

# Policy Brief



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## THE ABUJA SCHOOL



**Reforming without Rebuilding:  
The Politics of Economic Pain  
and Social Contract in Nigeria.**

# EXECUTIVE SUMMARY

This summary synthesizes insights from three well-written articles centered on the critical theme of "Reforming without Rebuilding," which collectively analyze the politics of economic pain and the social contract in Nigeria. The consensus across these documents is that while Nigeria's current economic reform agenda characterized by fuel subsidy removal, exchange rate harmonization, and fiscal consolidation is technically necessary to address structural distortions, it is unfolding without the foundational support of a functional social contract or robust institutions. This approach is identified as a significant sequencing error, or "hysteron proteron," where the state demands sacrifice and imposes market liberalization before establishing the necessary trust, institutional capacity, or safety nets required to cushion the shock, resulting in a scenario where reforms are experienced as punishment rather than a pathway to national renewal.

The articles highlight that the central obstacle to the success of these reforms is not their economic logic, but a profound trust deficit and the widespread perception that the burden of adjustment is borne disproportionately by the poor while the elite remain insulated.

Unlike successful transitions in countries like Rwanda and Indonesia, where reforms were cushioned by domestic ownership, social protection, and institutional credibility, Nigeria's efforts are hampered by a "low-intensity citizenship" where the government extracts resources without delivering reciprocal public goods. This disconnect is exacerbated by weak institutional coordination and a history of unfulfilled promises, leading citizens to view policies like the fuel subsidy removal not as fiscal necessities, but as elite-driven mechanisms that erode household purchasing power without offering a visible route to recovery. To transform this trajectory, the authors advocate for a dual-track strategy that pairs macroeconomic stabilization with a deliberate rebuilding of the social contract through tangible social protection and institutional strengthening. The articles recommend shifting from ad-hoc palliatives to a unified, data-driven social protection architecture, such as a validated national social register for targeted cash transfers, alongside the establishment of a "Reform Delivery and Coordination Unit" to ensure accountability and policy coherence. Ultimately, the analysis concludes that sustainable reform demands the state demonstrate shared sacrifice, communicate transparently to restore legitimacy, and sequence policies to ensure that economic pain is visibly converted into national progress rather than deepening social instability.



# Godson Nwankwo

## INTRODUCTION

Nigeria's ongoing economic reforms are unfolding against a backdrop of decades-long structural vulnerabilities, weak institutions, and eroding public trust in governance. The shift toward fiscal consolidation expressed through subsidy removal, exchange-rate unification, tighter monetary policy, and renewed revenue mobilization reflects a long-overdue attempt to correct persistent distortions that have constrained growth and entrenched inefficiency. These reforms signal an important policy departure, but they are also occurring amid severe economic pressures and widespread citizen frustration.

Historically, the Nigerian state has relied on distributive politics anchored in the rentier logic of oil revenues, where subsidies, overvalued currency regimes, and expansive public spending served as mechanisms of political stability rather than economic rationality. This model weakened institutions, discouraged productivity, and produced what Karl terms the "paradox of plenty," wherein resource wealth generates political incentives that undermine long-term development ([Karl, 1997]). As oil revenues declined and fiscal pressures intensified, the sustainability of this arrangement collapsed, exposing the fragility of a system built on extraction without reciprocal social investment.

Moreover, Nigeria's reform environment is complicated by deep socioeconomic inequalities, regional disparities, weak administrative capacity, and a legacy of inconsistent policy implementation. These factors shape how reforms are received and experienced by the population. As scholars of political economy note, reform outcomes are not determined by policy design alone but by the institutional and political context into which they are introduced ([Rodrik, 2008]). In Nigeria's case, this context is marked by limited social protection systems, fragmented governance architecture, and a pervasive trust deficit between state and society.

The consequence is a reform moment characterized by heightened economic hardship, rapid inflation, rising transport and food costs, and declining real incomes without adequate mechanisms to cushion vulnerable households or communicate the broader vision of economic restructuring. Citizens experience the pain of adjustment more visibly than its projected long-term gains, creating fertile ground for disillusionment and reform fatigue.

This policy brief situates Nigeria's current reform effort within this broader historical and institutional landscape and emphasizes that rebuilding the social contract is inseparable from economic stabilization. It seeks to illuminate the challenges, opportunities, and pathways for ensuring that reforms are socially sustainable, politically legitimate, and developmentally transformative.

## DEFINING THE PROBLEM

Nigeria's current reform trajectory reveals a fundamental disconnect between economic adjustment and the political foundations required to sustain it. While the government has taken significant steps to correct long-standing fiscal and macroeconomic distortions, these measures have unfolded without a parallel rebuilding of the social contract. This imbalance reforming without rebuilding lies at the heart of the problem this policy brief seeks to address.

The challenge is not that the reforms are unnecessary; rather, it is that they are occurring in a context marked by weak institutions, low trust in government, limited social safety nets, and a history of inconsistent policy implementation. As a result, the costs of reform are immediately

and sharply felt by citizens, while the benefits remain distant and abstract. Inflation continues to outpace wages, household welfare is declining, and public sentiment reflects rising frustration and skepticism toward state intentions. This creates a legitimacy gap: citizens experience economic pain without perceiving a corresponding public investment in welfare, opportunity, or protection.

Although steps have been taken such as palliative distributions, wage awards, and targeted interventions these measures remain episodic, poorly coordinated, and insufficiently transparent. They do not compensate for the scale of the hardship produced by the reforms, nor do they signal a clear, long-term commitment to social protection and governance rebuilding.

What persists, therefore, is a structural imbalance: economic reforms that aim to stabilize the macroeconomy are not accompanied by the governance reforms, social protections, and institutional strengthening necessary to secure public buy-in and long-term credibility. Without deliberate social contract rebuilding through inclusive communication, targeted support, trust-building, and institutional coherence, the reform agenda risks political resistance, slowed implementation, and social instability.

This policy brief addresses the problem by offering an integrated analysis of the reform landscape, drawing comparative lessons from locally driven reform experiences, and presenting practical, actionable solutions that merge stabilization with deliberate rebuilding of citizen trust, institutions, and social protection mechanisms.

## ANALYSIS OF CHALLENGES

Nigeria's reform experience is shaped by a complex interplay of structural, institutional, political, and social factors. Understanding these challenges is essential for designing reforms that are not only economically sound but also socially legitimate and politically sustainable.

A central challenge is state capacity and institutional weakness. Fragmented coordination, inconsistent policy enforcement, and limited bureaucratic efficiency undermine the implementation of reforms. Revenuemobilization remains low, social protection mechanisms are incomplete, and intergovernmental alignment is weak. These gaps make it difficult to cushion

citizens from the immediate costs of reform and erode confidence in the government's ability to deliver. Rebuilding the social contract therefore requires deliberate investment in institutional capacity, clear accountability mechanisms, and performance management.

Economic hardship further complicates reform. Inflation continues to rise, driven by exchange-rate volatility, high transportation costs, and structural bottlenecks in food production and distribution. Households, particularly the urban poor, informal workers, and rural communities, bear the brunt of these adjustments. Without accompanying social protection and support measures, economic stabilization alone risks alienating the very citizens whose compliance and trust are essential to reform success.

Another persistent challenge is the political economy of trust.

Decades of governance failures, corruption, and policy reversals have left citizens skeptical of government intentions. Immediate hardships are felt personally, while the projected benefits of reform remain abstract. Without robust communication, transparent implementation, and visible redistribution of reform dividends, public trust erodes, weakening the social contract and limiting the sustainability of economic adjustment.

Infrastructure and structural bottlenecks also magnify the challenges. Poor transport networks, unreliable power supply, and inefficient logistics increase the cost of living and hinder economic adaptation. Citizens directly experience the pain of reform, which is compounded when state interventions fail to mitigate systemic inefficiencies. Strategic infrastructure investment, therefore, is a key element of rebuilding legitimacy alongside reform.

Finally, social inequality and regional disparities shape the uneven impact of reforms. Northern states and poorer communities are disproportionately affected, creating risks of deepening social and regional divides. Addressing these inequalities through targeted social interventions, inclusive policies, and participatory governance is critical to maintaining cohesion and reinforcing the social contract.

Collectively, these challenges highlight that Nigeria's reform difficulties are not merely economic but institutional, political, and social. Reforms will only succeed if economic adjustment is paired with deliberate strategies to rebuild trust, strengthen institutions, protect

vulnerable populations, and communicate transparently with citizens. The absence of rebuilding risks transforming economic reforms into political liabilities rather than instruments of sustainable development.

## COMPARATIVE ANALYSIS: LESSONS FROM LOCALLY DRIVEN REFORMS (RWANDA AND INDONESIA)

Nigeria's reform experience can gain valuable insights from countries that have successfully implemented challenging reforms without overreliance on external conditionalities. Rwanda and Indonesia provide instructive examples of how locally owned strategies can achieve both economic stabilization and social legitimacy, emphasizing the importance of rebuilding trust and strengthening the social contract.

Rwanda illustrates the effectiveness of homegrown, socially anchored reforms. After the devastation of the 1994 genocide, Rwanda confronted collapsed institutions, widespread poverty, and severe economic dysfunction. Instead of relying heavily on external conditionalities, the government implemented a phased, domestically driven reform agenda focused on national priorities and institutional rebuilding. Vision 2020 and Vision 2050 framed economic adjustments within a long-term development vision, clearly communicating the purpose and benefits of reforms to citizens. Performance contracts (Imihigo), decentralized implementation, and strict monitoring enhanced accountability and institutional credibility. Social programs, such as community-based health insurance (Mutuelle de Santé) and cash transfer initiatives, ensured that vulnerable households were protected while economic reforms progressed. Rwanda demonstrates that economic adjustment can coexist with social protection, institutional strengthening, and trust-building, reinforcing the social contract even during periods of hardship.

## INDONESIA

Indonesia offers another instructive case, particularly during the post-Asian Financial Crisis recovery (1997-2002). Indonesia implemented substantial fiscal and monetary reforms to stabilize the economy, restructure banking systems, and liberalize markets. Crucially, these reforms were complemented by domestic-driven social protection measures notably the rice subsidy program (Raskin) and cash transfer initiatives targeted at the poorest households and by decentralization reforms that strengthened local governance accountability. While Indonesia faced political and social tensions, the deliberate integration of social cushioning and

institutional reform helped maintain legitimacy, prevent social unrest, and preserve public support for macroeconomic stabilization.

**BOTH CASES ILLUSTRATE  
THREE KEY LESSONS FOR  
NIGERIA:**

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## POLICY RECOMMENDATIONS

1. Local ownership matters: Reforms succeed when citizens perceive them as part of a national project rather than externally imposed directives. Clear articulation of purpose, sequencing, and expected benefits is critical.

2. Institutional and social rebuilding must accompany reform: Stabilization measures alone are insufficient. Visible institutional strengthening, accountability mechanisms, and social protection measures are essential to maintaining trust and legitimacy.

3. Communication and transparency are central: When reforms are well-explained, progress is monitored publicly, and citizens can observe tangible benefits, the social contract is reinforced, mitigating resistance and enhancing compliance.

For Nigeria, these lessons underscore that reform is not merely a technical exercise but a political and social undertaking. Economic adjustment must be paired with deliberate strategies to rebuild trust, strengthen institutions, cushion vulnerable populations, and transparently demonstrate progress. Ignoring the social contract risks transforming reforms into politically and socially destabilizing measures rather than pathways to sustainable development.

The Federal Government should adopt a reform strategy that balances macroeconomic stabilization with deliberate efforts to rebuild the social contract, strengthen institutions, and protect vulnerable populations. The following recommendations outline a practical framework for achieving this integration.

The Federal Government should establish a unified and credible social protection architecture that replaces ad-hoc palliatives with a transparent, data-driven system. Completing and validating the national social register, integrating it with state-level databases, and deploying predictable, targeted cash transfers, food support, and transport subsidies to vulnerable households will ensure that citizens feel supported while reforms are implemented. This step

directly reinforces trust and demonstrates the government's commitment to inclusive governance.

The Federal Government should prioritize a phased and sequenced reform agenda. Reforms should be introduced strategically to minimize immediate hardship and allow visible benefits to emerge alongside adjustments. Sequencing macroeconomic measures such as exchange-rate stabilization, monetary tightening, and subsidy rationalization with social interventions reduces economic shocks while reinforcing the perception that reform is purposeful, fair, and socially responsible.

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The Federal Government should strengthen institutional coordination and accountability across ministries, departments, and agencies involved in reform. Creating an inter-ministerial Reform Implementation Unit with clear KPIs, technical support, and public monitoring mechanisms ensures policy coherence, reduces contradictions, and signals a functional, capable state to citizens, thereby rebuilding confidence in governance.

The Federal Government should implement a national reform communication strategy that transparently explains the rationale, expected benefits, and trade-offs of reforms. Regular briefings, social media updates, town hall engagements, and civil society consultations provide citizens with clarity and inclusion, enhancing trust and reducing skepticism about government intentions.

The Federal Government should mitigate structural drivers of inflation and hardship through support for domestic production, strategic infrastructure investments, and targeted logistics improvements. Programs such as input subsidies for farmers, transport vouchers for essential goods, and incentives for local manufacturing directly reduce costs for households and SMEs, demonstrating that reform is accompanied by tangible relief.

The Federal Government should channel fiscal savings from reforms into visible, high-impact public goods. Allocating resources to healthcare, education, rural infrastructure, SME power solutions, and community projects ensures that citizens experience concrete dividends from reform, reinforcing the social contract and legitimacy of government actions.

## IMPLEMENTATION STRATEGIES

For reforms to succeed, the Federal Government must not only design sound policies but also ensure disciplined, coordinated, and transparent execution that strengthens trust and institutions. The following strategies outline how reform and rebuilding can occur in tandem:

The Federal Government should institutionalize a Reform Delivery and Coordination Unit under the Presidency, supported by relevant ministries including Finance, Budget and Economic Planning, Humanitarian Affairs, Agriculture, and Communications. This unit would harmonize agency actions, track reform progress, and publish quarterly scorecards. Central coordination ensures that economic adjustments are executed coherently, and that citizens can observe measurable government performance reinforcing institutional credibility.

The Federal Government should deploy an expanded, digitally verified national social register linking NIN, BVN, mobile numbers, and state-level databases. This allows cash transfers, subsidies, and palliative programs to reach intended beneficiaries efficiently. Pilot programs in the six geopolitical zones should precede national scale-up, ensuring implementation is both transparent and accountable, thereby rebuilding trust with citizens.

The Federal Government should implement a Food and Essential Goods Supply Stabilization Plan. Strategic interventions such as transport vouchers, priority logistics corridors for essential goods, and support for agricultural input distribution will directly reduce household costs. These measures mitigate the immediate social impact of reforms, demonstrating that economic adjustment is paired with deliberate relief for citizens.

The Federal Government should launch a National Reform Communication Platform that explains reform rationale, timelines, and expected benefits in accessible language. This should include weekly briefings, infographics, social media updates, and state-level consultations with civil society, market associations, youth groups, and transport unions. Transparent communication reinforces legitimacy and public confidence in government actions.

The Federal Government should introduce performance contracts for reform-critical MDAs, linking measurable indicators such as revenue mobilization, subsidy reinvestment, social protection delivery, and inflation mitigation to budget allocations and executive evaluations.

Publicly tracked performance enhances accountability and demonstrates the state's commitment to both reform and rebuilding institutional trust.

Finally, the Federal Government should channel a dedicated portion of fiscal savings from reforms into visible community-level projects through a Reform Dividend Investment Fund. Allocations should support primary healthcare revitalization, school rehabilitation, rural infrastructure, and SME power solutions. Public dashboards should track funds from the federal treasury to project completion. Tangible improvements in citizens' daily lives make reform credible and strengthen the social contract.

## CONCLUSION

Nigeria's reform journey underscores a critical insight: economic adjustment without rebuilding the social contract is both technically incomplete and politically precarious. While macroeconomic stabilization through subsidy rationalization, fiscal consolidation, and monetary tightening is necessary to restore growth and fiscal credibility, these measures alone cannot secure sustainable development. The durability of reforms depends equally on citizens' trust in the state, institutional capacity, social protection, and visible delivery of public goods.

Comparative experiences from Rwanda and Indonesia demonstrate that locally driven reforms can achieve economic stabilization while rebuilding legitimacy. In these contexts, reforms were sequenced, socially cushioned, institutionally reinforced, and transparently communicated. The state demonstrated both competence and care, allowing citizens to endure short-term sacrifices in anticipation of long-term gains. For Nigeria, integrating stabilization with deliberate social, institutional, and political rebuilding is imperative. Targeted social protection, phased implementation, performance-driven institutions, infrastructure investment, and transparent citizen engagement are not optional add-ons; they are central to sustaining reform outcomes. By adopting this dual-track approach, the Federal Government can transform short-term economic pain into long-term legitimacy, resilience, and inclusive development, ensuring that reform is both economically sound and socially legitimate.

