

Ghosts in the Machine: Informality, Implementation Failure, and the Active Destruction of Trust in Nigeria's Subsidy Reform

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ABSTRACT

The 2023 removal of Nigeria's fuel subsidy, which was supposed to free up fiscal resources for development, resulted in dramatic price hikes, inflation, and widespread popular anger. This paper contends that the reform's failure arises not only from technical or planning shortcomings, but also from the ubiquitous effect of informal institutions on policy implementation. Fuel merchants, bureaucratic gatekeepers, and political elites formed networks that influenced pricing, distribution, and palliative measures, shifting benefits and undercutting compensatory efforts. Using a qualitative single-case study and informal institutions theory, the analysis shows how these individuals deliberately undermine formal changes, resulting in active trust destruction, in which citizens regard policy failure as deliberate rather than incidental. The findings indicate that ad hoc and opaque relief measures enhance distrust, limiting the legitimacy gains of reform. The report concludes that without institutionalised transparency, effective monitoring, and regular compensation, Nigerian subsidy reforms will continue to fail, growing public scepticism and jeopardising economic and political stability.

Introduction

Nigeria's 2023 fuel subsidy reform highlights the persistent tension between policy ambition and practical implementation in contexts dominated by entrenched informal networks and neopatrimonial governance. Technocratic initiatives aimed at fostering fiscal flexibility and economic growth repeatedly encounter structural barriers that privilege elite interests over broad-based welfare (Oyedepo, 2022; Mustapha, 2023). President Bola Tinubu's announcement of the 2023 subsidy removal framed it as a mechanism to liberate trillions of naira from a system consuming roughly 5% of GDP, with the intention of reallocating resources to infrastructure, healthcare, and social protection (International Monetary Fund [IMF], 2023). Yet, the policy transition produced severe economic dislocations: gasoline prices rose from N185 to over N1,000 per liter by 2025, inflation peaked at 34.2% in 2024, and multidimensional poverty affected 63% of Nigerians, exacerbating food insecurity and transportation costs for informal workers (National Bureau of Statistics [NBS], 2024). The failure to manage the transition effectively provoked widespread demonstrations, social unrest, and a deepening crisis of public trust in economic governance.

Fuel subsidies in Nigeria have a long history, originally designed as protective measures against global price volatility following the 1970s oil boom. Over decades, however, they evolved into major avenues for corruption and elite rent-seeking. NEITI (2022) reports indicate that fraudulent importers and complicit officials misappropriated N2.2 trillion between 2011 and 2021. Past reform attempts Obasanjo's partial deregulation in 2004, Jonathan's reversal amid the 2012 Occupy Nigeria protests, and Buhari's tentative reforms were consistently undermined by elite resistance and public discontent (Adam, 2021; NEITI, 2022). Informal actors, including border syndicates and political patrons, routinely captured rents far exceeding official allocations, embedding a cycle of governance failure.

The 2023 reform offered temporary budgetary relief but was marked by significant implementation challenges. Ad hoc cash transfers via unreliable digital wallets, bulk rice distributions prone to mismanagement, and unfulfilled commitments regarding compressed natural gas (CNG) disproportionately affected informal workers particularly rural women and small traders due to incomplete social registries and insufficient outreach (World Bank, 2024; African Development Bank, 2024). A 2024 NEITI audit revealed that 30% of relief funds were misallocated to non-existent beneficiaries, amplifying socio-economic inequalities and fueling civil society mobilization, notably the #EndBadGovernance movement (NEITI, 2024).

These outcomes must be understood within Nigeria's neopatrimonial framework, where democratic institutions coexist with clientelistic networks. Petroleum revenues constitute approximately 70% of federal finances, and subsidies operate as instruments of elite allegiance amid fiscal tensions between central and state governments (Resnick & Osei, 2023). Tinubu's rapid policy decisions, lacking systematic elite coordination or public engagement, contributed to naira depreciation (from N460 to N1,600 per USD), imported inflation, and

unaffordable staple foods, which provoked urban protests (NBS, 2024). The absence of strategic planning and stakeholder engagement underscores the fragility of Nigeria's governance capacity and its vulnerability to both bureaucratic inertia and informal sabotage.

