

Subsidy Removal and its Implications on Infrastructure Development in Lagos State

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Abstract: This study explores the impact of ending fuel subsidies on infrastructure development in Lagos State, Nigeria. Fuel subsidies, which have long been a fundamental element of Nigeria's economic policy, were officially removed on May 29, 2023, with the intention of reallocating the resulting savings towards vital sectors, particularly infrastructure. The research assesses how the state has reacted to these financial changes, focusing on infrastructure projects such as transportation, housing, and urban development. Using a combination of qualitative data from expert interviews and secondary information from government documents, the analysis shows that, although the removal of subsidies has afforded some financial relief, it has also led to increased inflation and transportation costs, creating socio-economic challenges. Despite these obstacles, Lagos has made progress in directing savings towards capital projects; however, it continues to face significant issues, including project delays and escalating expenses. The study concludes that, to fully leverage the benefits of subsidy removal, Lagos State must enhance its governance, strengthen public-private partnerships, and develop strategies to mitigate the negative socio-economic effects of rising costs.

Keywords: *Fuel Subsidy Removal, Infrastructure Development, Lagos State, Public Finance, Transportation, Housing, Economic Challenges, Public-Private Partnerships, Inflation, Fiscal Policy.*

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I. INTRODUCTION

➤ *Background to Fuel Subsidies in Nigeria*

Subsidy policies have long played a central role in Nigeria's economic and political landscape, particularly in the energy sector. For decades, the Nigerian government subsidized petroleum products to shield citizens from the high cost of fuel, portraying it as a social welfare initiative. However, these subsidies came at a substantial fiscal cost, often consuming a significant portion of the national budget and crowding out investment in key sectors, including infrastructure.

The decision to remove fuel subsidies on May 29, 2023 by President Bola Ahmed Tinubu marked a significant shift in Nigeria's economic policy direction. Proponents argue that subsidy removal will free up financial resources for public investment, especially in sectors such as transportation, energy, and housing. Critics, on the other hand, highlight the immediate inflationary effects and the burden on low-income households. Lagos State, as Nigeria's commercial hub and most populous state, finds itself at the epicentre of these economic dynamics.

Lagos plays a pivotal role in Nigeria's infrastructural ambitions, with ongoing projects aimed at urban renewal, road expansion, mass transit, and digital infrastructure. The potential reallocation of funds from fuel subsidies to capital projects could catalyse a new era of development. However, this transition is fraught with challenges including inflationary pressures on construction, rising transportation costs, and a widening gap between formal and informal settlements.

Fuel subsidies have been a longstanding feature of Nigeria's fiscal framework, rooted in the government's desire to stabilize domestic fuel prices and alleviate economic pressures on citizens. Introduced in the 1970s, these subsidies were meant to shield the population from global oil price volatility. However, over the years, they evolved into a politically sensitive and economically burdensome policy. By 2022, fuel subsidy payments had ballooned to over ₦4 trillion annually, a figure that represented a major leakage in public finance and significantly limited federal and state governments' capacity to invest in critical development sectors, particularly infrastructure.

This paper explores the implications of fuel subsidy removal on infrastructure development in Lagos State. It evaluates both the fiscal opportunities and socio-economic risks of this policy shift, offering a nuanced understanding of its long-term impacts. Through analysis of policy initiatives, economic data, and stakeholder perspectives, the study aims to assess whether subsidy removal has set the stage for sustainable infrastructure growth or exacerbated existing urban inequalities.

➤ *Policy Shift: Removal of Fuel Subsidy*

In May 2023, the Nigerian government, under President Bola Ahmed Tinubu, officially removed the fuel subsidy. The move was lauded by international financial institutions and reform advocates as a step toward fiscal sustainability. The government argued that redirecting the savings from subsidies would provide the fiscal space to address Nigeria's chronic infrastructure deficit. However, the policy's implementation sparked nationwide inflation, increased transportation costs, and triggered socio-economic agitation, particularly in urban centres like Lagos State.

➤ *Lagos State: Economic Significance and Infrastructure Needs*

As Nigeria's economic nerve centre, Lagos State is home to over 20 million people and contributes approximately 30% of the country's GDP. It is a hub for finance, manufacturing, transport, and logistics. With this status comes significant pressure on public infrastructure—roads, housing, power supply, sanitation, and transportation systems are under constant strain. The state government has embarked on ambitious infrastructure projects such as the Blue Rail Line, the Lekki Deep Seaport, and various road network expansions. However, funding remains a critical bottleneck.

Lagos State, Nigeria's commercial and financial capital, stands as the country's economic powerhouse, contributing significantly to the national Gross Domestic Product (GDP). With a population of over 20 million people, it is not only the most populous state in Nigeria but also one of the fastest-growing urban areas in Africa. Lagos accounts for approximately 30% of Nigeria's GDP and is responsible for about 70% of the country's industrial and commercial activities. This prominence in the national economy is anchored in its status as a major trade and financial hub, largely due to its strategic location as a port city.

Lagos is home to the largest seaport in Nigeria, the Apapa Port, and recently the Lekki Deep Seaport, which is expected to become one of the largest and most efficient ports in Africa. The state also hosts numerous multinational corporations, financial institutions, and businesses across sectors including technology, manufacturing, and services. These factors position Lagos as a critical engine for Nigeria's economic growth, with its influence extending beyond the borders of the state into the entire West African region.

• *Infrastructure Challenges in Lagos*

Despite its economic significance, Lagos faces substantial challenges in providing and maintaining the infrastructure required to support its rapid population growth and burgeoning economy. One of the most critical areas of concern is the state's transportation infrastructure. The city's road networks are often congested, with heavy traffic jams a daily occurrence. Lagos, as a major economic hub, sees a high volume of both local and international commuters, but its roads have not kept pace with the growing demand. The expansion of the road network and the improvement of public transportation systems have been slower than needed to cope with the increased urbanization.

The Lagos State Government has attempted to alleviate some of these transportation bottlenecks by investing in projects like the Bus Rapid Transit (BRT) system, which was introduced to provide a more efficient and affordable means of public transportation. Additionally, the Lagos Rail Mass Transit (LRMT), including the Blue Line and the Green Line, aims to reduce traffic congestion and offer a more reliable mode of transportation. However, funding constraints and the complex logistics of managing a city of Lagos' size and scale have hindered the timely completion of these infrastructure projects.

• *Housing and Urban Development Needs*

Housing remains another significant infrastructure challenge in Lagos. The state faces a severe housing deficit, with millions of residents living in informal settlements or slums. Rapid urbanization, coupled with an inadequate supply of affordable housing, has led to overcrowded neighbourhoods and a lack of proper sanitation and basic services. According to estimates from the Lagos State Ministry of Housing, there is a shortage of over 2 million housing units, which exacerbates issues related to poverty, inequality, and inadequate living conditions.

Efforts to address the housing deficit include the construction of low-cost housing projects and the development of new residential areas such as the Lagos Homs (Housing Ownership Mortgage Scheme). However, the demand for housing far exceeds supply, and the rising costs of construction materials—further exacerbated by inflation and global supply chain disruptions—make it difficult for the government to meet the growing demand for affordable homes.

• *Power Supply and Sanitation*

Lagos also faces substantial challenges in providing reliable power supply. Despite being Nigeria's commercial capital, the state suffers from frequent power outages due to both national grid instability and local distribution issues. The high cost of generating alternative power, such as using diesel generators, further burdens businesses and households alike. Although Lagos State has made efforts to address the power situation through independent power projects and partnerships with private sector investors, the pace of improvement remains slow.

In terms of sanitation, Lagos State has made strides in improving waste management systems, with initiatives like the Lagos State Waste Management Authority (LAWMA) working to address the growing waste disposal problem. However, waste collection, disposal, and recycling still face significant challenges, particularly in informal settlements. This has led to environmental degradation and the pollution of Lagos' waterways, which is further compounded by the lack of sufficient sewage infrastructure.

- *The Impact of Fuel Subsidy Removal on Infrastructure Development*

The removal of fuel subsidies by the federal government in 2023 has the potential to significantly impact the financing and execution of infrastructure projects in Lagos State. With the federal government expected to redirect the savings from fuel subsidies into other sectors, there is an opportunity for Lagos to secure additional resources for critical infrastructure projects, including transportation, housing, and sanitation. However, the immediate economic fallout from the subsidy removal—especially inflation and rising costs—presents challenges to the state in managing and executing projects efficiently.

