned to the *battlefield* four years later after a series of heart-breaking events on and off the political turf, delegations of close friends and family were sent to remind me of the tragedy of 2015 and why I should accept the fact that decent individuals with independent conviction have no business in the Nigerian political terrain. I was advised in clear terms to quit and return to something less risky. But my mind was made up.

While my well-intentioned friends and self-appointed advisers saw the dangers and treachery that have defined politics in Nigeria for decades, I was moved to risk it all by the immense opportunities that was lying waste in Aba and across the length and breadth of Abia State; the pains and misery I saw on the faces of our young people made me not to return to the path that was considered “safe.” I was determined that even if I had to lose all I had acquired to restore hope and optimism to our people, it would be a small price to pay.

Recall that in the course of this journey, several attempts were made on my life. I was attacked severally and in one instance, a security orderly attached to me was shot and killed in Abuja. I only managed to escape a certain death by the skin of my teeth.

I was, however, motivated by the words of Our Lord Jesus Christ in Luke 9: 62 that no one who puts his hand on a plough and looks back is worthy of the Kingdom of God. Now to be clear, nothing on earth can be compared with the Kingdom of God, but I believe that fighting for the

soul of Abia was a worthwhile venture and I was prepared to give it my all; no sacrifice would have been too great.

Eight years later, I returned to the turf again, unruffled and even more determined that something must give. Many were quick to write me off, but my motivation had gotten more profound. The state was in a critical state and unless something drastic was done, our land would be used as a metaphor for ruin and recklessness. Thank God for the never-say-die spirit of Ndi Abia; on the third attempt, the siege was broken and the rest, as they say; is history.

So, I stand here today and by God's grace, as the governor of Abia State, the first opposition candidate in the state since 1999 to win the governorship of Abia. Do you know why this was possible? Simple: we took the hard path, refused to compromise, insisted that the land was worth fighting for and the Almighty God blessed our efforts with victory. The lesson here is that we must be prepared to forego the convenience of popular opinion at a time like this to get to the truth.

I am therefore going to share my ideas on how we can collectively weather the storm that has arisen in the wake of the removal of subsidy on petrol by the federal government and then explore what can be done to holistically address the challenges, especially the impact on vulnerable groups and ultimately identify what structures to put in place by governments and businesses to take advantage of the opportunities that have arisen with this latest development because whether we accept it or not, every challenge offers opportunities for investors.

Beyond the business side, we must also look at what roles the university community can play to get us out of the woods through intelligent, market-oriented research. For so long, the research community has been isolated from so much that is happening outside the campuses, so perhaps we can see in this present challenge an opportunity to rebuild the broken marriage between the gown and the Nigerian town.

Lastly, I would share some of the initial steps we have taken in Abia State to solve the larger economic and social problems of poverty, unemployment and general sense of hopelessness, the challenges that spurred me to throw my hat into a very difficult ring, in the first place.

This last part is important because I believe that we cannot deal with the many challenges that confront us as a nation, including the ones that just got exacerbated following the removal of subsidy on PMS, by focusing exclusively on what happens in Abuja.

Nigeria runs a federal system, albeit an imperfect one, so while we constantly keep our eyes on the bigger picture, we must always be attentive to what is happening across the federating units, especially in places where we have some forms of influence, be it voting powers or a voice that resonates across the community.

Above all, I would be uncharitable to this special audience if I make endless suggestions on what needs to be done without telling you what I am doing to lessen the socio-economic burdens of the common man living or doing business in Abia State where I hold executive powers.

3.0. What is Subsidy and Why Does it Matter?

Generally, subsidy represents a system put in place by an entity (government for the purpose of this lecture) to offset a part of the economic cost of supply for a particular commodity or service in order to keep the prices below the actual market value. Insights from Ovaga and Okechukwu (2022) represent subsidies as financial or non-financial incentives provided by the government or other organizations to support specific industries, sectors, or individuals.

Essentially, subsidy connotes an attempt by government to distort the market value of a commodity for reasons connected to politics, economics, or social concerns. A study by OECD defined subsidy as any government action or initiative that reduces the amount consumers pay for a unit of the subsidised commodity. For the Centre for Public Policy Alternatives, subsidy represents a reverse tax.

As many scholars have argued, subsidies are introduced to alleviate economic burdens, promote growth, and address market failures. Across the world, subsidies can come in forms of policy measures and frameworks such as targeted public expenditure, equity infusions into some categories of businesses, tax incentives to individuals and businesses, zero to low - interest loans,

government provision of goods and services, procurement patterns that favour some categories of businesses, and price support targeted at specific or general consumer groups.

Holistically, subsidy in all its variants entail conscious and systematic effort by government and its institutions to support a particular actor or group of players within the larger economy in order to achieve certain pre-determined objectives which as indicated earlier, could be political, economic or social. These economic agents may be consumers or producers.