Comparative experience demonstrates that subsidy reform need not trigger social upheaval if executed strategically. Indonesia's 1998 subsidy reductions, implemented alongside investments in refinery capacity and transparency mechanisms, successfully alleviated fiscal pressure without provoking public unrest (Beatty & Villanger, 2020; IMF, 2023). Similarly, Ghana's 2014 reform combined price increases with indexed support for farmers, maintaining economic stability while mitigating social dislocation (Beatty & Villanger, 2020). In contrast, Nigeria's reforms lack credible enforcement, independent oversight, and structured stakeholder engagement, allowing informal actors to manipulate scarcity and undermine public confidence in governance (Ovadia & Ajide, 2024).

The erosion of public confidence in economic stewardship stems not only from unforeseen policy failures but also from deliberate policy mismanagement, elite capture, and manipulation of material and informational channels. Unlike passive distrust generated by unforeseen policy failures, active trust destruction occurs when policymakers or informal actors intentionally exploit institutional weaknesses, perpetuating inequality and undermining legitimacy. In Nigeria, such dynamics are evident through the misallocation of subsidies, exclusion of vulnerable populations, and deliberate obfuscation of policy implementation. These mechanisms critically undermine tax compliance, exacerbate debt servicing burdens, and increase vulnerability to populist demagogues, thereby threatening democratic consolidation and economic stability (Afrobarometer, 2024; NBS, 2024).

Nigeria's fuel subsidy reform exemplifies these broader governance challenges, where recurring policy initiatives fail to restore public trust or achieve intended economic outcomes. This persistent failure raises important questions about the underlying factors driving policy mismanagement and trust erosion. Therefore, this research seeks to investigate how deliberate institutional manipulations and governance deficiencies influence the effectiveness of subsidy reforms and their impact on public trust and economic stability in Nigeria.

Comparative experiences highlight Nigeria's deficiencies. Indonesia in 1998 and Ghana in 2014 provide structured examples of subsidy reform implemented alongside social protection and institutional strengthening, demonstrating that political and economic shocks can be mitigated with strategic planning. Nigeria's absence of coordinated reform strategies, independent oversight, and reliable mechanisms for social protection exposes the system to manipulation by informal actors, amplifying inequality and actively destroying public trust.

Studying this issue is essential because fuel subsidies are central to Nigeria's fiscal and social welfare landscape. Mismanagement directly impacts economic stability, social cohesion, and confidence in government. Investigating how informality undermines implementation and erodes trust provides critical insight into designing effective, equitable, and politically feasible reforms.

Hence, this study proposes two research questions as follows. First, how do informal networks and neopatrimonial practices influence implementation failure in Nigeria's 2023 fuel subsidy reform?. Second, what mechanisms constitute active trust destruction in the context of subsidy reform?

Literature Review

Understanding the failure of Nigeria's 2023 subsidy reform requires a framework that integrates informality, policy implementation, and trust dynamics. Traditional analyses treat these literatures separately, yet in practice they intersect: informal institutions shape implementation pathways, which in turn influence perceptions of legitimacy and trust. Drawing on this perspective, the present framework positions informality as both a structural and strategic force that mediates policy outcomes, while implementation assemblages act as sites where formal rules and informal practices interact, ultimately affecting public trust.

Informality as Structural Logic and Strategic Practice

Informality in emerging nations transcends unregulated labour markets and untaxed enterprises, functioning as a governing principle ingrained within official institutions (Meagher, 2021; Rogan & Skinner, 2022). Nigeria's economy, characterised by 87% of employment being outside formal wage contracts, illustrates the structural entrenchment of informal networks (Chen, 2020; Kanjuo, 2023). In the context of subsidy reform, these networks assume either substitutive or complementary functions. Informal substitution transpires when participants circumvent official regulations to reallocate resources or establish alternative pathways, exemplified by ghost disbursements, cross-border arbitrage, or unverified beneficiary distributions (NEITI, 2025; Budlender, 2022). Complementarity occurs when informal activities bolster formal objectives, shown by informal beneficiary verification in the absence of complete formal registers. Comprehending the equilibrium between substitution and complementarity is essential for elucidating why reforms may appear successful superficially while failing substantively.

