

# Credocast

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## Energy Subsidy Reform

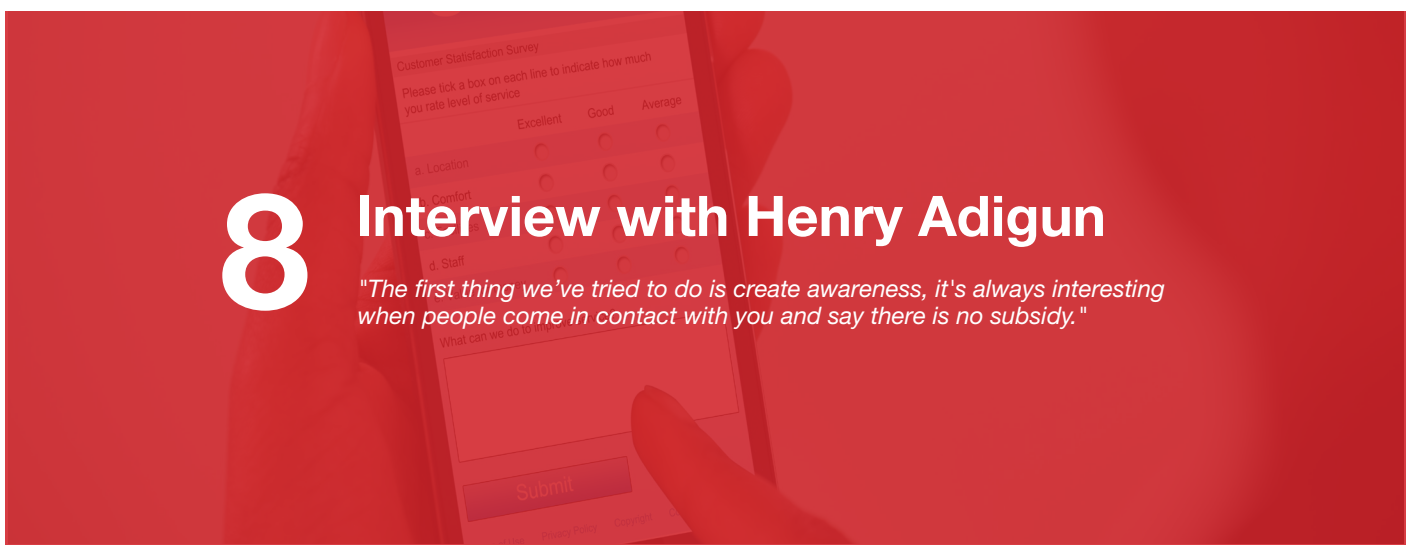
*Public communication approaches adopted for subsidy reform can have significant political and economic consequences.*



# 4

## Reform Barriers

*There are many challenges to subsidy reforms but inadequate communication and engagement with the public is a major reason for many unsuccessful energy subsidy reforms across the world.*



# 8

## Interview with Henry Adigun

*"The first thing we've tried to do is create awareness, it's always interesting when people come in contact with you and say there is no subsidy."*

## About Credo Advisory

Credo Advisory is a strategic communications firm that specializes in designing and implementing strategic, operational and tactical communication initiatives. We provide a full suite of communications support to our clients, which include public communications and advocacy, government relations, community engagement, media relations, crisis communications, digital communications and capacity building.

Our mission is to develop bespoke communications products, activities and campaigns based on knowledge, research and industry insights. With our ability to communicate effectively with diverse audiences and stakeholder groups, Credo's mission is to provide impactful strategic communications advisory from inception to implementation. At Credo, we are committed to improving the way societies communicate.

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“Public communication approaches adopted for subsidy reform can have significant political and economic consequences.”

## Energy Subsidy Reform

Many countries across the globe have at one time failed in their attempt to remove subsidy largely due to public outcry. For instance, Venezuela initiated a subsidy reform plan in 1989, Jordan (1989), Indonesia (1997), Ecuador (1998), Yemen (2005), Cameroon (2008), Bolivia (2010), and Nigeria (2012) but they all failed to fully execute the removal of subsidies due to public outcry.<sup>1</sup> Nevertheless, countries with a fair chance of implementing successful energy subsidy reform are those that leverage well-planned and comprehensive communications initiatives that sensitize the public, garner support, and address public concerns.

This thought piece highlights communication initiatives that can be used to achieve successful energy subsidy reforms. It will also discuss the challenges of subsidy reform and the communication approaches that can be used to mitigate them.