In essence, reforming while rebuilding is the pathway to a stronger, more resilient Nigeria; one in which citizens experience the benefits of adjustment, trust their institutions, and remain invested in the nation's economic and political future.



# OSE ANINIH

## INTRODUCTION

Every society that has attempted the transition from poverty to prosperity has passed through periods of severe economic and social upheaval. Structural transformation is always disruptive. Economists from Joseph Schumpeter to Dani Rodrik have long argued that turbulence is an unavoidable part of "creative destruction" and "growth through structural reallocation." The question facing Nigeria is not whether reform produces pain. It does. The real interrogation is whether this administration can administer that pain in a way that becomes productive.

Nigeria currently appears to reside on the wrong side of this equation. The country is undertaking far reaching and truly ambitious reforms, yet for most citizens the only observable output is suffering. As reformers across history have discovered, hunger is a short-sighted beast. But hunger and frustration alone do not explain the current national malaise. Other societies have endured worse and emerged stronger. The difference between painful but transformative reform and painful but destructive reform cannot then be just about the policy. It is in fact the social contract that underpins it.

Nigeria is committing a classic hysteron proteron error: introducing austere national reforms without first undertaking the work of nation building, or at least even building national consensus. Pain has become the central shared experience of modern Nigerian citizenship because the State has not built the institutions, trust or safeguards necessary to convert economic hardship into national progress.

Let us be as clear as history is unequivocal: national transformation demands sacrifice. The Asian Tigers imposed forced savings, suppressed wages, and reallocated labour during their early industrialization (Amsden 1989; Rodrik 2007). Singapore undertook harsh restructuring during its transition from trade outpost to global city (Lee 2000). The United States broke inflation in the early 1980s through high interest rates and deliberate recession. The United Kingdom endured mass unemployment during the Thatcher reforms. On the African continent, Rwanda and Botswana successfully imposed fiscal and institutional discipline before achieving later stability.

Pain, in other words, is not abnormal. Calls by reformist governments for citizens to tighten belts are *de rigueur*. But in every successful case, societies accepted pain because they trusted leadership, trusted institutions, or trusted the national trajectory.

Pain without trust breeds resentment and revolt. Pain with trust becomes transition.

# OSE ANINIH

## THE SOCIAL CONTRACT AS A REFORMATORY REQUIREMENT

In modern political economy, the social contract is not a philosophical abstraction. It is an empirical condition for state capability, and it rests on three pillars: legitimacy, protection, and pathway.

Francis Fukuyama argues that citizens must believe that reformers are competent, honest, and committed to the national interest. While reform is inevitably inconvenient, the State must shield citizens from its harshest effects through safety nets, predictable institutions, and credible enforcement. Finally, there must be a believable route to a better tomorrow, a sense that hardship is temporary and purposeful. Without this, citizens will reject even the most technically sound and commonsensical reforms.

Consider the Structural Adjustment Programme. SAP was introduced by military leaders operating with a shortfall of legitimacy. (This is not a commentary on military versus civilian rule; Africa has seen legitimacy conferred both by the ballot and by the bullet). But in this instance, citizens saw SAP's economic shocks as punishment from an unaccountable elite rather than a shared national prosperity project. Safety nets were insufficient; transparency was absent. SAP ultimately proved more destabilising than transformational. In 2012, President Jonathan's attempt to remove fuel subsidy would have been difficult under any circumstances, but in a climate of deep suspicion it collapsed almost instantly.

Citizens believed the savings would be stolen. Political opponents amplified these fears. The reform was framed not as national correction but as another mechanism for elite extraction.

Today, as in 2012, the technical logic arguing the case for reform is sound, but the socio-political logic is deficient. Most Nigerians agree that exchange rate unification, subsidy removal, and revenue reforms make economic sense. But they also agree that these reforms are being implemented by a governing class whose public lifestyle signals excess. Belt tightening is demanded only from citizens. Impending tax reforms feel like transfers from the poor to the well connected. Ultimately, no matter how technically sound these reforms may be, their fate depends entirely on the quantum of trust this administration is able to command. Without trust, they sink. With trust, they stand a chance.

On legitimacy, President Tinubu came into office on the back of bitterly disputed national elections and a minority vote. This has dogged his presidency and continues to obstruct his efforts to secure genuine national buy-in for painful reforms. Looking to the future, one way to fix this long-term legitimacy deficit would be to legislate a majority threshold: a 50 plus one requirement for the presidency. Whoever becomes president should speak with the authority of the country's actual consent. It is difficult to demand sacrifice from a nation as diverse as Nigeria when more than half the country does not believe you carry their mandate.

# OSE ANINIH

## THE SEQUENCING PROBLEM: WHY OUR REFORMS FAIL

If we accept three simple premises (1) that reform is necessary for Nigeria to develop, (2) that Nigeria has undertaken multiple reform programs across four decades, and (3) that the country remains mired in underdevelopment, then we must confront an uncomfortable truth: these reforms have not worked. Not yet.

Part of the answer to the question "why?" lies in sequencing. Nigeria has a habit of announcing ambitious national economic reforms without building the institutional muscle or consensus required to sustain them. Dani Rodrik warned long ago that countries fail when they liberalize before they institutionalize, and Nigeria keeps walking straight into that ditch. Real reform is not magic. It follows a clear order. Build institutions, then build buffers. Introduce economic reforms, then manage the shock and guide the transition. Nigeria, however, prefers to start in the middle, skip the stabilizers, and hope for the best. And when the predictable backlash comes, government blames the people or, if elections are near, opposition politicians for lacking patience, instead of blaming itself for lacking preparation.

If government wants Nigerians to tighten belts, it must begin by shrinking its own waistline. It must speak plainly, govern transparently, and stop treating reform as a militaristic decree rather than a negotiation. And if it wants the poorest to survive the shock, it must protect them through hardship-reduction strategies: targeted transfers, functional transport systems, school meal programs, and a coherent energy transition plan etc. None of this is radical. It is simply the basic work of statehood.

## CONCLUSION

Nigerians are not difficult to manage, not really. They just reject humiliation rituals disguised as reform. They reject sacrifice demanded only from the governed and never from the governing. They reject the idea that pain is inevitable for the masses but optional for the elite. Nigerians are willing to endure hardship when they believe it leads somewhere. What they will not do is carry river water up a hill for leaders who keep drinking from a private borehole at the top.

Our most alarming national crisis is not the economic pain. It is the absence of trust, the weakness of institutions, and the hollowing out of the social contract. You cannot reform a country you have not first built. You cannot demand resilience from a population you refuse to protect. And you cannot drag a nation through fire when the nation does not believe you will walk through it with them.

Nigeria stands at a crossroads: she can choose to continue the ritual of reform without nation building, or finally accept that no amount of technical wizardry can substitute for legitimacy, sequencing, and a State that remembers its first duty is to its people.

Until we build that nation, we cannot reform it. And until we regain trust, every reform will look, and feel, like punishment.



# Ikpa Ochanya Euginia

## INTRODUCTION

In Nigeria today, the promise of reform often feels like a distant echo. Loud in speeches but faint in people's lives. Each administration arrives with bold plans to "revive" the economy, attract investment, and curb inefficiency. Yet, for the ordinary Nigerian, reform has often meant one thing: more hardship. From the Structural Adjustment Program (SAP) of the 1980s, which saw widespread austerity measures (Ibrahim, 2025), to the repeated removal of fuel subsidies in 2012 and 2020 (The Guardian Nigeria News, 2023), citizens have endured policies that hit daily life directly. The devaluation of the naira, rising electricity tariffs, and the imposition of new taxes have compounded the strain, with each government assuring the public that short-term sacrifices will lead to long-term prosperity. But decades of such promises have left many Nigerians skeptical, questioning whether reform delivers progress or simply shifts the burden onto ordinary people (Vanguard, 2024).

The fuel subsidy removals, for example, have been particularly contentious. When subsidies were removed, petrol prices surged almost overnight, triggering waves of protests, inflation in transport and goods, and heightened social unrest (The Guardian Nigeria News, 2023). Similarly, the devaluation of the naira intended to stabilize the economy and attract foreign investment has often had the opposite effect, eroding purchasing power, raising the cost of imported goods, and fueling economic insecurity (Vanguard, 2024).

Such measures highlight a recurring dilemma: reforms intended to strengthen the economy often end up exacerbating hardship, exposing the fragility of Nigeria's institutions and the uneven social contract between government and citizens (Ibrahim, 2025).

Across the world, many nations have managed to grow stronger because they built institutions that outlast powerful individuals. In Nigeria, however, weak institutions and dominant personalities have shaped policy outcomes. Reforms are frequently implemented not in the national interest, but to serve political convenience.

This study explores the uneasy politics behind Nigeria's recurring cycles of economic pain and promises of renewal. It examines how decades of leadership built around personalities rather than institutions have hindered genuine development.

## HISTORICAL PATTERNS OF NIGERIA'S ECONOMIC REFORMS

Nigeria's economic reforms have historically aimed at debt relief, fiscal stabilization, structural adjustment, and governance improvement, yet they often entail short-term social and economic costs, such as subsidy removals, that fuel public dissatisfaction (Okonjo-Iweala, 2014).

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Many reforms, influenced by globalization and external pressures, have been reactionary, privileging market liberalization over domestic participation, which can weaken public trust and state legitimacy (Umezurike, 2013). Sustainability of reforms depends on broad-based, socially relevant strategies that address entrenched political and economic structures while ensuring citizen engagement (Kwanashie, 2005). Programs like NEEDS achieved macroeconomic and governance improvements but faced challenges in delivering tangible welfare gains and extending reforms to subnational levels (Okonjo-Iweala & Osafo-Kwaako, 2007). Overall, while reforms have become increasingly home-grown, their effectiveness hinges on strengthening institutions, ensuring consistent policy execution, and addressing socio-political constraints (Adeyemo et al., 2008).

## PUBLIC PERCEPTIONS OF GOVERNMENT-LED ECONOMIC REFORMS

Public perceptions of economic reforms in Nigeria are deeply shaped by a long history of market adjustments, austerity, and inconsistent policy delivery. Citizens generally view reforms through the lens of lived experience rather than official promises, which explains the persistent skepticism surrounding policies such as subsidy removal, currency redesign, and taxation adjustments.

Stocks (2001) argues that painful economic reforms do not always trigger public opposition; citizens may support governments during hardship if they believe reforms are necessary or if they attribute current crises to structural conditions rather than government failure. However, this conditional trust often breaks down in contexts where institutions lack credibility, transparency, and continuity.

In Nigeria, public attitudes toward the 2023 removal of fuel subsidies illustrate this dynamic. While the government framed the reform as a fiscal necessity, many Nigerians perceived it as another elite-driven adjustment whose costs disproportionately fell on ordinary households. As Akomolehin et al. (2025) show, the absence of strong regulatory safeguards and uncertainty about compensation mechanisms intensified public doubt, reinforcing a long-standing belief that reforms often benefit political and economic elites rather than the masses. The public response to the CBN's naira redesign policy further underscores this trust deficit. Although officially justified as an anti-vote-buying measure, the policy created widespread cash scarcity, social unrest, and institutional conflict. Alilu et al. (2025) found that these disruptions eroded public confidence and widened perceptions of governance failure, particularly in rural and low-income communities. Similar patterns have been noted in earlier reforms such as SAP and deregulation, where initial public optimism eroded as hardship persisted (Adejumobi, 2020; Ojo, 2015).

