

Political Economy of Intergovernmental Fiscal Relations in Nigeria: Examining Accountability Gaps and the Blame Game in Fuel Subsidy Savings Utilisation

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Abstract: This paper examines the political economy of Intergovernmental Fiscal Relations in Nigeria, focusing on accountability gaps and the blame game surrounding the utilisation of fuel subsidy savings between 2023 and 2025. The study specifically analyses three critical dimensions of intergovernmental fiscal accountability including fiscal transparency and reporting mechanisms, intergovernmental transfer systems, and institutional oversight and enforcement and investigates how these factors shape governance outcomes, including public trust, service delivery impact, and fiscal discipline. Drawing on secondary data from official government disclosures, civil society reports, news media, and policy analyses, the paper reveals that Nigeria generated N15.8 trillion in subsidy savings between June 2023 and December 2025, with N10.4 trillion distributed to States and local governments. Despite this unprecedented fiscal windfall, accountability remains abysmal: The Federal Government blames States for non-accountability, while governors reject allegations of mismanagement, creating a classic blame game that obscures systemic institutional failures. The paper concludes that Nigeria's intergovernmental fiscal architecture lacks adequate accountability mechanisms, enabling both tiers of government to dodge responsibility while citizens bear the effect of rising costs and declining services. Recommendations include establishing mandatory public audit of subsidy savings at both Federal and State levels, strengthening the legal framework for fiscal transparency, and creating independent monitoring mechanisms for intergovernmental fiscal transfers.	Research Paper *Corresponding Author: Abdullahi Musa, PhD Department of Political Science, Federal University of Education Kontagora, Niger State, Nigeria How to cite this paper: Musa, A., Garba, F., & Kambar, B. B. (2026). Political Economy of Intergovernmental Fiscal Relations in Nigeria: Examining Accountability Gaps and the Blame Game in Fuel Subsidy Savings Utilisation. <i>Middle East Res J.</i> <i>Humanities Soc. Sci.</i>, 6(5), 156-163. https://doi.org/10.36348/merjhss.2026.v06i05.003 Article History: Submit: 22.08.2026 Accepted: 25.09.2026 Published: 30.09.2026
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1.1 INTRODUCTION

Nigeria's fiscal landscape has undergone a seismic transformation since May 29, 2023, when President Bola Ahmed Tinubu declared in his inaugural address that "subsidy is gone". This pronouncement ended a decades-old fuel subsidy regime that had become an albatross on the nation's finances, gulping billions of dollars yearly and creating what successive administrations described as an unsustainable fiscal burden (Oyedokun, 2018). By 2022, subsidy costs had surged to N4 trillion, with projections reaching N17 trillion about 77 percent of the 2023 budget (Businessday, 2023). The removal, while economically justifiable, triggered profound changes in Nigeria's oil

sector, marking the start of a new economic reality characterised by sharply higher petrol prices and intensified cost-of-living pressures (BBC, 2026).

The political economy of intergovernmental fiscal relations in Nigeria has always been fraught with tensions between the Federal and State governments over revenue allocation, expenditure responsibilities, and accountability for public funds (Suberu, 2001). The fuel subsidy removal has intensified these tensions, generating unprecedented fiscal resources that have exposed the deep fault lines in Nigeria's fiscal Federalism (Nwagwu & Akinbode, 2015). Between June 2023 and December 2025, subsidy savings mobilised N15.8

trillion in resources for the federation. The Federal Government received N5.4 trillion of these amounts, while N10.4 trillion was distributed among the 36 States and 774 local governments (BBC, 2026). In 2024 alone, the Federation Account Allocation Committee (FAAC) distributed N28.78 trillion to the three tiers of government, representing a 79 percent jump from the N16.28 trillion disbursed in 2023. State governments' allocations increased by 45.5 percent to N5.22 trillion, with monthly distributions in 2025 reportedly exceeding N1.6 trillion (Businessday, 2026).