A 2023 PwC publication argued that the Nigerian economy is heavily subsidised with government's extensive control measures seen in critical sectors as education, electricity, FOREX and, for almost five decades, petroleum products. We can also add agriculture and health to this expansive list. On a deeper reflection, one would also realise that religious pilgrimages also receive heavy subsidies from federal and state governments.

In its finest form, subsidies can be used to protect local industries against external competition when it is channelled to support domestic producers by lowering cost of production, drive higher investment capital and stimulate domestic demand.

Furthermore, it can also represent a mechanism for offering consumption support to individuals and families, insulating them from the vagaries of the wider global or local market and improve access to goods and services that are deemed critical by the government. The introduction of petroleum product subsidies in Nigeria in the 1970s is a clear example of use of subsidies to protect domestic consumers.

Subsidies are applied by governments across developed and developing economies in pursuit of different outcomes with agriculture and energy products ranking amongst the most subsidised commodities.

The US Federal Government, for example, spends about \$30 billion annually on Agro subsidies, the numbers begin to get to \$75b if States and Municipal subsidies are considered. Across the Atlantic, governments within the EU economic block spent about €184 billion on energy subsidies in 2021, while recent reports indicate that the amount is approaching the €800 billion mark for 2023.

Subsidies can be direct or indirect. Examples of direct subsidies include price controls (as was the case with petrol in the country until May this year), tax exemptions and the extension of provisional grants.

In all of these, one finds that the government through these mechanisms is keenly interested in providing direct support to consumers (price control, and provisional grants when targeted at families and individuals) and producers (through the offer of tax exemptions, and provisional grants when targeted at small or large-scale businesses).

Indirect subsidies on the other hand capture the broad set of initiatives and frameworks put in place by the government to support the production of a specific set of goods or the provision of certain services that have implications for national growth, development, and public interests. Forms of indirect subsidies, according to Centre for Public Policy Alternatives, would include the creation of favourable regulatory frameworks, institutionalised support for research and developments.

Speaking to the specifics of petroleum subsidy, Ovaga and Okechukwu (2022) described it as government's discount on the market price of fossil fuel to make consumers pay less than the prevailing market price of fuel. As Ozil and Obiora (2023) posited, the existence of subsidies means that consumers pay below the market price per litre of the product.

A 2023 study by Deloitte took a similar line of thought and explained subsidy on petroleum products as the transfer of money from the government to an entity (one with responsibility for the supply and distribution of petroleum products), leading to a decline in the product's price. A lower-than-actual-market price brings about an increase in demand and, ultimately, the shifting of the demand curve to the right.

As Akanbi (2023) opined, government subsidy on petrol is designed to compensate for the disparity between the actual retail price as determined by the global realities of crude oil and refining prices and what is sold at fuel pumps across the country. Furthermore, subsidy payments to the oil marketers are also used to cover the cost of product transportation across the country as a way of maintaining price uniformity from north to south.

Like all forms of subsidies, petrol subsidy was a policy instrument used by the federal government to guarantee access to the products for millions of individuals and businesses, insulating local consumers from the notorious volatilities of the global oil market. As Popoola (2020) and Soremekun (2023) pointed out, subsidy on petrol were designed to keep transportation cost affordable, especially for many low-income individuals and families. This argument takes cognisance of the fact that across Nigeria, most vehicles run on petrol. One can also add that because transportation cost is one of the main drivers of inflation, especially of food and agricultural products, the subsidy instrument was used to manage food inflation across the country.

Subsidies, we can generally argue, are a very controversial tool for driving an economy in a certain direction, pursuing targeted outcomes while using the financial muscles of the government to empower either the consumers by keeping the prices of particular products (petrol in this case) below the supply costs or by supporting producers in ways that lower their production and general supply costs, enabling them to ultimately reach certain milestones whether it is offering the commodities they produce at lower prices or insulating them from competitive pressure of foreign players.

4.0. The history and dynamics of petrol subsidy in Nigeria

Subsidies in Nigeria have a very long and controversial history. They were first introduced in Nigeria in the 1970s by the Gen. Yakubu Gowon military administration, ostensibly to insulate poor Nigerians from the effect of the oil price shock of 1973. The system, however, became institutionalised in 1977 under the Gen. Olusegun Obasanjo administration following the introduction of the Price Control Act. This Act regulated the costs of certain goods, including petroleum products.

The introduction of this quasi-legislation was the military administration's response to the crisis of global inflation at the time. The provisions of the Act made it illegal for the products of interests, especially petrol and other derivatives of petroleum, to be sold above regulated prices.

The interventions were supposed to be on a short -term basis but as Milton Friedman rightly

posited in his 1984 book “Tyranny of the Status Quo,” nothing is as permanent as a temporary government programme.

Government subsidy on petroleum products started off with an annual outlay of less than \$1 billion in the 1970s and 1980s but ballooned to an estimated \$6.09 billion on petrol alone in 2022 according to insights in Ozili and Obiora (2023). This sum, N4.4 trillion in local currency, constituted about 23% of the total national budget and dwarfed the entire public expenditure on health, education and infrastructure, which stood at just over N3.5 trillion.