This viewpoint corresponds with the notion of institutional bricolage, wherein informal agents depot marketers, political middlemen, and agency insiders reconfigure formal regulations to sustain neopatrimonial equilibria and secure rents (Resnick & Osei, 2023; MacLean, 2024). Although traditional literature tends to idealise informal flexibility, empirical evidence indicates it often perpetuates exclusionary results. In Nigeria's post-2023 palliative initiatives, informal intermediaries misappropriated 25–35% of allocations, perpetuating elite control over public resources and constraining redistributive efficacy (NEITI, 2025). This highlights the significant impact that informal agents can have on perpetuating inequalities and hindering effective distribution of resources.

Implementation Assemblages and Hybrid Governance

Policy implementation is increasingly understood through hybrid frameworks that integrate top-down faithfulness with bottom-up improvisation, highlighting the adaptive capabilities of implementation assemblages (Hill & Hupe, 2022; Treib, 2024). An implementation assemblage consists of a dynamic network of people, norms, technology, and institutions whose interactions dictate policy results. In clientelist settings, these configurations interact with informal institutions, resulting in rent-seeking modifications when capacity deficiencies are present (Pérez-Nievas et al., 2022; Ovadia, 2024). In Nigeria, union resistance, gubernatorial authority, and street-level officials capitalised on delays and procedural uncertainty to entrench patronage and subvert formal objectives.

Informal substitution transpires when players circumvent formal regulations through assemblages, while informal complementarity emerges when informal activities facilitate the attainment of policy objectives within institutional limitations. In subsidy reform, ad hoc digital transfers or local verification systems occasionally served as complements; nonetheless, these were eclipsed by prevalent replacement practices that misappropriated resources and undermined programme credibility (World Bank, 2024). This interaction demonstrates that hybrid governance is not intrinsically efficient or equitable; its results hinge on the relative balance of complementary and substitutive informal tactics within implementation assemblages.

Trust, Legitimacy, and Active Destruction

According to the trust and legitimacy literature, policy performance is essential for political consent, and public confidence is determined by procedural impartiality and output delivery (Bargsted et al., 2021; Esaiasson et al., 2022). The subsidy reform in Nigeria precipitated a rapid "trust spiral" in which inflation reached 32.7% and relief allocations were mismanaged, thereby exacerbating perceptions of elite exploitation (Afrobarometer, 2025; McDonnell & De Swaan, 2024). Although conventional research frequently concentrates on inadvertent trust erosion, the Nigerian case serves as an example of active trust destruction, which is defined as the intentional orchestration of scarcity, diversion of rents, and manipulation of information by elites to undermine reform initiatives or neutralise competitors (Grauvogel & Gehring, 2023; Wahiu, 2024). This deliberate strategy of trust destruction highlights the significant role that elite manipulation and exploitation can play in undermining efforts to promote transparency and accountability in governance. The case of Nigeria serves as a cautionary tale for countries seeking to combat corruption and build public trust in their institutions.

Table 1. Indicators of active trust destruction and underlying mechanisms

Indicators of Active Trust Destruction	Underlying Mechanisms
Misallocation of relief funds to non-existent or ineligible beneficiaries	Strategic use of informal networks to redirect resources
Deliberate delays in policy rollout or obfuscation of rules	Exploitation of procedural ambiguities within implementation assemblages
Manipulation of scarcity or inflationary signals to reinforce elite advantage	Coordinated obstruction by intermediaries (unions, governors, agency insiders)
Exclusion of vulnerable populations from formal mechanisms	Public messaging that portrays failures as systemic errors rather than elite-driven outcomes

Source: Authors (2026)

The table illustrates the relationship between observable outcomes of policy failure termed indicators of active trust destruction and the underlying strategic behaviors, or mechanisms, that produce them. Each indicator reflects a tangible manifestation of governance breakdown in the context of Nigeria’s 2023 subsidy reform, while mechanisms reveal the deliberate, actor-driven processes that generate these outcomes.