Despite this unprecedented fiscal windfall, accountability for the utilisation of these funds has been dreadful. The Socio-Economic Rights and Accountability Project (SERAP) filed a lawsuit against Nigeria's 36 governors and the Minister of the Federal Capital Territory over their failure to account for the spending of N14 trillion in fuel subsidy savings collected from FAAC allocations (Premium Times, 2025). The suit argued that "the spending details of the money collected by several States and the FCT from fuel subsidy savings have been mostly shrouded in secrecy" (Premium Times, 2025). The Nigeria Employers' Consultative Association (NECA) similarly urged State and local governments to account for the N10.4 trillion distributed to them, with its Director-General stating that "the commissioners of finance in States, you come out and also say, this is how much we've received; this is how much we have spent" (The Guardian, 2025).

The resulting blame game has become a defining feature of Nigeria's post-subsidy removal politics (The Will News, 2026). The Federal Government has repeatedly asked citizens to hold their governors responsible for the non-accountability of funds. In response, the 36 State governors, operating under the aegis of the Nigeria Governors' Forum (NGF), have stoutly rejected allegations that sub-national governments have failed to properly account for funds received (The Will News, 2026). Bayelsa State Governor Douye Diri, reading the NGF communiqué, declared that the claim "cannot be true" when asked whether governors would accept blame for alleged poor accountability (The Will News, 2026). This buck-passing continues to obscure the fundamental question: who is responsible for the proper accounting of fuel subsidy savings, and what are the governance implications of this accountability crisis?

This paper focuses on three critical dimensions of intergovernmental fiscal accountability that shape the utilisation of fuel subsidy savings in Nigeria. First, fiscal transparency and reporting mechanisms, encompassing the level of public disclosure on subsidy savings utilisation by both Federal and State governments. The Finance Minister's disclosure of N15.8 trillion in savings represents a significant step toward transparency, yet State-level reporting remains largely opaque. Second, intergovernmental transfer systems, encompassing the

structure and implementation of revenue sharing between Federal and State governments through FAAC. The sharp increase in FAAC allocations has raised questions about whether States possess the institutional capacity to absorb and effectively utilise these funds. Third, institutional oversight and enforcement, encompassing the effectiveness of accountability institutions including the Auditor-General, Public Accounts Committees, and anti-corruption agencies in tracking subsidy savings utilisation. The SERAP lawsuit and NECA's demands for accountability highlight the failures of existing oversight mechanisms. The selection of these three dimensions as the scope of this paper enables comprehensive analysis across different mechanisms through which accountability gaps manifest in intergovernmental fiscal relations, from disclosure failures to institutional weaknesses to oversight deficits. This scope is reflected throughout the analysis, with each dimension examined in relation to the specific challenges and opportunities evident in available data from 2023 to 2026.

2.1 Conceptual Review

2.1.1 Concept of Intergovernmental Fiscal Relations

Intergovernmental fiscal relations refer to the financial interactions and resource flows between different tiers of government within a federal system. These relations encompass revenue assignment, expenditure responsibilities, intergovernmental transfers, and the institutional frameworks that govern fiscal interactions between the Federal, State, and local governments (Musgrave, 1959). In Nigeria, intergovernmental fiscal relations are constitutionally structured through the Federation Account, which collects and distributes revenues among the three tiers of government, and the Federation Account Allocation Committee (FAAC), which determines the monthly distribution of these revenues (Suberu, 2001).

The Nigerian fiscal Federalism framework has historically been characterised by vertical and horizontal imbalances (Nwagwu & Akinbode, 2015). The Federal government collects the bulk of nationally-generated revenues, particularly from oil and gas, while States and local governments bear significant expenditure responsibilities for service delivery (Suberu, 2001). This creates a dependency relationship where subnational governments rely heavily on Federal transfers to fund their operations (Oyedokun, 2018). The fuel subsidy removal has dramatically altered this dynamic, substantially increasing the volume of resources flowing through the Federation Account and, consequently, the stakes in intergovernmental fiscal relations (Businessday, 2026).