As stated earlier, the issue of subsidy in Nigeria is as political as it is economic leading to unending controversies. While several stakeholders, since the President Olusegun Obasanjo era in the 2000s had acknowledged that subsidy payment was severely short-changing our potentials as a nation, the hard task was to convince labour unions, trade associations and several other interest groups, that we cannot make so much progress as a nation if we keep spending more for imported petrol than we do for our critical sectors.

President Obasanjo faced endless battles with labour unions and organisations in his effort to draw us out of the addiction of subsidised petrol and a 2012 attempt by the Goodluck Jonathan administration to withdraw fuel subsidy payment was met with riots and street anger. President Muhammadu Buhari severally toyed with attempts at putting an end to the subsidy regime, but never really succeeded.

For the purpose of clarity, several attempts to eliminate subsidy payments by various governments in Nigeria suffered great pushbacks in the public domain owing to allegations of corruption, absence of transparency in the subsidy administration process and general concerns that savings made from withdrawing subsidy would be diverted. These are legitimate concerns in the light of our perennial history of mismanagement and the absence of accountability on the part of public officials.

Controversies around subsidies and whether or not they should be removed are not limited to Nigeria. Removal of subsidies on petroleum products and the consequent jump in the prices of essential commodities especially food and energy have led to social tensions, anxiety and

spontaneous outbreak of riots in several countries including Jamaica (1985), Bolivia (1985), Jordan (1996) and Algeria (1998). An attempt to eliminate subsidy payment in 2019 in Ecuador led to street uprising, forcing government to quickly return to the old order.

We can argue that the reluctance of previous administrations to successfully eliminate payment of subsidies is down to fear of social uprising, especially amongst those on the lower rungs of the economic ladder.

5.0. Ending the fuel subsidy in Nigeria was a matter of economic survival.

A 2023 study by PwC established that in the last 18 years, the Nigerian government spent an estimated \$30 billion on subsidy payment. In 2022 alone, the fee was N4.4 trillion and about 25% of this sum was borrowed.

Table 1 shows the Nigeria government’s expenditure on the critical sectors of our national life vis-à-vis the outlay on subsidy over the past 9 years.

Critical Sectors	Expenditure (in trillions of naira)
Defence	7
Education	6.2
Health	4.2
Fuel Subsidy	11.5

Table 1: Government expenditure across critical sectors vis-à-vis spending on subsidies

Source: PwC, 2023.

On the basis of the data presented in Table 1, it is obvious that there can be no argument to justify the continuation of the subsidy regime, although the point can also be made that a few structures should have been put in place to mitigate the shock and offer an appropriate safety net to the poor and vulnerable who now have to bear the inevitable brunt of rising inflation as a result of higher transport costs as a KPMG (2023) study found.

The point, however, must be made that there had been two difficult choices before us since 2010: to continue the controversial payment of subsidy to elite oil marketers while the nation walked quickly to the edge of financial bankruptcy and ultimate collapse or as a June 2023 publication by Deloitte stated, “bite the bullet” and put an end to the haemorrhaging of the nation’s treasury with the attendant short to medium term hardship on low and middle -income individuals and families. Whether the economic pains and difficulties as we are witnessing now would continue in the long run or escalate into something much scarier would boil down to how well the challenges are managed at all levels by governments and businesses.

5.1. The hard question: does subsidy really benefit the poor?

The singular biggest argument, especially by public commentators, to justify the continuation of the subsidy regime is that subsidy insulates poor households from the uncertainties of the global oil market. While this may make sense on the surface as government must at all times demonstrate compassion for the poor, not a lot of people have really taken time to understand how the poor actually interacts with the system and the nature of benefits that accrue to them on the strength of the existence of fuel subsidy.

How much does the average low-income household spend on petrol monthly? How often do you see them on the road in petrol-gulping SUVs? How many financially constrained homes rely on petrol generators to supply electricity to their homes every night? Of the 103 million litres daily of petrol consumption in Nigeria, as at June 2022, according to the GMD of NNPC, what percentage was consumed by households in rural communities or poor urban suburbs? There are a lot more uncomfortable questions that can be asked. At the same time, there are also a few things we must now know.

A May 2023 report by PwC indicates that households in the bottom 40% of the income distribution ladder account for less than 3% of all fuel purchases. Think about this for a moment. The simple import of the above information is that the government spent about \$30 billion in the last 18 years paying subsidy for commodities that the major consumers can afford without such hefty support.

Petroleum products subsidy in Nigeria, in its practical application, benefited the rich 97% of the time while the poor man only had crumbs through intermittent public transportation. You can stretch things further and find out from your experience in your respective local communities; how often do you find poor people inside public transportation? We know how they go to farms, evening markets and community events. They clearly don't need online cab hailing services for any of those.