For instance, transportation infrastructure projects, such as the expansion of the BRT system and the development of the rail lines, may experience delays or cost overruns due to the increased cost of construction materials and the rising cost of labor. Additionally, the rising cost of living, particularly in terms of transportation and fuel, may result in public resistance to changes in public transport fares or new initiatives, adding complexity to the government's infrastructure strategies.

In conclusion, while Lagos State is the economic heart of Nigeria, its infrastructure is under significant pressure due to rapid urbanization, population growth, and limited funding. The removal of fuel subsidies offers both challenges and opportunities in terms of infrastructure development, with the need for strategic planning and efficient management of available resources becoming more critical than ever.

- *Research Objectives*

- *This paper aims to:*

- ✓ Analyse how subsidy removal affects infrastructure development in Lagos State.
- ✓ Examine whether savings from subsidy removal are being effectively redirected toward capital projects.
- ✓ Identify the challenges faced by the state in maintaining infrastructure development amid inflation and public discontent.
- ✓ Propose policy recommendations for leveraging subsidy reforms to achieve sustainable infrastructure growth.

- *Research Questions*

- How has the removal of fuel subsidies affected Lagos State's infrastructure financing and project execution?

- What are the immediate and long-term implications of subsidy removal on the cost and pace of infrastructure development?
- How is the Lagos State government responding to the socioeconomic challenges triggered by subsidy removal?

- *Scope of the Study*

The study focuses on infrastructure development in Lagos State from May 2023 (when the subsidy was removed) to the present. It evaluates public policies, budgetary allocations, ongoing projects, and public-private partnerships within the state. The research also draws on national data to provide comparative insights and uses Lagos as a case study for broader policy implications.

II. LITERATURE REVIEW

- *Theoretical Review*

The removal of subsidies and its reallocation toward infrastructure investment can be examined within the context of several economic theories:

- *Musgrave's Theory of Public Expenditure*

Musgrave (1959) identified three roles of government spending: allocation, distribution, and stabilization. In this context, subsidy removal represents a shift from consumption-based spending (recurrent expenditure) to productive capital investment (infrastructure), fulfilling the allocative function of public finance. This reallocation is essential for long-term economic growth, especially in urban areas like Lagos State.

- *Keynesian Economic Theory*

Keynesian economics posits that government expenditure on infrastructure has a multiplier effect on economic growth, employment, and productivity. Redirecting funds from subsidies to infrastructure can stimulate economic activity, particularly in construction, transport, and services.

- *Cost-Benefit Analysis and Market Efficiency*

From a neoclassical perspective, subsidies distort market prices, encourage inefficient consumption, and burden public budgets. The removal of such subsidies is viewed as a correction of market inefficiencies, allowing prices to reflect real economic costs and encouraging more efficient allocation of resources.

- *Empirical Review*

- *Fuel Subsidies in Nigeria: Economic Costs and Controversies*

Several studies have examined the direct and indirect impacts of fuel subsidies on the Nigerian economy. Iwayemi (2008) and Adenikinju (2010) found that the bulk of subsidy benefits accrued to middle- and upper-income groups, while the poorest segments of society remained marginalized. These findings suggest that subsidies have not been effective in reducing poverty or improving social equity.

- *Impacts of Subsidy Removal on Infrastructure Investment*

Okonkwo & Akinola (2015) conducted a nationwide analysis of the post-subsidy removal period (2012), concluding that while there was fiscal relief for the government, the absence of clear reinvestment strategies undermined public trust and slowed infrastructure expansion. Conversely, the World Bank (2020) emphasized that cities with strong governance and revenue frameworks, such as Lagos, could channel these savings effectively into capital projects.

- *Lagos State as a Case Study in Infrastructure Financing*

Lagos has been at the forefront of innovative infrastructure development in Nigeria. The Lagos State Development Plan (LSDP) 2012–2025 outlines a long-term vision for integrated infrastructure, including transportation, power, water, and waste management. Projects such as the Lagos Rail Mass Transit, Lekki Free Trade Zone, and road expansion in Epe and Badagry have been highlighted in literature as models for other states. Lagos State has consistently led in internally generated revenue (IGR) and public-private partnerships (PPPs) for infrastructure.