2.1.2 Accountability Gaps in Public Finance

Accountability in public finance refers to the obligation of public officials to explain and justify their use of public resources, and the mechanisms through which citizens can hold them to account. Accountability

gaps occur when there is a disconnect between the receipt of public funds and the obligation to demonstrate their proper utilisation, often manifested through inadequate reporting, weak oversight, and limited citizen engagement (Hood, 2002; Bovens, 2007).

In the Nigerian context, accountability gaps in public finance have been identified as a persistent challenge across all tiers of government (Premium Times, 2025). SERAP's lawsuit against governors over failure to account for N14 trillion in subsidy savings exemplifies the scale of these gaps (Premium Times, 2025). The suit argued that "there is a significant risk of mismanagement or diversion of funds linked to the increased FAAC allocations collected by the States and FCT" (Premium Times, 2025). Similarly, NECA's call for States to account for N10.4 trillion reflects the perception that accountability mechanisms at the subnational level have failed to keep pace with the dramatic increase in fiscal resources (The Guardian, 2025).

Accountability gaps manifest through multiple dimensions: vertical accountability (between government and citizens), horizontal accountability (between branches of government), and diagonal accountability (through civil society and media oversight) (Bovens, 2007). The fuel subsidy savings crisis reveals failures across all three dimensions, with limited citizen engagement, weak legislative oversight, and constrained civil society monitoring despite the unprecedented scale of resources involved (Premium Times, 2025).

2.1.3 Blame Game in Intergovernmental Relations

The blame game in intergovernmental relations refers to the strategic practice whereby different tiers of government attribute responsibility for policy failures, service delivery deficits, or accountability lapses to other levels of government. This phenomenon is particularly pronounced in Federal systems where responsibilities are shared or contested, allowing each tier to deflect accountability while claiming credit for successes (Hood, 2002).

In Nigeria's post-subsidy removal context, the blame game has become a defining feature of intergovernmental relations (The Will News, 2026). The Federal Government has repeatedly shifted responsibility for non-accountability to State governments, asking citizens to hold their governors responsible for the utilisation of subsidy savings. The presidency has demanded "more accountability from governors for the increased monthly revenue to States" (The Frontier, 2026). In response, governors have rejected allegations of mismanagement, with the NGF Chairman declaring that claims of poor accountability "cannot be true" (The Will News, 2026).

This blame game serves multiple political functions. For the Federal Government, it deflects criticism from its own management of subsidy savings and the broader economic hardship caused by the reform (TheFrontier, 2026). For State governments, it provides a shield against demands for accountability while they continue to enjoy increased fiscal resources (The Will News, 2026). For citizens, however, the blame game obscures the fundamental question of who is responsible for ensuring that subsidy savings translate into tangible improvements in their lives. As one Lagos-based teacher lamented, "They said the money saved would be used to improve our lives, to fix roads, build hospitals, and provide support. But we haven't seen anything change" (Businessday, 2026).

2.2 Theoretical Framework

This paper adopts Fiscal Federalism Theory as the primary theoretical framework for understanding the relationship between intergovernmental fiscal relations and accountability gaps in Nigeria's fuel subsidy savings utilisation. Developed by scholars such as Richard Musgrave (1959) and Wallace Oates (1972), Fiscal Federalism Theory provides a framework for analysing the assignment of revenue and expenditure responsibilities across different levels of government, and the mechanisms through which fiscal transfers should promote efficiency, equity, and accountability.

In the context of intergovernmental fiscal relations, Fiscal Federalism Theory posits that for fiscal decentralisation to be effective, subnational governments must possess both the resources to fulfil their responsibilities and the accountability mechanisms to ensure those resources are used effectively (Oates, 1972). When revenue assignments create vertical imbalances—where subnational governments lack sufficient own-source revenues to meet their expenditure obligations—intergovernmental transfers become necessary (Musgrave, 1959). However, these transfers must be accompanied by accountability mechanisms to prevent the moral hazard that arises when governments spend resources they did not raise themselves (Bird & Smart, 2002).