Consider also that most vehicles used in public transportation such as large mass transit buses run on diesel, which had long been deregulated, alongside kerosene, another product that is patronised mostly by low-income families. Again, ask yourself, who were the real beneficiaries of petrol subsidies? Certainly not the poor, for the most part.

5.2. Subsidy payments actually enabled serious acts of cross-border economic sabotage

Subsidy payment was designed to help poor Nigerians, keep transport costs low and tame inflation as a result of high input costs. Well, that is what the theory says. But a whole lot more was happening. According to Mele Kyari, the NNPC GMD, of the 103 million litres of petrol reportedly consumed daily in the country at the time, a whopping 58 million litres were smuggled to neighbouring countries. As per my articles mentioned above, our daily consumption moved from 30million liters in 2017 to 58million liters in 2019. Again, think about this: inexpensive petroleum products in Nigeria were used to enrich smugglers who make extraordinary profit just by moving the product across the border. Does anyone think that it makes sense for Nigeria to pay daily for 58 million litres used in other countries? Nigeria paid N600 as subsidy for every litre of petrol imported into the country last year according to official figures. If you do the maths, you will agree with me that indeed, there was an urgent need to look at things differently and face the issues as they are.

5.3. Funding elite corruption

The old arrangement, which only approves subsidy payments for imported petrol, meant that the major beneficiaries were elite businessmen, those who can pool the resources to go into fuel importation. This system encouraged arbitrage, waste (a part of the payment for subsidy covers

demurrage and transportation inefficiency) and other forms of corruption as a result of the absence of effective monitoring and reporting systems and deliberate manipulation of the system by connected individuals in connivance with dishonest officials.

The complexities of the subsidy regime encouraged a lot of unwholesome practices. In the end, rather than benefit from the extensive outlay as had been originally intended, the poor ultimately find themselves funding (through our collective resources) the extravagant lifestyle of the rich and highly connected.

5.4. Subsidy crippled investments in the Petroleum Sector

Have you taken time to find out why Nigeria is the only major oil producing country in the world without a functional refinery? Is refining of crude oil so expensive and unprofitable that for over 20 years, no new refinery has come on stream?

Now here is an insight: subsidy is a market distorting mechanism that creates uncertainty in the extended value chain of the petroleum industry. Payment of subsidies on imported products discourages local refining.

This, in part, may be why the four refineries in the country have hardly worked for a very long time despite series of reported turn around maintenances and humongous personnel outlay for thousands of staff who do nothing.

Since the system rewards elite businessmen for importing petrol into the country, a profit-seeking investor would have to think well before investing in the refining of crude petroleum in the country for obvious reasons. For one, he cannot compete with those who earn subsidies for fuel imports, as his prices would be higher than those of imported products. I will add that the lack of investments in domestic refining has damaged the nation's economy extensively, costing jobs, stifled the growth of ancillary industries and ultimately, denied the citizens the many benefits of living in an oil producing country.

6.0. Can a good idea be mismanaged?

The removal of fuel subsidy was clearly the right decision and should have been done about ten years ago or earlier, but even then, I am of the considered opinion that more could have been done to insulate the public from the anticipated shocks.

Being a policy that would introduce shock into the system, I believe it should have been communicated better. I do not think that much was done to properly educate the public on the issues at stake and the danger continued payment of subsidy posed to the economic health of the country. The impression had long been created that subsidies were government handouts to the poor. The evidence that the poor had not really gained as much as they thought could have been put in the public domain.

Over the years, one thing I have learnt in communicating policies and plans is that you can never get everyone to agree with your proposals. However, sincere and clear communication using varieties of channels would help on two fronts: buy you genuine public support and give your audience an opportunity to understand your intentions better. Additionally, timely communication helps lessen the shock that some drastic government decisions such as the petrol subsidy removal was bound to cause. That said, it must be noted that the pronouncement was made on the day the new government was sworn in, giving no room for robust engagement.

Furthermore, after it had been established that subsidy on petrol does not actually help the poor as had been argued in past, a more robust policy framework should have been developed to offer structured support targeted at specific areas of needs. As a World Bank report observed:

Nigeria is the only country in the world with a universal price subsidy that applies exclusively to PMS. Universal price subsidies for liquid fuels are almost always regressive, as the rich consume far more fuel than the poor. PMS subsidies are especially regressive because PMS is used primarily in light and medium-duty motor vehicles, which are rarely owned by the poor. Since raising PMS prices tends to have minimal adverse effects on poor households, governments worldwide have typically prioritised eliminating PMS subsidies over those that apply to other fuels. However,

Nigeria has done the opposite - eliminating all subsidies for liquid fuels other than PMS.

Why are we doing the opposite of what every other country in the world is doing? In Angola recently, the government reduced its subsidy payment on PMS but it strategically retained subsidies on other petroleum products including diesel, cooking oil, and gas oil. In Senegal, subsidy on kerosene, used mostly by the poor, remained while subsidies on other products were removed. If you pay careful attention, you will notice that the pattern in most developed and developing economies is to identify and pay subsidies on energy products that are mostly used by the poor to insulate them from the economic hardships that petrol subsidy removal would inevitably bring. In my view, these international standard practices should have been brought to bear before “biting the bullet.”