Conceptualising Informal Institutions as a Theoretical Lens for Subsidy Reform Analysis

This study is grounded in the theory of informal institutions, as articulated by Helmke and Levitsky (2004). Helmke and Levitsky extend the classical institutionalist framework of North (1990) by emphasizing socially shared norms, practices, and networks that operate outside formal rules but shape political and economic outcomes. Informal institutions are resilient, rule-governed arrangements that coexist alongside official regulations, influencing interpretation, negotiation, and, at times, circumvention of formal policies. They are not mere remnants of fragile states or transitional systems; in many developing contexts, including Nigeria they provide access to resources, enable enforcement, and coordinate elites more effectively than formal legal instruments.

The relevance of this theory to African governance is reinforced by foundational studies on the “shadow state.” Leys (1965) highlights the entrenchment of patronage networks and corrupt practices within postcolonial African states, framing corruption as a structural, not merely individual, problem. Reno (1995) extends this analysis, showing that in Sierra Leone, informal networks of political and military elites systematically appropriated state resources to maintain authority, creating a parallel system of governance. Together, these studies illustrate how informal institutions can operate as de facto regulators of resource distribution, often superseding formal policy objectives a pattern evident in Nigeria’s fuel subsidy architecture.

Within Nigeria, informal institutions shape the outcomes of subsidy reform through substitutive or complementary dynamics (Helmke & Levitsky, 2004).

Substitutive informal institutions actively bypass or replace formal mechanisms, as seen in ghost fuel disbursements, cross-border arbitrage, and patronage-driven allocations that undermine official price structures and regulatory frameworks (Akinwale, 2021). Complementary informal institutions, in contrast, operate in alignment with formal policies, such as local verification of beneficiaries where formal registries are incomplete. Recognizing this distinction is critical: informal substitution predicts distributive distortions and elite advantage, whereas complementarity may enhance implementation efficacy.

Research Methods

This study uses a qualitative single-case study design, focused on Nigeria's petrol subsidy reform from 2010 to 2025. The case was chosen for its potential to demonstrate the interaction of formal policy, informal institutions, and trust dynamics in a resource-constrained, neopatrimonial setting. The study is a theory-testing exercise, looking at assertions taken from informal institutions theory (Helmke & Levitsky, 2004) about informal replacement and complementarity, as well as the implications for policy execution and intentional trust erosion. The single-case methodology enables process tracing of causal mechanisms, including the role of informal networks ("ghosts") in undermining reforms over many administrations, in line with Yin's (2018) paradigm for complex policy environments.

Data were gathered from several sources to ensure depth and triangulation. Key sources included 35 policy and government documents, such as Federal Government subsidy reports, NNPC annual reports, and Ministry of Finance circulars; 12 audit and civil society reports, such as NEITI audits, BudgIT analyses, and World Bank policy briefs; and 48 media items from newspapers, online platforms, and verified broadcast reports. Between March and August 2025, 10 semi-structured interviews were held with policy players, including former agency officials, civil society leaders, and beneficiaries of subsidy programmes. All sources were carefully chosen for their importance to policy formation, implementation, oversight, and palliative distribution, allowing the analysis to capture both formal and informal interactions.

Following a three-stage coding process, data were analysed using NVivo 14's thematic content analysis tool. Open coding revealed explicit allusions to informal procedures, delays, resource diversion, and perceived fairness. Axial coding organised these codes into thematic clusters, revealing patterns of informal replacement, complementarity, implementation assemblages, and trust erosion. Selective coding linked emergent themes to the study's theoretical assumptions, ensuring that empirical evidence matched conceptual expectations. Process tracing was used to map causal pathways across administrations, separating empirical facts (such as misallocations and procedural bottlenecks) from interpretive judgements about elite behaviour and strategic trust loss.

Cross-validation of government records, civil society audits, and interview narratives enabled triangulation and bias mitigation. Discrepancies were handled by focusing on verifiable, independent sources. Audit logs that documented coding and analytical decisions helped to maintain reflexivity. Limitations include context-specific findings, limited access to sensitive NNPC databases, and the subjective character of interview data. Despite these limitations, the methodology yields rigorous, theory-based insights into the dynamics that link informal institutions, policy execution, and active trust destruction in Nigeria's subsidy reforms.