Fiscal Federalism Theory is particularly relevant for analysing Nigeria's post-subsidy removal accountability crisis because it explains why the dramatic increase in FAAC allocations has not translated into improved service delivery (Businessday, 2026). The theory predicts that when subnational governments receive large unconditional transfers without corresponding accountability mechanisms, they face weak incentives to spend efficiently or transparently (Weingast, 1995). This is precisely what has occurred in Nigeria: States have received unprecedented fiscal resources but have not been required to demonstrate their proper utilisation (Premium Times, 2025).

The theory also illuminates the blame game dynamic (Hood, 2002). When accountability mechanisms are weak, both Federal and State governments have incentives to deflect blame for service delivery failures (The Will News, 2026). The Federal Government can point to increased FAAC allocations as evidence of its commitment to fiscal Federalism, while State governments can blame the Federal Government for inadequate infrastructure or policy failures (The Frontier, 2026). This mutually reinforcing blame game perpetuates accountability deficits while citizens bear the costs of ineffective governance.

Furthermore, Fiscal Federalism Theory highlights the importance of conditional transfers as a mechanism for promoting accountability (Bird & Smart, 2002). When transfers are tied to specific purposes or performance criteria, they create stronger incentives for transparent and effective utilisation (Weingast, 1995). The absence of such conditions in Nigeria's FAAC allocations which are largely unconditional helps explain why the dramatic increase in State revenues has not been accompanied by corresponding improvements in accountability or service delivery.

3.1 METHODOLOGY

This paper relied heavily on secondary data derived from official government sources, civil society reports, news media, and policy analyses. Data was collected from the Federal Ministry of Finance's Reform Scorecard detailing N15.8 trillion in subsidy savings (The Cable, 2026), FAAC allocation data showing N28.78 trillion distributed in 2024 (Businessday, 2026), reports from civil society organisations including SERAP's lawsuit against governors over N14 trillion in unaccounted funds (Premium Times, 2025), policy Statements from the Nigeria Governors' Forum rejecting allegations of mismanagement (The Will News, 2026), and news media coverage of the accountability debate from 2023 to 2026 (TheGuardian, 2025; BBC, 2026; TheFrontier, 2026). The gathered data was analysed thematically to draw comprehensive conclusions, identifying recurring patterns across sources regarding the relationship between intergovernmental fiscal accountability mechanisms and governance outcomes, with specific attention to evidence of fiscal transparency, intergovernmental transfer systems, institutional oversight, and corresponding accountability and service delivery indicators.

4.1 DISCUSSION

In the exploration of the political economy of intergovernmental fiscal relations in Nigeria and the accountability gaps surrounding fuel subsidy savings utilisation, this paper uncovers several critical areas that necessitate careful consideration: the unprecedented scale of fiscal resources generated by subsidy removal and their distribution across tiers of government; the persistent opacity in the reporting and utilisation of these resources at both Federal and State levels; the

institutional weaknesses that enable accountability gaps to persist; the strategic blame game that has emerged between Federal and State governments; and the devastating consequences of these accountability failures for citizen trust, service delivery, and governance legitimacy. These challenges present intricate obstacles that Nigeria must address to ensure that the fiscal benefits of subsidy removal translate into tangible improvements in citizens' lives.

One of the foremost challenges identified in the exploration relates to the unprecedented scale of fiscal resources generated by subsidy removal and the dramatic increase in intergovernmental transfers. Between June 2023 and December 2025, subsidy savings mobilised N15.8 trillion in resources for the federation. The Federal Government received N5.4 trillion of these amounts, while N10.4 trillion was distributed among the 36 States and 774 Local Governments. In 2024 alone, FAAC shared N28.78 trillion to the three tiers of government, a 79 percent jump from the N16.28 trillion disbursed in. State governments' allocations increased by 45.5 percent to N5.22 trillion, with monthly distributions in 2025 reportedly exceeding N1.6 trillion. This represents an unprecedented fiscal windfall for subnational governments, offering what many described as a rare opportunity to reset their fiscal outlook and invest heavily in social and economic development.