Importantly, deliberate considerations should have been made for the two categories of poor people in the country: the urban and the rural poor. While the urban poor would have benefitted extensively from a subsidised mass transit system, the rural poor would be more satisfied with cash transfers, food palliatives, farm inputs and low interest Agro-loan, targeted specifically at small holder farms.

The question of wages should also have been considered; although it is still not late. The truth, however, is that the national minimum wage must reflect current economic realities otherwise, what you get is starvation wage, which will inevitably lead to frustration and public anger. I know a lot of people would ask why I am recommending a recalibration of the minimum wage when many state governments are struggling to pay the current N30,000. The issue in my view, has to do with priorities. What are we focusing on? I have always harped on the unique place of the human being in the entire development process. Nothing else makes sense if the welfare of the population is not given primary considerations.

Our contention is that efforts could have been made to mitigate the impact of the inflation that was bound to follow the removal of fuel subsidy by putting in place, a new national minimum wage framework that would at least answer to the basic needs of the workers.

If these fundamentals had been put in place, then the challenges we are currently grappling with, especially as it affects the most economically vulnerable groups, may not have disappeared but could have been minimal.

7.0. Where do we go from here?

Recall that we had stated at the beginning that this would be a holistic presentation, laying out the issues part by part to enable a functional understanding of the core elements of the discourse. In this section, attention shall shift to identifying how to make the most of the immense economic opportunities that are bound to arise in the medium to long term following the removal of subsidy on fuel.

The first issue of interest should be defining how to protect the economically vulnerable from rising food and transportation costs. The truth, whether we accept it or not, is that many more people have fallen into the poverty trap since the removal of petrol subsidy on May 29. This much was recently acknowledged by the National Human Rights Commission (NHRC). The World Bank estimates that 7.1 million more people could be pushed into the poverty net in a matter of months.

The reason for the increased incidence of poverty is not farfetched. The general inflation rate at the end of August stood at 25.8%, the highest since 2005, food inflation 29.34% and transport fare rose by as much as 98% between May and June 2023 and about 120% when compared with the rate from May 2022.

To what extent has wages increased in the last 12 months? 2 months?

Higher fuel costs and unstable electricity supply from the power distribution companies have forced many small and medium -scale enterprises out of business and this gets worse every day, further complicating the worrisome unemployment situation.

Again, where do we go from here?

For a start, I would recommend the immediate development and implementation of robust policy measures to address the challenges of rising poverty and unemployment.

One, all levels of government must immediately invest in mass transit schemes, strictly as a social service and not as a moneymaking venture. However, they must be managed by people with a good understanding of how transportation within and across cities work. The mass transit buses must never be used as a political compensation programme otherwise, the aim would be defeated, even before it takes off.

I would support a fit-for-purpose partnership with registered transport unions and transporters to work out an effective system that would see the government acquire energy efficient buses and hand them over to the transporters with a mandate to cover certain routes and charge below-market rates, just enough to cover operational expenses and no more.

Priority should be given to civil servants and private individuals going to work every morning and returning home in the evenings. Fares must be moderate, possibly 50% of what independent transporters charge and where possible, commuters may be issued monthly electronic tickets which would be presented at the point of entry, limiting cash handling and the associated corruption.

Where possible, local bus manufacturers should be allowed to supply and maintain the buses to further stimulate the economy. Such buses should be powered by CNG (compressed natural gas) as it has been adjudged a cheaper source, even though their prices are going up. If every LGA in Nigeria acquires at least 5 of these big buses with a seating capacity of 50 persons at the minimum, all the 36 states and FCT buy an average of 100 units each and the federal government acquires about 2, 000 units for distribution and operations in all the major cities across the country, we would be looking at bringing close to 10,000 new energy efficient and comfortable buses into our transport system within the next one year.

Imagine the impact this would have on the economy if supplies are sought from local manufacturers in Anambra, Lagos, Kaduna and across other parts of the country. First, it would

create jobs for our abundant engineering talents, lead to increased demands for local raw materials and a major expansion of our national automotive capacity.

To be clear, it would be difficult to get almost 10,000 buses from all the local vehicle manufacturers in the country at a very short notice because of capacity challenges but we must begin with whatever they can avail us immediately, not losing sight of quality assurance issues.

I see so many wins from this singular proposal alone.

First, it has the potential to modify our intra and inter-city transportation system, replacing so many rickety vehicles with more standard, energy efficient buses which would be safer and help us in our carbon-limiting commitments as the world drives towards net zero emissions towards the middle of the century.

I also see so much happening in terms of job creation and economic rejuvenation across all parts of the country. This new arrangement would also lead to greater investments in CNG retail outlets across the country, and very importantly, the institution of a superior system for supporting the poor without sabotaging the national economy, as petrol subsidy did for more than four decades.

While the introduction of large capacity CNG buses would help mitigate the impact of the removal of petrol subsidy on the cost of transportation of persons and goods, we must also look at other means of supporting economically vulnerable groups in the country.

In this case, we must also look at offering temporary subsidy for cooking gas in 5kg to 6kg cylinders so as to achieve two things at the same time: number one, encourage households to migrate to clean energy for cooking and then provide them structured support in the light of the current high inflation in the country.

I am not advocating that this should be a permanent arrangement, bearing in mind the warning from Milton Friedman about short-term government programmes. This subsidy programme on cooking gas and gas cylinders can be designed to last for 18 to 36 months during which the

economy must have been stabilised and millions of families in rural and urban households supported to move away from firewood and kerosene stoves.

Importantly, we must be more clinical in the way we support low-income households. Presently, there is an \$800 million World Bank facility for cushioning the effect of the petrol subsidy removal targeted at an estimated 10.2 million poor households. The beneficiaries would be selected from the National Social Register and would be spread across the country.

To achieve the expected results this time, we must, as several stakeholders advocated recently, take a closer look at the present register and clean it up, use appropriate methodologies to capture intended beneficiaries across communities and make sure that the system does not become another vehicle for throwing money into the pockets of rich and connected individuals as has been the case for a very long time.

The larger concern is: if we provide financial support in the form of cash transfers to only about 10 million families, what happens to the others? Remember, NBS put the number of poor people in Nigeria at over 130 million in 2022. How do we take care of the others who would not be covered in the World Bank intervention?

This is where I think greater engagements amongst community stakeholders would be required. A system of collecting household income data across communities should begin immediately and processes must be put in place to avoid multiple and fake registrations and other forms of abuses. This time, efforts must be made to work with banks and financial institutions to capture the intended beneficiaries into the digital financial records, complete with the biometric details.

I would advocate that at least 25% of the savings from the removal of fuel subsidy, about N1 trillion from last year's expenditure, be used to support another batch of 20 million poor Nigerians for a period of 5 months.

Additionally, we can channel another 25% of the savings on public works initiatives, mobilising our army of unemployed youths to get involved in government-financed infrastructure projects, including roads and mass housing projects. This particular initiative would achieve two related

objectives: tackling youth unemployment thereby cutting down poverty levels and ultimately improving our public infrastructure.

To support MSMEs, which are critical engines of economic growth, we recommend that LGAs, states and the federal government must channel a part of their receipt from subsidy savings to that segment. Again I would recommend 25%, to support MSME businesses through training and capacity building, exposure to local and domestic markets, infrastructure support and lastly, provision of structured financing to existing and intending entrepreneurs.

I am of the view that the best way to harness the energy and creativity of our young people is to expand the enterprise space, take off the many restrictions that have been known to frustrate businesses such as multiple taxation and harassments by thugs. Additionally, we must give them the institutional support they need to compete on the same level as their peers from Southeast Asia. This is the best time to support our farmers, founders of innovative startups, fashion designers, entertainers, small-scale manufacturers and all the other individuals who are doing great things across Nigeria.

Lastly and for me, most importantly, there is no better time to invest in our power generation and distribution value chain than now. One more time, I would recommend we do this with the remaining 25% of the over N4 trillion we paid for petrol subsidy in 2022.

We should be tired of making excuses by now. The question going forward should be: what can we do to increase our power generation capacity in the short to medium term using a multiplicity of sources? This is not for me to answer from this podium, but as a matter of urgency, finding answers to this question holds the key to what becomes of Nigeria in the next decade.

With cheap petrol gone, foreign exchange trading at high rates and diesel prices reaching an all-time high, it is very likely that our manufacturing space would shrink further in the months ahead and the truth is that for now, there is very little that can be done to mitigate that reality.

If, however, we make the right choices in terms of the pattern of strategic investments in the electricity sector, a lot would be different in a few years. As we already know, there is no point re-inventing the wheel. All we need do is to look at what other developing economies with our

population size and economic system had done to stabilise electricity generation and distribution over the last two decades.

I would recommend that in addition to spending more to increase our electricity output for industrial and household needs, which is very critical in the absence of cheap petrol and diesel, we must also encourage private sector players to look actively towards the sector, leveraging on existing legislations. Big oil companies operating in the country, including NNPC, NLNG and others must be encouraged, using a combination of smart policy options, to channel a part of their earnings and profits into investing in electricity supply to support businesses and households and make the impact of the petrol subsidy removal less severe.

One more thing I must mention as I round off this segment is the golden opportunity we now have to invest in local refining of petroleum products. With subsidy on all petroleum products gone, the fear of market distortion is eliminated and investors can now take advantage of the new opportunity to tap into the sector by building modular and standard refineries as determined by business considerations.