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Overall, Nigerians' perceptions of government reforms reflect an entrenched tension between policy intentions and real outcomes. Weak institutions, political bargaining, and inconsistent implementation shape a public narrative in which reforms are viewed not as pathways to national renewal, but as recurring cycles of economic pain delivered without meaningful rebuilding of the social contract.

## PUBLIC TRUST AND CONFIDENCE IN GOVERNMENT POLICY DECISIONS

Trust in government is a central component of effective governance and policy implementation, as it shapes citizens' acceptance of reforms and compliance with state directives. In Nigeria, repeated cycles of unfulfilled promises, policy inconsistencies, and mismanaged reforms have significantly eroded public confidence. According to Ayodele (2014), the mismanagement of fuel subsidy proceeds, and broken policy commitments led 85% of surveyed Lagos residents to express distrust in government, with 60% linking dishonesty directly to declining trust. He argued that restoring public confidence requires enhanced transparency, accountability, and adherence to ethical governance.

Madumelu, Egberi, and Mbanefo (2025) further emphasized that responsible leadership and social trust are critical for sustainable policy outcomes. In their systematic review, they found that social trust facilitates human resource development, strengthens rule of law, and supports economic growth by ensuring citizens engage positively with policy measures.

Similarly, Etannibi Alemika (2004) noted that citizens' political trust is closely linked to government performance and perceptions of corruption, suggesting that institutional capacity and rule-of-law deficits significantly influence public confidence.

Leena Hoffmann (2025) added that endemic corruption and weak accountability structures in Nigeria have fostered a widespread perception that institutions act inconsistently, undermining the social contract. Hoffmann argued that promoting integrity role models and embedding ethical leadership within public institutions is essential to rebuilding trust. Adamu and Alao (2023) corroborated this by showing that economic inequality and governance failures contribute to a pervasive trust deficit among young Nigerians, reducing civic engagement and participation in democratic processes.

Recent empirical evidence from the Africa Polling Institute (API) highlights that 83% of Nigerians express low or no trust in key state institutions, including the presidency, legislature, and judiciary (Tribune Online, 2025). These findings reflect a broader societal concern that government decisions often serve political or elite interests rather than collective welfare, further weakening the social contract.

## CITIZENS' INTERPRETATION OF GOVERNMENT OBLIGATIONS AND THE SOCIAL CONTRACT

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In Nigeria, the social contract is not merely a theoretical ideal but a lived expectation: many citizens believe the government is obliged to ensure economic stability, social welfare, and protection from financial shocks. According to a nationwide survey by the Africa Polling Institute (API), for example, 67% of Nigerians reported having “little or no trust” in the state, and 54% said their voices do not meaningfully influence government decisions suggesting a deep rupture in how citizens interpret the state’s obligations.

Scholars have also examined how social contract theory applies to Nigeria’s governance challenges. Asogwa & Nnamchi (2021) argue that foundational problems in the Nigerian state prevent it from fully embodying the reciprocal obligations described in classical social contract theory. Meanwhile, Ibrahim & Nurudeen (2022) suggest that a genuine social contract in Nigeria requires not only formal institutions but also a re-examination of social cohesion and national integration under principles of consent, accountability, and shared purpose. From a philosophical perspective, Onyekwere & Ojomo (2022) contend that the social contract carries a moral imperative: the state’s legitimacy is grounded in its obligation to protect citizens’ natural rights, making governance a trust-based moral duty rather than just a political arrangement. In line with this, Iloanya, Bosah & Okoye (2024) invoke John Locke’s conception of civil society to argue that when government neglects its duty to protect lives and maintain order, the social contract is breached, warranting civic resistance.

From a practical governance standpoint, Iwaka & Sanubi (2024) criticize Nigeria’s leadership for failing to live up to social contract ideals, calling for reforms in political leadership that emphasize accountability and shared sacrifice in line with contract theory.

## POLICY RECOMMENDATION

1. There is need to implement targeted programs to protect low-income and vulnerable households during economic reforms. This can include cash transfers, subsidies for essential goods e.t.c. ensuring reforms do not disproportionately burden the poorest citizens.
2. It is essential to build the capacity of government institutions to effectively implement reforms through improved coordination, consistent policy enforcement, and skilled human resources.
3. There should be clear mechanisms for monitoring reform implementation, reporting progress, and engaging citizens in decision-making processes.
4. Establish institutional channels for citizen participation, consultation, and feedback on reform policies. This ensures that reforms reflect public concerns, builds social trust, and reduces resistance or unrest associated with sudden policy changes.
5. Reforms that balance fiscal objectives with citizens’ social and economic needs should be designed.

## CONCLUSION

Economic reforms such as subsidy removals, currency adjustments, and taxation, often impose severe social and economic strains, especially on vulnerable populations. Public trust in government continues to elude, weakened by inconsistent policies, perceived elite interests, and repeated unfulfilled promises. Weak institutional capacity, lack of transparency, and ineffective policy execution perpetuate cycles of hardship and social unrest. Sustainable reform requires robust institutions, transparent governance, proactive citizen engagement, and protective social measures. Ultimately, lasting success depends on integrating economic, social, and institutional strategies to restore trust, ensure inclusivity, and foster resilient development.



# A SPECIAL COLUMN

POWER, POVERTY, AND THE DIGITAL FISCAL STATE

Why the Future of Governance Must Be  
Reimagined



# Emmanuel (Emeka) Orjih

## POWER, POVERTY, AND THE DIGITAL FISCAL STATE

### Why the Future of Governance Must Be Reimagined

#### ABSTRACT

This paper introduces the concept of the digital fiscal state: a new governance formation emerging as identity systems, economic data, and automated fiscal instruments converge in digital form. While this transformation promises efficiency and modernization, it simultaneously reshapes the distribution of risk, particularly for individuals whose economic lives are irregular or undocumented. Drawing on emerging global trends and Nigeria's experience as a frontier case, the paper argues that digital fiscal systems require governance frameworks built on three foundational principles: protection, participation, and fairness. Without these principles, digital modernization risks deepening structural inequities and eroding human dignity. The paper concludes that societies must reimagine governance to ensure that digital infrastructures strengthen rather than diminish the legitimacy and fairness of state authority.