Results and Discussion

Result: Informality in the Machinery of Subsidy Reform

Informality remains a persistent feature of Nigeria's fuel subsidy regime, shaping pricing, distribution, and reimbursement processes in ways that frequently bypass formal regulatory structures. Although the subsidy programme is formally governed through statutory frameworks, budget allocations, and petroleum sector regulations, practical implementation often occurs through discretionary administrative arrangements. Evidence from the National Petroleum Investment Reports (NNPC, 2018–2023) and audits by the Nigeria Extractive Industries Transparency Initiative (NEITI, 2022) suggests that official pricing formulas designed to reflect market costs have often been suspended or selectively applied. For instance, the adjustment of pump prices in 2020 deviated from cost-based calculations, with the final retail price influenced by political negotiations and emergency policy responses (Kojima, 2016; McCulloch et al., 2021).

Interviews conducted with sector stakeholders reinforced this observation. A senior official in the downstream petroleum sector explained that formal pricing templates rarely determine final outcomes in practice:

"The template is there, but in reality, decisions are taken at the political level. When prices begin to create pressure, government agencies sit together and negotiate a figure that is manageable politically, not necessarily what the formula produces." (Interview, Policy Actor, 2026).

Similarly, respondents within distribution networks described how operational decisions frequently depart from officially recorded allocations. Informal networks within the supply chain allow the diversion and leakage of petroleum products despite periodic regulatory enforcement. Audit reports between 2019 and 2021 indicate that depot allocations and trucking routes were sometimes adjusted outside official registries, particularly in border regions where cross-border arbitrage remains profitable (Beaton et al., 2013; Lewis, 2022).

A depot manager interviewed during the study described how such informal adjustments occur in practice:

"Sometimes the volume written in the official document is not what actually leaves the depot. Trucks may be redirected or split because certain actors along the chain

expect their own share. Everyone knows the system is flexible.” (Interview, Depot Operator, 2026).

The reimbursement process is similarly characterised by ambiguity. A NEITI investigation in 2020 reported that subsidy claims in several states exceeded verified consumption by roughly 18–25%, revealing persistent weaknesses in verification systems and the role of negotiated settlements between government agencies and marketers (World Bank, 2020; IMF, 2013). Interviews with civil society observers suggested that these discrepancies reflect institutionalised practices rather than isolated irregularities.

One civil society representative noted:

“The problem is not simply corruption at the margins. The subsidy system has evolved around networks of intermediaries who influence documentation, verification, and approvals. Without them, the system practically stops working.” (Interview, Civil Society Advocate, 2026).

These findings indicate that informality functions not merely as a deviation from formal rules but as a structured mode of governance. Repeated cycles of policy adjustment, partial reversals, and discretionary interventions have gradually normalised informal decision-making within the subsidy regime (Helmke & Levitsky, 2004; Khan, 2010). In many instances, informal arrangements substitute for official systems while preserving the outward appearance of regulatory compliance. Evidence from the 2023 NEITI audit, which found that approximately 30% of palliative distributions were allocated to unregistered beneficiaries, illustrates how reform initiatives can reproduce the same informal practices they intend to correct. Consequently, citizens continue to experience similar distributive outcomes regardless of formal policy changes, which contributes to persistent scepticism toward reform efforts (Bratton, 2019; OECD, 2023).

The normative implications of these findings suggest that reform strategies must address the operational realities of informal networks rather than rely solely on top-down regulatory enforcement. Measures such as transparent depot allocation systems, electronic verification of subsidy claims, and independent auditing mechanisms could reduce opportunities for diversion. At the same time, acknowledging the practical role played by intermediaries within the supply chain may help policymakers design reforms that move from negotiated rent redistribution toward more inclusive and accountable outcomes (Auty, 2004; Ross, 2012; World Bank, 2022).

Implementation Failure and the Production of Distrust

Implementation failures in subsidy reform have played a significant role in eroding public trust in government institutions. The removal of fuel subsidies, presented by policymakers as a necessary measure to relieve fiscal pressure and improve infrastructure investment, has resulted in sharp increases in fuel prices without the immediate establishment of credible social protection mechanisms. According to the International Monetary Fund (2022), households experienced

rising transportation and food costs, transforming routine economic activities into everyday reminders of state policy instability.