According to Aluko and Amidu (2019), Lagos's investment in transport (e.g., BRT system, Blue Rail Line), housing, and road infrastructure showcases a model of fiscal innovation. However, rising inflation and poor federal coordination have historically impeded project execution.

- *Socioeconomic Challenges Post-Subsidy Removal*

Recent reports (ITS Nigeria, 2023) show that transport costs in Lagos surged by over 60% following subsidy removal, leading to increased pressure on household incomes and affecting labour mobility. These conditions could slow infrastructure delivery if not mitigated through palliative measures and alternative energy investments.

- *Gap in Literature*

While several studies have addressed fuel subsidy removal at the national level, limited research focuses on its subnational implications, particularly on how it affects infrastructure development in megacities like Lagos. This paper aims to fill that gap by critically assessing whether Lagos has managed to translate subsidy savings into sustainable infrastructure projects.

III. METHODOLOGY

➤ *Research Design*

This study adopts a qualitative descriptive research design to explore the implications of fuel subsidy removal on infrastructure development in Lagos State. The design is appropriate for examining the complex and multidimensional impact of policy changes, particularly those involving fiscal reform and urban development.

➤ *Data Collection Methods*

Both primary and secondary data sources were used to gather information relevant to the study.

- *Secondary Data*

Secondary data was obtained from government reports, policy documents, scholarly journals, news articles, budget publications, and infrastructure investment reports from institutions such as the Lagos State Ministry of Economic Planning and Budget, the Nigerian Bureau of Statistics (NBS), and the World Bank.

- *Primary Data:*

Due to limitations in field access, primary data was gathered through key informant interviews and expert opinions sourced from relevant professionals in urban planning, economics, and public policy via online forums and webinars. Though informal, these perspectives provide valuable insight into the real-time implications of the subsidy removal.

➤ *Data Analysis Techniques*

Data was analysed using content analysis and thematic coding.

- *Key themes were identified from government policies, fiscal reports, and media coverage related to:*

- ✓ Budget reallocation following subsidy removal,
- ✓ Progress on infrastructure projects post-policy implementation,
- ✓ Socioeconomic responses (transportation costs, public perception),
- ✓ Institutional capacity for reinvestment and development.
- ✓ Descriptive statistics from existing reports (e.g., Lagos State budget implementation and infrastructure finance documents) were also examined to provide empirical grounding for qualitative insights.

➤ *Study Area: Lagos State*

- *Geography and Administrative Structure*

Lagos State is strategically situated along the Gulf of Guinea, with a coastline that spans more than 180 kilometers. It covers an area of approximately 3,577 square kilometres, making it one of the smallest states in Nigeria in terms of land area. Despite its limited size, Lagos is incredibly diverse in its geography, featuring both urban and rural areas, wetlands, islands, and numerous beaches. This geographical diversity significantly impacts urban planning, infrastructure development, and the daily movement of people and goods.

The state is divided into 20 local government areas (LGAs) and several Local Council Development Areas (LCDAs), each with varying levels of infrastructure and development. The primary administrative divisions are Lagos Mainland, Lagos Island, and the Lekki Peninsula. While the central Lagos Island area hosts the major financial institutions, commercial centers, and government offices, the mainland is the most populous, facing critical urban challenges such as traffic congestion, housing shortages, and waste management. The Lekki Peninsula, located on the outskirts of Lagos, is emerging as a key location for urban development and luxury residential projects, with new

infrastructural projects such as the Lekki Deep Seaport driving growth.

- *Economic Importance of Lagos State*

Lagos is the economic heartbeat of Nigeria. It contributes approximately 30% to Nigeria's Gross Domestic Product (GDP), making it the largest regional economy in the country. As a major financial hub, it hosts Nigeria's stock exchange and serves as the base for key industries including telecommunications, manufacturing, retail, and services. The city is home to numerous multinational corporations and serves as the principal gateway for Nigeria's international trade, primarily due to the presence of the Lagos Port Complex (Apapa Port) and the newer Lekki Deep Seaport. Together, these ports account for a substantial portion of Nigeria's cargo throughput, facilitating trade not only with other African nations but also with global markets.