As you can see, there are manifold opportunities for the country to reinvent itself economically in the light of the recent subsidy removal. All of these opportunities have clear potentials for improved welfare packages for the most economically vulnerable population, job creation, economic stability, strengthening the naira, attracting foreign investments, more efficient utilisation of our petroleum resources as we find in other oil-producing countries and a more practical path towards energy transition from crude oil to cleaner alternatives.

I would urge members of the university community to engage in more research and provide clear guidelines to the government on what more can be done in the short to long term to enable us fully harness the emerging opportunities from the recent removal of petroleum subsidy. I would personally support such researches, especially those with a bearing on fully exploiting our gas potentials because I believe that the future is gas.

There are sufficient, unexploited gas deposits in the country, more than enough to turn Nigeria into something very close to a fully developed country in the next two decades, if we do what is

right. The Abia State government which I lead will also be interested in going into partnership with investors in the gas sector because we are of the view that one thing we must begin to do is to invest public resources in areas where there are guaranteed returns and opportunities to drive the socio-economic agenda of the government. I will be open to further talks in this regard.

The point we must go home with today is that we can quickly turn things around, if only we develop the courage to make informed decisions on programmes relating to social and economic investments, using savings that will eventually accrue to the country and its federating units from the removal of petroleum subsidies.

It must be emphasised that most of the Issues dealt with here are short -term palliative measures to deal with the Issue. Ultimately, a more enduring solution would have to do with pulling people out of poverty by industrialising our country and ultimately developing it. I have written extensively on this.

8.0. Abia and support for businesses and economically vulnerable families and individuals

The day I was sworn in as governor was also the day the removal of subsidy on petrol was announced by President Bola Tinubu. So we met a very difficult situation that needed to be carefully managed.

We began by offering a message of hope to the people, assuring the civil servants that the era of owing salaries was gone and that by the 28th of every month, every legitimate staff of the state civil service would receive their full entitlements. We soon followed up by paying part of the accumulated arrears from the previous government. We are progressively supporting our civil servants by keeping to our commitment to prompt and regular payment of salaries and also clearing up arrears in order to increase the amount of disposable cash available to those in our employ.

We have also put in mechanisms that will make for smooth and seamless payment of pensions to all retirees as soon as they sign out from the state civil service. So far, appreciable progress

has been made and I can tell you that while a few teething problems remain, our pensioners are beginning to see clear signals that in the New Abia we are building, owing senior citizens their entitlements would be an anathema.

Beyond just paying them, we have also directed the State Ministry of Health to enrol a certain category of pensioners in the state into a health insurance scheme that guarantees steady access to quality healthcare for our retirees. So far 4, 700 pensioners have been enrolled and we shall add to this number in the months ahead.

To support those running their private businesses, we gave tax holiday to micro, small and medium enterprises, asking that all forms of levies and taxes be stopped to enable them manage the shock, especially in the early days. We are continuing to streamline the revenue collection process to enable efficiency, cut out double taxation and make the system independent in ways that limit the activities of middlemen. Through the appropriate agencies and boards, we have also harmonised the revenue collection process, working with LGAs to adopt a single collection framework for ease of tax administration and convenience for all parties.

The state has so far received about nineteen thousand 50kg bags of rice from the federal government and we insisted that the committee in charge ensured that only the poorest of the poor in communities benefitted. Government appointees, traditional and religious leaders and other well-to-do individuals were excluded. Importantly, we directed that the local communities should be the point of distribution as a way of cutting out *palliative profiteers*, individuals and groups who come under different umbrellas to make claims on such items and then hoard them for themselves. The committee gives us regular briefs and reports and in the few places where we noticed deviation from the template, the individuals in charge have been directed to follow the guidelines accordingly or face sanctions.

The State Palliatives Management Committee was directed to study how we can invest the N2 billion palliative fund we got from the Federal Government into mass transit schemes. We shall be getting their report soon so that we can work together to see how the cost of transportation can be reduced for commuters plying intra and intercity routes, focusing clearly on fixed income

earners, whether in government or private establishments. This programme shall go into effect in Aba and Umuahia before the end of the year.

We also launched free medical service programmes in all public hospitals in the state so that in this period of economic difficulties, lack of cash would not stop people from attending to their health needs. So far, thousands of individuals, including pregnant women, nursing mothers, and others with various ailments, have been attended to. The on-going free medical services cover surgeries, including eye operations, drugs, laboratory scans and related diagnostic services.

We are presently working on a template to pay transport-support allowance to civil servants starting from this month. Our plan is to raise current salaries by a certain percentage, depending on grade levels. The aim is to cushion the harsh impact of the rising inflationary trend on their earnings and support them to provide the basic things for their families.

Our plan to launch a N10 billion MSME fund as announced on our inauguration day is still on course and we would soon conclude the modalities for accessing the funds. The target shall be existing and intending entrepreneurs with innovative and bankable ideas.