Interviews with beneficiaries revealed that the perceived absence of adequate compensation measures intensified public dissatisfaction. A small business owner who relies on petrol generators for electricity explained:

"They told us the subsidy was removed so that money would be used for development. But what we saw immediately was higher fuel prices and higher transport fares. Nothing else changed for ordinary people." (Interview, Beneficiary, 2026).

Historical experience also shapes these perceptions. The partial reversal of subsidy reforms following the 2012 Occupy Nigeria protests created a precedent that citizens frequently interpret as evidence of inconsistent political commitment (Okonkwo & Yusuf, 2023). Several interview participants argued that such reversals demonstrate that policy decisions are often guided by short-term political calculations rather than long-term planning.

A civil society activist involved in earlier reform debates observed:

"People no longer believe government explanations because they have seen reforms reversed many times. It gives the impression that policies are introduced without a clear plan and then adjusted only when protests become too strong." (Interview, Civil Society Actor, 2026).

Empirical studies further illustrate the economic consequences of these policy dynamics. Ajibola (2024) notes that households dependent on petrol generators due to unreliable electricity supply faced dramatic increases in operational costs as petrol prices rose from approximately ₦65 per litre in earlier periods to above ₦200 during major reform episodes. Reports by NEITI (2023) and Akinyemi et al. (2021) estimate that between 30 and 40 percent of subsidy expenditures were diverted through informal channels, resulting in hoarding, smuggling, and artificially inflated commodity prices.

Respondents also highlighted concerns regarding the distribution of palliative measures introduced to offset the impact of subsidy removal. A community leader described widespread perceptions that relief resources were captured by political intermediaries:

"In many communities' people heard about palliatives, but very few actually received them. The distribution often passed through political structures, so those without connections were left out." (Interview, Community Representative, 2026).

These dynamics demonstrate how informal mediation and elite discretion transform formal reform policies into uneven outcomes at the societal level. Selective enforcement, subsidy misallocation, and the discontinuation of programmes such as the Subsidy Reinvestment and Empowerment Programme (SURE) reinforce the perception that reform initiatives primarily benefit elite actors while imposing costs on ordinary citizens. Public reactions, ranging from passive discontent to organised strikes and protests, illustrate the gradual shift from

tolerance of bureaucratic inefficiency to resistance against perceived injustice (Whitley et al., 2015).

Taken together, the evidence reveals a clear sequence linking policy reform to declining public trust, as shown in Figure 1 below. This sequence helps explain how implementation failures contribute directly to the broader legitimacy crisis surrounding subsidy reform in Nigeria.

The normative implications highlight the need for reform strategies that combine transparency, accountability, and structured engagement with both formal institutions and informal actors. Technical adjustments alone cannot rebuild trust unless reforms address the distributive consequences experienced by citizens. Transparent communication, credible compensation mechanisms, and robust monitoring systems remain essential if future reform initiatives are to achieve both fiscal sustainability and social legitimacy.



Figure 1. Erosion of Public Trust Flowchart

Source: Authors (2026)

Discussion

The results show that Nigeria's gasoline subsidy reform problems can't be explained by either technical implementation deficiencies or a lack of administrative capacity. The results show that informal institutional arrangements have a long-lasting effect on policy outcomes, along with formal governance systems. Informal methods often decide how price decisions, distribution channels, and pay measures work in practice through networks of intermediaries that include market actors, bureaucrats, and political affiliations. Consequently, official policy goals like fiscal restraint and social protection frequently become less effective during execution.

This study conceptualises the process as deliberate trust destruction, characterised by the steady erosion of public confidence by selective enforcement, procedural ambiguity, and allowed leakages, rather than mere administrative error. Interview results suggests that citizens perceive escalating fuel prices and erratic palliative programs as indicators that formal obligations are frequently compromised by informal networks. So, subsidy reform is more than just an economic change; it's also a clear sign that institutions can't be trusted.