However, the data reveal a troubling pattern: despite this dramatic increase in resources, there has been no corresponding improvement in service delivery or accountability. As the Guardian reported, "Since the removal of fuel subsidy, there has been a consistent upward trend in Federally distributable revenue without a corresponding development". The BusinessDay analysis of this paradox noted that "the most glaring failures in the delivery of essential services and public accountability are unfolding at the subnational level". Despite State coffers swelling, basic amenities remain lacking, and economic hardship deepens. A joint report by the World Bank and the National Bureau of Statistics found that 129 million Nigerians, over half the population, now live below the national poverty line, up from 104 million in 2023 meaning that an additional 25 million people fell into poverty within a year.

Another pressing concern illuminated in this paper revolves around the persistent opacity in the reporting and utilisation of subsidy savings. The Finance Minister's disclosure of N15.8 trillion in savings represents a significant step toward Federal-level transparency. However, as NECA's Director-General noted, this disclosure has placed an obligation on State governments "to explain how the funds received had been utilised". NECA likened the need for public accountability to the way private businesses report their financial performance to shareholders, stating that "the commissioners of finance in States, you come out and

also say, this is how much we've received; this is how much we have spent".

SERAP's lawsuit against governors over failure to account for N14 trillion in subsidy savings highlights the scale of the opacity problem. The suit argued that "the spending details of the money collected by several States and the FCT from fuel subsidy savings have been mostly shrouded in secrecy". SERAP further contended that "there is a significant risk of mismanagement or diversion of funds linked to the increased FAAC allocations collected by the States and FCT". The organisation argued that "millions of poor and vulnerable Nigerians have not benefited from the trillions of naira collected by the governors and FCT minister as a result of the subsidy savings". The suit noted that "several States are also reportedly spending public funds which may include fuel subsidy savings to fund unnecessary travels, buy exotic and bulletproof cars and generally fund the lavish lifestyles of politicians".

The Federal Government itself has acknowledged the accountability challenge. The Minister of Finance disclosed that the Federal Government spent N30.64 trillion in incremental expenditure during the period, including N9.39 trillion on wage adjustments, N9.37 trillion on external debt servicing, and N6.5 trillion on strategic infrastructure. However, as the Allied People's Movement (APM) noted, "the government had not provided a detailed public account of the revenues realised or how they had been expended". The APM called on the Federal Government to "publish a comprehensive and independently verifiable audit of all proceeds realised from the removal of fuel subsidy".

Institutional weaknesses represent a third critical challenge. The existing accountability mechanisms including the Auditor-General, Public Accounts Committees, and anti-corruption agencies have proven inadequate to track the utilisation of subsidy savings. SERAP's lawsuit argues that "Nigerians have the right to know how their States and FCT are spending the savings from the removal of fuel subsidy as part of their human right to information". The organisation contends that "combating the corruption epidemic in the spending of the money collected would alleviate poverty, improve access of Nigerians to basic public services, and enhance the ability of States and FCT to effectively and efficiently discharge their responsibilities".

The weak institutional framework extends to local governments as well. Despite receiving over N6.33 trillion in allocations over the past two years, local governments have little to show for it at the grassroots. The Guardian reported that "State governors not only meddle with local government funds from the Federal allocations but also emasculate State legislatures that ought to serve as checks on their excesses". The local government system has been "systematically crippled by

the very State executives meant to provide oversight and coordination". In Ondo State, 18 elected council chairmen Stated that they still lack direct access to their funds, as allocations from FAAC continue to be routed through the controversial State-Local Government joint accounts instead of council treasuries. One council chairman alleged that councils are left with a paltry sum monthly to run their affairs, stating that "after the deductions and directives regarding expenditures, we are left with just N4 million to run our Councils".

The strategic blame game between Federal and State governments represents a fourth critical dimension of the accountability crisis. The presidency has repeatedly asked citizens to hold their governors responsible for the non-accountability of funds. In response, the 36 State governors have rejected allegations of mismanagement. Bayelsa State Governor Douye Diri, reading the NGF communiqué, declared that the claim that States failed to account for funds "cannot be true". When asked whether the governors would accept blame for alleged poor accountability, Diri Stated: "That cannot be true. That cannot be true. But we'll leave that debate for another day".

The blame game has been further inflamed by political figures. Former Vice President Atiku Abubakar stirred the hornet's nest over alleged mismanagement of the subsidy removal savings, proposing a possible return of petrol subsidy if elected into office. The presidency responded by critiquing Atiku's proposal as "a return to dark ages of petrol scarcity and government insolvency, while demanding more accountability from governors for the increased monthly revenue to States". This mutual finger-pointing has created a situation where both tiers of government evade responsibility while citizens bear the brunt of rising costs and declining services.

The consequences of these accountability failures for citizen trust and governance legitimacy are devastating. A 2024 Afrobarometer survey reveals that 62 percent of Nigerians believe that the removal of petrol subsidy has made life worse (Businessday, 2026). Only 18 percent of respondents said they believe the savings from the subsidy removal are being put to good use, highlighting a widespread perception of mismanagement (Businessday, 2026). As one Lagos-based teacher lamented, "Since they removed the subsidy, life has only become harder for people like us. Prices keep rising, food, transportation, even school fees. They said the money saved would be used to improve our lives, to fix roads, build hospitals, and provide support. But we haven't seen anything change".

The Nigeria Governors' Forum has attempted to demonstrate accountability through policy initiatives, endorsing the proposed National Affordable CNG Transit Programme (NACTP), a State-led intervention designed to reduce transportation costs by exploiting the lower operating cost of CNG. The governors argued that

cheaper transportation could help moderate food inflation, noting that "the cost of moving farm produce and other goods from one location to another is directly reflected in the prices paid by consumers". However, critics argue that such initiatives, while potentially beneficial, do not address the fundamental accountability question of how the N10.4 trillion already distributed has been utilised. As NECA's Director-General Stated, "We believe strongly that as private businesses, at the end of the year you audit your accounts, you present your scorecard to your shareholders to gauge what we have done. The Minister of Finance has led the way now, and the States also should follow".

The international community has also expressed concern. Economist Simon Samson of Baze University noted that "subsidy removal has worsened an already bad situation, causing the cost-of-living crisis to reach fever pitch". However, he expressed hope that "in the medium to long term, if policies are well sequenced, properly implemented and managed well, then there would be competition, with the concomitant lowering of prices, hence a more affordable life". This conditional optimism underscores the critical importance of addressing the accountability gaps that currently undermine the reform's legitimacy.

The recurring pattern of accountability failure points to deeper institutional weaknesses that must be addressed. The absence of transparent, real-time tracking of subsidy savings utilisation diminishes deterrence and weakens public scrutiny. As SERAP's lawsuit argues, "opacity in the spending of the increased FAAC allocations from fuel subsidy savings collected by the governors and Mr Wike would continue to have negative impacts on the fundamental interests of the citizens". The organisation further contends that "the savings from the removal of fuel subsidy ought to be spent solely for the benefit of the poor and vulnerable Nigerians who are bearing the brunt of the removal".

5.1 CONCLUSION

Based on the issues raised and discussed in this paper, it is observed that Nigeria's intergovernmental fiscal relations have been fundamentally transformed by the fuel subsidy removal, generating unprecedented fiscal resources that have exposed deep accountability gaps across all tiers of government. The evidence reveals that N15.8 trillion in subsidy savings were mobilised between June 2023 and December 2025, with N10.4 trillion distributed to States and Local Governments. Despite this windfall, accountability remains terrible to the extent that SERAP sued governors over failure to account for N14 trillion in subsidy savings, only 18 percent of Nigerians believe the savings are being put to good use, and State governments have largely failed to translate increased allocations into tangible improvements in service delivery.