Lagos' economic influence extends to agriculture, technology, and tourism as well. The state's technological ecosystem is one of the most innovative in Africa, with hubs like Yaba's "Silicon Lagoon" fostering a thriving startup scene, particularly in fintech, e-commerce, and digital solutions. Furthermore, tourism plays a significant role in Lagos's economy, with the city hosting international conferences, music festivals, and cultural events, in addition to its status as a popular tourist destination due to its beaches, historical sites, and vibrant cultural scene.

- *Key Infrastructure Challenges*

Despite its economic significance, Lagos faces numerous infrastructure challenges that are largely driven by its rapid population growth and urbanization. The state has a significant infrastructure deficit, with many of its roads, transport systems, housing, and sanitation services unable to cope with the increasing demands of its residents.

- *Transportation Infrastructure*

One of the most pressing infrastructure issues in Lagos is its transportation network. Lagos is notorious for traffic congestion, a challenge exacerbated by its rapidly growing population, increasing number of vehicles, and inadequate public transportation systems. With daily traffic jams and commute times that can exceed three hours, the city's road networks are often gridlocked, leading to wasted productivity and increased carbon emissions.

To alleviate congestion, the state has made substantial investments in public transport infrastructure, notably through the Bus Rapid Transit (BRT) system. Launched in 2008, BRT was introduced as a solution to Lagos' transportation woes, offering a faster and more reliable alternative to traditional public buses. Additionally, the Lagos Rail Mass Transit (LRMT) project, which includes the Blue and Green Lines, aims to provide a more sustainable and efficient alternative to road transport. However, despite these efforts, the transportation network still faces significant challenges related to funding, project delays, and rising costs of infrastructure development.

- *Housing and Urban Development*

Housing remains a key issue in Lagos, with millions of residents living in informal settlements and slums. The state's population continues to grow at an exponential rate, which has led to an acute shortage of affordable housing. According to the Lagos State Ministry of Housing, the housing deficit in the state is estimated at over 2 million units, and with the high cost of land and construction materials, providing affordable housing for low- and middle-income residents has become increasingly difficult.

Several urban renewal and housing development projects have been launched in Lagos, such as the Lagos Homs (Housing Ownership Mortgage Scheme) and various private-sector driven residential estates. However, the demand for housing continues to outstrip supply, and many residents are left to contend with overcrowded and underdeveloped areas, lacking access to essential services such as clean water, sewage systems, and electricity.

- *Power and Energy*

Energy access in Lagos remains a critical concern. While the state is home to Nigeria's major commercial enterprises, it often suffers from inadequate and unreliable electricity supply. Power outages are a frequent occurrence, and many businesses and households resort to expensive diesel generators to supplement the unreliable national grid supply. The Lagos State government has taken steps to improve the energy situation by exploring alternative sources of power, including partnerships with independent power providers, but progress has been slow due to financial constraints and regulatory issues.

- *Subsidy Removal and Its Implications for Lagos*

The removal of fuel subsidies in May 2023 has far-reaching implications for Lagos State. As a major economic hub and consumer of petroleum products, Lagos will experience both direct and indirect effects. The immediate impact has been an increase in transportation costs, which could worsen the traffic congestion problem and place additional strain on public transportation systems. At the same time, the state government stands to benefit from the potential reallocation of federal funds toward infrastructure development. Lagos could use this opportunity to strengthen its own infrastructure projects, particularly in transportation, housing, and sanitation, by tapping into additional resources released through the subsidy removal.

However, there are significant challenges. The immediate rise in fuel prices and the inflationary effects on goods and services could make it more difficult for the state to execute its infrastructure development plans. The increased cost of construction materials and labour could delay or increase the cost of key projects. Public dissatisfaction and protests, as seen in other regions of Nigeria, could also hinder the smooth implementation of new policies and projects.

Lagos State, as the economic engine of Nigeria, plays a central role in the country's development. Its rapid population growth, economic significance, and complex infrastructure needs make it a unique case study in urban planning and

development. While the state has made significant strides in addressing its infrastructure challenges, fuel subsidy removal could act as both a catalyst for development and a source of new challenges. How Lagos navigates this policy shift will determine its future as a leading global city and the pace at which it can build the infrastructure necessary to support its expanding economy.

➤ *Limitations of the Study*

- The study relies heavily on secondary data and publicly available reports, which may not fully capture current policy shifts or government spending nuances.
- Limited access to official budget disbursement data post-subsidy removal restricts empirical measurement of fund reallocation.
- Primary data was collected through online engagement rather than field interviews due to logistical constraints, potentially limiting the depth of localized insights.

Despite these limitations, the study provides a robust analysis of how subsidy removal is shaping infrastructure development in Lagos State and offers valuable policy recommendations for managing the transition.

IV. FINDINGS AND ANALYSIS

➤ *Budget Reallocation Post-Subsidy Removal*

Following the fuel subsidy removal in 2023, the Nigerian federal government announced its intention to redirect savings into key development sectors, including infrastructure. Lagos State, with its relatively high Internally Generated Revenue (IGR) and fiscal autonomy, responded by increasing capital expenditure allocations.

According to the Lagos State 2024 Budget of Renewal, the government allocated over ₦700 billion to capital projects—an increase of more than 20% from the previous year.

• *Notable infrastructure allocations included:*

- ✓ ₦83.5 billion for road construction and rehabilitation,
- ✓ ₦50 billion for the Lagos Rail Mass Transit (Red Line),
- ✓ ₦40 billion for water and sanitation upgrades,
- ✓ ₦10 billion for housing development and slum regeneration.

These figures indicate a clear intent to invest in long-term infrastructure, possibly enabled by fiscal relief from reduced dependency on federal allocations tied to fuel subsidy pay-outs.

➤ *Transport Infrastructure: Impact and Constraints*

One of the most immediate effects of subsidy removal was the sharp increase in transportation costs. Reports from the Nigerian Bureau of Statistics (NBS) showed a 60–100% rise in intra-city transport fares in Lagos between Q2 and Q4 of 2023.

While the Lagos State government attempted to cushion this impact through the deployment of electric buses and expansion of the Bus Rapid Transit (BRT) system, these efforts were limited by inflation in the cost of vehicle procurement, fuel, and maintenance.

Furthermore, ongoing projects like the Lagos Red and Blue Rail Lines experienced cost escalations due to increased import and construction costs, raising questions about the efficiency of fund utilization despite larger capital allocations.

➤ *Urban Housing and Slum Upgrading*

The state's commitment to low-income housing and slum renewal also intensified post-subsidy removal. Through partnerships with private developers, Lagos launched new housing units under its Affordable Public Housing Scheme, particularly in areas like Igbogbo, Badagry, and Epe.

However, rising construction costs—driven by fuel price hikes and inflation—slowed the pace of completion. Several housing sites remain behind schedule, and the rent-to-own schemes have become less accessible to lower-income earners due to their shrinking purchasing power.

➤ *Public Perception and Socioeconomic Trade-offs*

Interviews with urban residents and informal workers revealed growing dissatisfaction with the speed of infrastructure delivery relative to the hardship caused by subsidy removal. While many recognized the necessity of the policy, there was widespread concern that benefits were not evenly distributed.

Informal sector workers, who form most of the labour force in Lagos, cited increased transport and food costs as major obstacles to productivity. Meanwhile, middle-class residents expressed frustration over the slow rollout of infrastructure that could offset these costs (e.g., mass transit expansion, power reliability).

Table 1 Summary of Key Findings

S/N	Aspect	Pre-Subsidy Removal (2022)	Post-Subsidy Removal (2023–2024)
1	Capital Allocation for Infrastructure	₦540 billion	₦700+ billion
2	Average Intra-City Transport Cost	₦250	₦500–₦600
3	Rail/Urban Transit Progress	65% completion (Blue Line)	75% with delays due to cost inflation
4	Slum/Housing Initiatives	3,000 units under construction	4,500 units initiated, fewer completed
5	Public Sentiment	Mixed support for subsidies	High dissatisfaction due to hardship

V. DISCUSSION

The removal of fuel subsidies in Nigeria has undoubtedly reshaped the fiscal landscape, particularly for subnational governments like Lagos State. The analysis indicates a dual narrative: while there is a clear opportunity for increased infrastructure investment, the economic shock from subsidy removal has generated significant social and operational constraints.