## Building Support

Communication drives policy formation and implementation in every country. Public communication approaches adopted for subsidy reform can have significant political and economic consequences. On January 2, 2012, Nigeria attempted to remove its fuel subsidy out of economic necessity and yet unfurled political dilemma. This decision resulted in national and international protests, forcing the government to reverse its subsidy removal decision. It is therefore imperative to communicate with the public before, during, and after any subsidy reform programme; educating them about the importance, challenges, and benefits of the reform measure. A nationwide public campaign is a critical reform component that helps build support and acceptance of reform policies among the masses, but this must be done comprehensively before effecting the reform.

<sup>1</sup> Council on Foreign Relations (2016) Sustaining Fuel Subsidy Reform. Available at: <https://www.jstor.org/stable/pdf/res-rep16759.pdf?refreqid=excelsior%3A4e-c38db720e82cdf7b59e8573cb65a2>

“A study by the International Monetary Fund (IMF) shows that out of 28 reform episodes globally, 17 indicate that lack of information was a barrier to the reform in countries like Ghana, Nigeria, Uganda, and Yemen.”

## Reform Barriers

There are many challenges to subsidy reforms, but inadequate communication and engagement with the public is a major reason for many unsuccessful energy subsidy reforms across the world. In Mexico, the failure of reform efforts in 1999 stemmed from a variety of challenges, but a major challenge was the failure of the government to implement a comprehensive communications programme leading to public opposition.<sup>2</sup> A study by the International Monetary Fund (IMF) shows that out of 28 reform episodes globally, 17 indicate that lack of information was a barrier to the reform in countries like Ghana, Nigeria, Uganda, and Yemen.<sup>3</sup> Some governments undertaking energy subsidy reform programmes, either ignore communication with stakeholders or take a top-down approach that fails to recognize stakeholders views and concerns.<sup>4</sup> Other governments begin communicating with the public only after a decision to reform subsidies has been taken.<sup>5</sup>



Source: www.links.org.au

## Mitigating Challenges

Communication campaigns are essential tools that governments must use to address reform barriers. A successful energy subsidy reform campaign requires public awareness, consensus, support, and changes in behavior. Without them, reform policies could suffer opposition which often stems from the public's lack of confidence in the government, misinformation, and negative perceptions of the reform. This has led to policy reversals in many countries. However, a communication campaign that consults a range of stakeholders, taking note of their concerns and perceptions and proactively addresses those concerns with targeted messages, can facilitate success as well as reform sustainability. To develop impactful energy subsidy reform campaigns, the practitioners interested in designing and implementing the communication campaigns must effectively adopt the following strategic communication steps as identified by the World Bank.<sup>6</sup>

<sup>2</sup> International Monetary Fund (2013) Energy Subsidy Reform: Lessons And Implications. Available at: [https://www.greengrowthknowledge.org/sites/default/files/downloads/re-source/Energy\\_subsidy\\_reform\\_IMF.pdf](https://www.greengrowthknowledge.org/sites/default/files/downloads/re-source/Energy_subsidy_reform_IMF.pdf)

<sup>3</sup> Research Gate (2013) Energy Subsidy Reform: Lessons and Implications. Available at: [https://www.researchgate.net/publication/256648689\\_Energy\\_Subsidy\\_Reform\\_Lessons\\_and\\_Implications](https://www.researchgate.net/publication/256648689_Energy_Subsidy_Reform_Lessons_and_Implications)

<sup>4</sup> Good Practice Note 10 (2018) Designing Communication Campaigns for Energy Subsidy Reform. Available at: <http://documents.worldbank.org/curated/en/939551530880505644/Designing-Communication-Campaigns-for-Energy-Subsidy-Reform-Communication>

<sup>5</sup> Good Practice Note 10 (2018) Designing Communication Campaigns for Energy Subsidy Reform. Available at: <http://documents.worldbank.org/curated/en/939551530880505644/Designing-Communication-Campaigns-for-Energy-Subsidy-Reform-Communication>

<sup>6</sup> Good Practice Note 10 (2018) Designing Communication Campaigns for Energy Subsidy Reform. Available at: <http://documents.worldbank.org/curated/en/939551530880505644/Designing-Communication-Campaigns-for-Energy-Subsidy-Reform-Communication>



*“ Before the public campaign is launched, it is important to determine which stakeholders are affected by and interested in the reform measure and which of them has influence that can affect the success of the reform. ”*

## Determine Campaign Objectives

A successful campaign starts with clear objectives that are specific, measurable, achievable, relevant and time-bound.<sup>7</sup> The objective of every subsidy reform public campaign is to equip citizens with adequate information on the benefits and importance of the reform. It should sensitize the masses on the reform process in relation to how it affects their livelihood and public interest. