



Position Paper

Remove Subsidy, Protect the Poor

Dated 24th January 2022

1. The Government through the Minister of Finance, Budget and National Planning, Zainab Ahmed earlier announced that the government would stop subsidy payments on petroleum products in June. Unfortunately, the government reneged on its initial position in a meeting reportedly convened by Ahmad Lawan, President of the Senate with Zainab Ahmed, Timipre Sylva, Minister of State for Petroleum Resources, Mele Kyari, Group Managing Director, NNPC Limited in attendance.
2. The statement that the President is unaware of the commitment to remove subsidies is misleading. The real issue is not whether the President is aware of its removal or not because the President presented the 2022 budget, and signed the Appropriation Bill into law which signaled the removal of subsidy in June as only N443 billion was appropriated for subsidy payment from January to June 2022.
3. Also, The President signed the Petroleum Industry Act (PIA) which expressly gave the government six (6) months to remove subsidy on petrol and allow market forces determine the price. Hence, the decision of the government to suspend the subsidy removal beyond February 16 2022 (6 months) is illegal and in direct breach of the PIA. The President cannot claim to be ignorant of the law he signed.
4. Currently, payment for petrol subsidy costs the government over N250 billion monthly.¹ In a year, the government will spend over three (3) trillion naira on subsidy and this is likely to increase if crude oil price increases globally. It is unfathomable that in a pandemic the payment of subsidy is almost double the entire health and education budget. Only N820bn (5%) was allocated to health, while education sat at N1.29 trillion (7.9%) with a country of over 200 million people. We cannot justify spending less than 13% of our budget on both health and education when subsidies will be taking 17.5% of the budget. The situation is even worse when we consider the fact that the government is wantonly borrowing money and egging towards a debt crisis because we are funding subsidies.
5. Equally disturbing, the government pays an estimated N30 billion every month as electricity subsidy and between 2019 – 2021 over N1 trillion was spent despite the sector being privatized over eight years ago.

¹ The Cable Reports <https://www.thecable.ng/we-cant-continue-zainab-ahmed-says-nigeria-losing-n250bn-monthly-on-fuel-subsidy>

6. Apart from the glaring policy inconsistency, the government refusal to remove subsidies will mean that our revenue woes will continue this year and, in the years to come.
7. The Youth Party vehemently opposed the decision of the government to continue with subsidy. With our revenue realities the government simply cannot afford paying subsidy, hence it should shun dodgy politics and do the right thing. We believe that subsidy on petrol should be gradually removed within a space of six (6) months and subsidy on power should be removed immediately as these payments are not sustainable, they are another consumption subsidy which is not fruitful in the short, mid and long term.
8. Subsidy reduces the amount of funds available for infrastructure and critical sustainable development goals especially when we are not generating enough revenue. We vehemently urge the removal of this subsidy as it will free up a lot more funds for developmental projects and enable the government to strategically channel spending towards growth-enhancing investment in infrastructure, security, education, and healthcare. If the government continues with its intention to suspend the subsidy removal, our nation cannot grow and adequately compete globally.

A social assistance program through targeted transport subsidy

9. The International Monetary Fund also recommends that Nigeria eliminate subsidies and implement a targeted social assistance plan to cushion the negative impact of cutting subsidies on the poor. The current fuel subsidy regime is not directly targeted at the poor hence the rich benefit more from this regime.
10. In our Bold Revenue Plan³ we clearly averred that to cushion the effect on low- income households during the removal period, the government subsidizes public transportation. This should be carried out by allowing public transporters to continue to buy fuel at subsidized rates either through a weekly voucher system or exemption from certain statutory fees with an agreement to maintain transport fare at the same rates. It is important to note that most countries subsidize public transport to assist the poor and vulnerable.
11. We further urge the government to partner with the public transport interest groups like Nigerian Labour Congress and National Union of Road Transport Workers to ensure that the removal of fuel subsidy does not affect the poor.

² Nigeria: Staff Concluding Statement of the 2021 Article IV Mission available on

<https://www.imf.org/en/News/Articles/2021/11/19/nigeria-staff-concluding-statement-of-the-2021-article-iv-mission>

³ Our Bold Revenue Plan is available on <https://usercontent.one/wp/youthpartyng.com/wp-content/uploads/2015/10/Youth-Party-A-Bold-Revenue-Plan-16-3-20.pdf>

12. As we have earlier stated in our position paper on the 2022 budget⁴ and our bold revenue plan, we are deeply concerned that the payment of subsidy is a major reason our debt profile keeps increasing and our fiscal irresponsibility is glaring, we urge the government to ensure its removal.

We recommend the Government should adopt the following;

1. Remove petrol subsidy within 6 months to free up funding for critical infrastructure.
2. Remove electricity subsidy immediately.
3. Speedily implement the Petroleum Industry Act to allow market forces determine the price for petrol.
4. During the period of removal subsidize public transport to reduce the effect on low-income earners and the vulnerable.

⁴ Position Paper 2022 Budget: A Journey Towards an Unsustainable Debt Crisis
<https://usercontent.one/wp/youthpartyng.com/wp-content/uploads/2015/10/YP-Position-on-2022-Budget-3.pdf>