The present government in Abia is very business-friendly and the grand plan is to make Abia the leading MSME hub in all of Africa. May I use this opportunity to encourage students who intend to go into entrepreneurship on graduation to look no farther than Abia State. We are building the new prime investment decision in Nigeria and our target is the young innovative individuals with ideas that can turn the economic fortunes of the country around. Whatever you intend to build, an IT startup, an Agro venture, a small scale processing facility, a fashion empire or a service outfit; our government will accompany you through an effective support system that can give you the edge to compete globally.

It is our conviction that when MSMEs are well funded and supported, the problems of unemployment and poverty, critical metrics for measuring economic development, would be curtailed and people can live in dignity, a very important idea for this great university.

We are also partnering with independent power producers and others in the electricity value chain to identify how we can support them to come in and help the growth of the enterprise

space in the state. As we have mentioned repeatedly, we are tired of excuses and our commitment is to do whatever we can to help individuals and businesses, in the way a government should.

Our extensive commitments in road rehabilitation and reconstruction are also aimed at increasing investments in the state, which ultimately would lead to higher employment opportunities for our young people and expansion of business opportunities for MSMEs.

The ultimate agenda is to systematically improve the investment climate in Abia so that the environment does not sabotage the efforts of our entrepreneurs who pass through severe difficulties to remain in business.

While we do these for the small business, we are not closing our eyes to the big ones. It is in this light that a few days ago; we flagged of what promises to be one of the largest industrial parks in West Africa, the Abia Industrial and Innovation Park, in Owaza, Ukwu West. When completed, the park would boast of a modular refinery, a petrochemical and fertilizer plant, a technology hub, a gas processing facility, an agricultural processing zone, a seaport, amongst other facilities. Major International Oil and Gas companies have indicated interest to locate at the prospective Export Processing Zone as it would have a 24 hour uninterruptible gas powered electricity.

9.0. Conclusion

Dear Lions and Lionesses, I acknowledge that things are hard, but we must also open our eyes to see the new vista of opportunities that this difficult season has opened for us. We must be focused on what we can do to harness the latest prospects for economic expansion and growth.

It would be painful, most times unbearable, especially for those of you who are students or the staff who are on fixed income. I would want to see the expansion of scholarship opportunities for thousands of our brilliant students in this hall. This is a conversation I hope to personally take up with fellow governors, especially in the South-East region.

Nothing must stand in the way of the education of our young people because we shall be doomed if we compromise any further on our investments in quality education. I do not just mean

funding the desperation to acquire certificates, but something more holistic as this university has been doing for 63 years. Education is something we must take even more seriously, especially now that the world has moved from a resource-based economy to a knowledge economy.

While the University of Nigeria has done brilliantly well in the past six decades and three, I would still want to see even more improvement in terms of its outputs; something geared towards solving the plethora of problems that confront, not just the Nigerian society, but our world at large. Education for all its glory and appeal would be useless if it can find no practical application in the wider society. Whatever is learnt here must be valuable to the students on graduation, helping them unlock, in the words of George Washington Carver, “the golden door to freedom.”

The government at all levels, especially our respective LGAs and states, must as a matter of priority, step in to assist the students to support their education. I am working to revive the Abia State Scholarship Board to become more effective, service oriented and transparent in its operations. I would also increase the annual subventions to the board and appoint quality and competent hands to build it into a robust vehicle for helping hundreds of thousands of Abia students scattered across educational institutions in Nigeria, especially those from financially poor homes.

On an individual level, I have continued to sponsor hundreds of students in tertiary institutions through the Alex Otti Scholarship programme managed by my foundation. We hope to make it bigger in the years ahead. I am humbled to acknowledge that no less than 30 of the Alex Otti Scholars in this school are in this room today.

Let me encourage you my dear students: remain optimistic and hardworking. Every great man or woman you see today has an interesting story to tell about passing through difficulties and pains and then overcoming them to get to where they are. You shall rejoice in the end if you do not give up.

Let me once again thank the VC, Professor Charles Igwe, and the entire leadership of the University for inviting me. I shall continue to treasure my special relationship with UNN and

whenever or wherever there are areas where my office and this institution can work together, please do not hesitate to let me know.

Thank you for your leadership role in university education in Nigeria, thank you for keeping the vision of the founders of this university alive. Thank you for continually honouring the legacy of our great fathers including the great and immortal Zik of Africa, Dr Nnamdi Azikiwe, the visionary Sir Michael Iheonukara Okpara, and several other thinkers and masterminds who gave so much that this University, the first of its kind in the country, shall stand on this soil today. You have shown great resilience in administration and scholarship and it is my expectation that you shall lead the country into new frontiers in research excellence; ones that are geared towards holistic national development.

Above all, thank you for producing quality individuals whose expertise in diverse fields of learning is changing the world, improving our relationship with the environment, and most importantly, teaching us that indeed, the search for the truth is a continuous quest.

Thank you for listening. We shall see again.

Dr Alex C. Otti, OFR,

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