The paper therefore submits that Nigeria's intergovernmental fiscal architecture lacks adequate accountability mechanisms to ensure the transparent and effective utilisation of subsidy savings. The Federal Government has disclosed its share of the savings but continues to blame States for non-accountability, while governors reject allegations of mismanagement, creating a classic blame game that obscures systemic institutional failures. The weak institutional framework for fiscal accountability including inadequate oversight by the Auditor-General, Public Accounts Committees, and anti-corruption agencies enables both tiers of government to evade responsibility while citizens bear the brunt of rising costs and declining services. As SERAP argued, "several years of allegations of corruption and mismanagement in the spending of public funds by several States and entrenched impunity of perpetrators have undermined public trust and confidence in governments at all levels".

This paper concludes that achieving meaningful accountability for fuel subsidy savings in Nigeria requires a comprehensive approach that addresses not only the technical aspects of fiscal reporting but also the political economy of intergovernmental relations that enables the blame game to persist. Without transparency, citizens cannot hold their governments accountable; without accountability, the fiscal benefits of subsidy removal will continue to be squandered; and without visible improvements in service delivery, public trust in government will continue to erode. The tragedy of Nigeria's subsidy removal is not that the reform was implemented but that its benefits have been largely captured by opaque governance systems while citizens bear the costs).

5.2 Recommendations

To address the devastating impact of accountability gaps in intergovernmental fiscal relations on the utilisation of fuel subsidy savings in Nigeria, the following recommendations are offered based on the findings of this paper:

- i. Mandatory public audit of subsidy savings should be established at both Federal and State levels. The Federal Government should commission an independently verifiable audit of all proceeds realised from the removal of fuel subsidy, as called for by the Allied People's Movement. State governments should be required to publish audited accounts of how they have utilised their share of the N10.4 trillion distributed through FAAC. The audit should include details of projects executed, completion reports, and evidence of tangible benefits to citizens.
- ii. The legal framework for fiscal transparency should be strengthened to compel both Federal and State governments to disclose the details of spending of fuel subsidy savings. The right to information should be actively enforced, and

- governments that fail to disclose spending details should face legal consequences
- iii. Independent monitoring mechanisms for intergovernmental fiscal transfers should be established. A body independent of both Federal and State governments should be created to track the utilisation of subsidy savings across all tiers of government. This body should have real-time access to FAAC allocation data, the authority to conduct on-the-ground verification of projects, and the power to make its findings public. The Citizens Delivery Tracker model could be adapted for this purpose, with specific focus on tracking subsidy savings utilisation.
 - iv. Conditional transfers should be introduced for a portion of FAAC allocations. Rather than distributing all subsidy savings unconditionally, a portion should be tied to specific performance criteria or development outcomes. This would create stronger incentives for transparent and effective utilisation of funds, as Fiscal Federalism Theory predicts. States that demonstrate strong accountability and service delivery performance could be rewarded with additional resources, while those that fail to account for funds could face sanctions.
 - v. Capacity of State legislatures and Public Accounts Committees should be strengthened to enable effective oversight of subsidy savings utilisation. Strengthening these institutions would enhance horizontal accountability and reduce the opportunities for mismanagement and diversion of funds.
 - vi. Citizens and civil society organisations should be empowered to monitor the utilisation of subsidy savings. Citizens to "engage constructively" with State and Local Governments on how public funds are being used should be supported through funding for civil society monitoring, public access to fiscal data, and mechanisms for citizen feedback on government performance.
 - vii. The blame game between Federal and State governments must be replaced with a shared commitment to accountability. Both tiers of government should recognise that the proper accounting of fuel subsidy savings is not a matter of assigning blame but of fulfilling constitutional obligations to citizens. The Federal Government should provide a comprehensive public account of its share of the savings, while State governments should follow suit.
 - viii. Nigeria must recognise that development is sustained by trust the trust of citizens who believe enough in their government to accept painful reforms in the expectation of future benefits. Rebuilding this trust requires not only policy reforms but a fundamental reorientation

of governance towards citizen-centred service delivery. Until accountability replaces opacity and transparency trumps impunity, the potential benefits of subsidy removal will remain unrealised.

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