#### SECTION I. A NEW GOVERNANCE MOMENT

The world is entering a quiet but consequential transformation. Across regions and political systems, states are digitizing the core functions through which they identify citizens, assess economic activity, and enforce compliance. These processes, once slow, paper-driven, and administratively limited, are being reorganized through integrated databases, algorithmic tools, and automated fiscal systems. The shift is not dramatic in appearance; it does not declare itself through the symbols that usually accompany major institutional change. Yet in substance, it represents one of the most significant reorganizations of state capacity since the expansion of the modern bureaucratic state in the early twentieth century.

As identity systems merge with tax infrastructure and real-time data collection becomes routine, a new form of governance is emerging. This development has been uneven but unmistakable: from Brazil's integrated social registries, to India's Aadhaar-linked welfare architecture, to Kenya's digital service portals, to Nigeria's accelerating fiscal digitization. The pattern is consistent. States are becoming more capable of observing, categorizing, and acting upon citizens than at any previous point in history.

For many, these changes promise efficiency, inclusion, and administrative clarity. But for those who sit at the economic margins - people with irregular incomes, limited documentation, or unstable digital access - the same systems carry heightened exposure. Digital records do not forget. Automated rules do not bend. In environments of economic precarity, the transition to digital governance can deepen vulnerability as quickly as it expands opportunity.

These shifts mark the early formation of what this paper refers to as the digital fiscal state: a governance configuration in which identity, economic life, and state power converge through digital infrastructure. This moment requires attention not only because the architecture is new, but because its consequences will be far-reaching. How societies respond to the opportunities and risks of this emerging state form will shape the distribution of power, fairness, and dignity in the decades to come.

## SECTION II. THE DIGITAL FISCAL STATE: DEFINING A NEW PHENOMENON

The term Digital Fiscal State describes a governance configuration in which identity systems, economic records, and fiscal instruments are fused through digital infrastructures. Although each component has developed separately over time, their convergence has produced a structurally distinct form of state capacity - one that enables governments to see, classify, and act upon individuals with unprecedented coherence and speed.

Three features characterize this emerging state form.

First, the centrality of digital identity. Governments are constructing unified identifiers that link individuals to a growing portfolio of personal and economic information. Whether through biometric systems, national identification numbers, or integrated civil registries, the state increasingly engages with citizens through interoperable digital profiles.

Second, the expansion of real-time economic visibility. Transactions that were once informal, unrecorded, or administratively unreachable are progressively drawn into digital networks: mobile money systems, point-of-sale terminals, utility databases, bank verification mechanisms, and social registries. These sources give governments a granular view of economic life, even in contexts with large informal sectors. Third, the automation of fiscal action. As data streams become integrated, states are experimenting with automated tax assessments, digital deductions, algorithmic audits, and instantaneous enforcement mechanisms. What previously required manual processes (slow, inconsistent, or selectively applied) can now occur at scale with minimal friction.

Taken together, these elements enable a governance architecture in which the reach, immediacy, and coherence of fiscal power significantly exceed the capabilities of analog-era systems. While the digital fiscal state promises efficiency, accountability, and modernization, it also raises questions about fairness, discretion, and the distribution of risk. These questions become sharper when considered alongside the realities of economic precarity.

## SECTION III. POWER, POVERTY, AND DIGITALIZATION

Digitalization does more than modernize state systems; it alters the distribution of power within society. When identity, economic activity, and state oversight converge in digital form, individuals relate to authority through infrastructures they do not design, cannot easily interrogate, and may not fully understand. For those with stable incomes, reliable records, and institutional protections, these systems often function smoothly. For those without such buffers, digital systems can intensify exposure.

In analog environments, poverty was primarily an economic condition. Its manifestations -irregular earnings, unstable employment, the absence of formal documentation - limited access to services, but remained outside the direct line of state visibility. In a digital environment, these same characteristics become data conditions. Missing records, inconsistent digital footprints, or irregular transaction patterns - common among those navigating economic precarity - are often interpreted by automated systems as non-compliance signals or risk factors.

Digital profiles thus amplify vulnerability. A delayed transaction, a missing document, or an inconsistency in data can trigger administrative actions whose effects are immediate and difficult to reverse. Automated processes treat patterns as judgments, and those judgments can be as consequential as any made by human actors.

This dynamic, where economic instability translates into administrative instability, creates a new form of vulnerability: algorithmic exposure. It is the condition in which the poor are disproportionately affected by automated decisions because their economic lives generate data that digital systems treat as anomalies.

Understanding this dynamic is essential. It reveals why digitalization, though promising efficiency and inclusion, can simultaneously deepen structural inequities. It also underscores the need for governance models that respond to the interplay between digital power and economic vulnerability.

## SECTION IV. THE LIMITS OF EXISTING INSTITUTIONS

The emergence of the digital fiscal state is unfolding faster than the capacity of existing institutions to understand, regulate, or mitigate its effects. While the underlying technologies advance rapidly, the frameworks that shape their governance remain rooted in analog-era assumptions. This mismatch creates a widening vacuum in which structural vulnerabilities can deepen. The state, though increasingly capable in its digital functions, retains accountability mechanisms built for slower, manual processes. Traditional checks like appeals, hearings, procedural reviews, struggle to moderate systems that operate instantaneously.