On the other hand, Nigeria depended a lot on temporary assistance programs that were built into poor administrative databases and politically influenced

distribution systems. This reliance strengthened the idea that reform was more about moving money around than really changing the way institutions worked. The ongoing reliance on informal mediation elucidates the challenges faced by successive subsidy modifications in achieving public legitimacy, albeit sporadic budgetary benefits. Instead of creating trust, successive cycles of reform seem to make people more sceptical and rely on informal ways to survive. Over time, this dynamic makes it harder for the government to make changes to policies and costs more politically.

The theoretical significance of this study is in establishing a direct connection between informal institutional dynamics and the outcomes of policy execution, as well as the deterioration of public trust. By merging concepts from informal institutions theory with implementation and governance trust research, the approach establishes a framework for differentiating between technical administrative deficiencies and systemic patterns of institutional behaviour. The study does not assert that all observed outcomes result from intentional actions; however, the convergence of evidence from documentary sources, interviews, and audit reports indicates a consistent pattern whereby informality influences implementation practices and affects public perceptions of state credibility.

Conclusion

This study analysed the impact of informality on the results of Nigeria's gasoline subsidy reform and its role in diminishing public trust. Utilising informal institutions theory, the analysis reveals that the outcomes of reform are influenced more by the interplay between formal regulations and established informal practices than by formal policy aims. The 2023 subsidy reform illustrates how state and market networks reallocated benefits, undermined compensatory mechanisms, and shielded elites from the repercussions of policy changes, while placing excessive obligations on the general populace. These trends indicate that recurrent implementation failures produce cumulative political consequences: voters perceive reform failures not as incidental or transient, but as indicative of the selective enforcement of state responsibilities. This dynamic implements the notion of active trust degradation, as distrust transitions from passive cynicism to active resistance, manifesting in protests, tax evasion, and reduced adherence to government directions.

The study's theoretical contribution explicitly connects informal institutional behaviour to policy implementation outcomes and the deterioration of confidence. The approach establishes a paradigm for comprehending how informal networks influence reform processes and affect public views of legitimacy through mechanisms like misallocation, procedural delays, and exclusion. The findings enhance the literature on informality and resource governance by demonstrating how informal substitution and complementarity affect policy outcomes in a neopatrimonial setting.

The study used a qualitative single-case design, utilising triangulated documentary materials and interviews with key informants. This methodology facilitated comprehensive process tracing and theoretical validation; however, limits persist. Access to specific secret datasets was limited, hindering the thoroughness of financial verification, while interview replies indicate subjective perceptions that necessitate meticulous interpretation. The results are context-dependent and may not be readily applicable to other policy domains or national contexts.

To address the identified challenges, the following recommendations should be considered as strategic steps moving forward. First, subsidy reform should be integrated with institutional reforms targeting informal veto points within the policy chain. This requires granting oversight bodies operational independence and enforcement authority over pricing, distribution, and compensation mechanisms, along with legally mandated transparency in reporting subsidy savings and palliative spending.

Second, compensation mechanisms should be formalized and predictable rather than improvised. Social protection programs should be expanded and validated in advance, with credible social registries and clearly defined eligibility criteria. Reliance on ad hoc political channels fosters informality and erodes public trust, whereas structured, rule-based transfers signal state commitment and fairness.

Third, reform sequencing should prioritize credibility over speed. Broad stakeholder engagement including labor unions, transport associations, and subnational governments should occur prior to implementation. While resistance from elites may persist, negotiated buy-in reduces incentives for selective enforcement and policy obstruction.

Fourth, communication should shift from justification to accountability. Regular public reporting of subsidy savings, reform costs, and distribution outcomes should be made accessible to citizens. Transparency serves both practical and symbolic purposes, reinforcing that reforms follow established rules rather than discretionary judgment.

Finally, long-term reform success depends on reducing Nigeria's structural reliance on petroleum subsidies as instruments of political negotiation. Investments in domestic refining, energy diversification, and enhanced fiscal federalism can weaken rent-seeking networks that persist across subsidy cycles. Structural reforms are essential to prevent repeated patterns of implementation failure and erosion of public trust identified in this study.

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