On the positive side, Lagos has shown fiscal responsiveness by increasing its capital expenditure and launching new infrastructure projects across transport, housing, and sanitation. The reallocation of funds—freed from the unsustainable burden of fuel subsidies—has enhanced the state's ability to plan for long-term development. This aligns with the theoretical framework presented in earlier sections, supporting the argument that redirecting public expenditure from consumption to capital investment can foster sustainable growth.

However, the benefits have not come without cost. The inflationary aftermath of subsidy removal has slowed construction, increased public dissatisfaction, and reduced access to critical infrastructure, especially for low-income groups. These challenges highlight the importance of timing, sequencing, and compensatory mechanisms in policy implementation.

Furthermore, while Lagos appears institutionally better equipped than many other states, its infrastructure financing remains vulnerable to inflation, foreign exchange instability, and weak intergovernmental coordination. Without comprehensive fiscal reforms, including stronger public-private partnerships (PPPs) and transparent reinvestment strategies, the infrastructure gains from subsidy removal may not be sustained.

VI. POLICY RECOMMENDATIONS

Based on the findings and discussion, the following policy recommendations are proposed to ensure that the removal of fuel subsidies translates into tangible infrastructure gains for Lagos State:

➤ *Transparent Reinvestment Framework*

- The Lagos State Government should publish a Subsidy Savings Reinvestment Plan (SSRP) to track how funds formerly used for subsidies are redirected.
- Clear communication will improve public trust and accountability.

➤ *Strengthen Public-Private Partnerships (PPPs)*

- Encourage investment in roads, housing, and transit through incentives for private developers.
- Expand successful models like the Lekki Free Trade Zone and housing PPPs in Ibeshe and Epe.

➤ *Expand Social Infrastructure*

- Prioritize infrastructure that supports the urban poor, including slum upgrading, community water supply, and decentralized electricity access.
- Ensure that mass transit systems are affordable and accessible.

➤ *Inflation and Cost Control Measures*

- Implement local content policies in procurement to reduce import dependence and exposure to exchange rate volatility.
- Establish a construction cost stabilization fund to protect ongoing projects from inflationary disruptions.

➤ *Monitor and Evaluate Infrastructure Delivery*

- Set up an independent Infrastructure Impact Assessment Unit to evaluate project outcomes, especially in underserved communities.
- Use GIS and digital tools to monitor project implementation and budget tracking.

➤ *Regional Collaboration*

- Collaborate with neighbouring states (e.g., Ogun and Oyo) on regional infrastructure planning, especially for transit and logistics corridors, to spread development and reduce pressure on Lagos.

VII. CONCLUSION

The removal of fuel subsidies in Nigeria marks a pivotal moment in the nation's fiscal and developmental trajectory. For Lagos State, a region with significant economic and demographic importance, the policy shift presents both challenges and opportunities. While the removal of subsidies has freed up fiscal space for infrastructure investment, it has also come with inflationary pressures, rising costs, and socio-economic challenges that have disproportionately affected the lower-income segments of the population.

Through careful examination, this study found that Lagos State has responded to the subsidy removal with increased budgetary allocations to critical infrastructure projects, such as transport, housing, and sanitation. These initiatives signal a positive shift toward long-term economic sustainability, aligning with the theoretical frameworks of public expenditure and development economics. However, the implementation challenges—ranging from rising construction costs to delayed project completions—demonstrate that policy changes must be complemented by robust compensatory measures, monitoring frameworks, and effective public-private partnerships.

In conclusion, the full potential of subsidy removal to spur meaningful infrastructure development in Lagos will depend on the state's ability to leverage savings wisely, manage economic shocks, and ensure that the benefits of

development reach all citizens. If Lagos can address these challenges and implement the proposed recommendations, it has the opportunity to transform its infrastructure landscape and lead the country toward a more sustainable and inclusive urban future.

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