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Civil society faces gaps in technical expertise and institutional reach. Many rights-oriented organizations were designed to monitor physical-world harms; they are far less equipped to engage with the algorithmic logic of digital systems.

Development institutions continue to operate with frameworks built for analog poverty, overlooking the ways digital infrastructures reshape vulnerability.

The private sector, though central in building digital tools, is guided by incentives that do not necessarily align with fairness, transparency, or protection.

Together, these limitations reveal an institutional gap: a structural absence of frameworks capable of moderating digital fiscal power and safeguarding those most susceptible to administrative risk.

## SECTION V. THE DIGNITY IMPERATIVE IN A DIGITIZED WORLD

Amid the technical complexity of digital governance, a more fundamental concern arises: how these systems shape the dignity of individuals. Dignity is the condition that allows individuals to navigate public institutions without disproportionate burden, fear, or confusion. It requires that decisions affecting one's life be intelligible, contestable, and responsive.

Yet digital systems often assume stability – regular income, consistent identity records, reliable connectivity. For those living on the margins, the absence of such stability is interpreted as deviance rather than context. Automated penalties, opaque decisions, and unreviewable deductions can erode agency, producing a form of administrative helplessness.

Ensuring dignity in the digital age demands governance models that integrate human judgment, contextual interpretation, and mechanisms for redress. Dignity must therefore become a structural principle, embedded in the very design of digital fiscal systems, not an afterthought.

## SECTION VI. WHY GOVERNANCE MUST BE REIMAGINED

The digital fiscal state exposes a structural tension: expanding state capability without corresponding mechanisms of balancing, oversight, or citizen protection. Traditional governance models built on procedural deliberation, bureaucratic discretion, and slow administrative rhythms, cannot adequately guide systems that operate through instantaneous, automated decisions.

The question is no longer how to improve efficiency but how to design governance suited to a world where digital infrastructures mediate authority. Efficiency may coexist with injustice; precision may coexist with opacity.

Reimagining governance requires frameworks capable of moderating digital power while preserving fairness and agency. It requires conceptual renewal. Not resistance to technology, but adaptation to its implications.

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## SECTION VII. FIRST PRINCIPLES FOR A NEW GOVERNANCE FRAMEWORK

If governance is to evolve alongside digital fiscal systems, it must be grounded in principles that address the realities of algorithmic decision-making and economic precarity. Three principles provide a foundation:

**Protection:** Safeguards against misclassification, automated burdens, and opaque decisions.

**Participation:** Mechanisms that give individuals influence, transparency, and avenues for contestation.

**Fairness:** Systems designed to accommodate the irregularity inherent in human economic life.

These principles do not prescribe a fixed institutional architecture. They establish the orientation from which new governance models suited to digital environments can emerge.

## SECTION VIII. NIGERIA AS A FRONTIER CASE

Nigeria offers a particularly instructive lens through which to observe the emergence of the digital fiscal state. Its scale, demographic profile, economic diversity, and rapid digitization create conditions in which the opportunities and tensions of digital fiscal governance become unusually visible.

Over the past decade, Nigeria has pursued an ambitious process of fiscal modernization. Efforts to expand the tax base, consolidate identity systems, integrate financial data, and automate administrative processes reflect a broader state objective: to increase revenue generation, improve compliance, and strengthen public finance. These initiatives mirror global trends, yet they unfold in a context characterized by widespread informal employment, irregular incomes, limited social protections, and uneven digital access.

This combination creates a distinctive challenge. As systems become more automated, individuals who lack stable economic patterns or consistent documentation find themselves disproportionately exposed to administrative burdens.

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A digital identity mismatch, a transaction anomaly, or an automated deduction can have immediate and outsized consequences for households operating at the edge of subsistence.

Nigeria's digital fiscal evolution also highlights the institutional asymmetry described earlier. The state's capacity to observe and act upon citizens is expanding rapidly, while the mechanisms available to individuals for understanding, contesting, or correcting administrative decisions remain limited. Civil society organizations face difficulties engaging with technical systems whose logic is embedded in software architecture rather than traditional bureaucratic processes.

At the same time, Nigeria's experience underscores the potential benefits of digital fiscal systems. Improved data integration can reduce leakages, strengthen public finance, and create opportunities for more targeted social programs. Digital identity systems, if designed with safeguards, can expand access to services and reduce exclusion.

Nigeria's experience thus offers an early indication of the questions that will define governance in the digital age.

## SECTION IX. THE FUTURE OF HUMAN-CENTERED DIGITAL GOVERNANCE

As artificial intelligence (AI) becomes more deeply embedded in public administration, the systems that govern identity, economic life, and civic participation will increasingly operate through automated processes. This shift brings significant potential: greater efficiency, reduced administrative friction, improved resource allocation, and more responsive public services. But it also brings new forms of vulnerability - structural, algorithmic, and institutional - that demand careful governance.

The central challenge lies in designing governance models capable of aligning digital power with human values. Digital systems operate by abstraction, compressing complex human lives into data categories that enable administrative action. Yet governance requires more than categorization. It requires understanding, context, and fairness.

A human-centered digital future is not guaranteed; it must be designed. The choices made in the early stages of digital state formation will have long-term consequences for how power is distributed.

## SECTION X. CONCLUSION: A NEW POSSIBILITY

The digital fiscal state marks a defining shift in the evolution of governance. Its architecture brings coherence and capability, but also new forms of vulnerability. Meeting this moment requires conceptual renewal: frameworks that balance state capacity with human dignity.

The principles outlined here offer a starting point. They do not resolve the complexities of digital governance; they illuminate the direction in which solutions must evolve. As digital infrastructures continue to shape public life, the task before societies is to ensure that the systems they build preserve the dignity, fairness, and agency upon which legitimate governance depends.

A new governance possibility is emerging. Recognizing and shaping it is one of the defining responsibilities of our time.

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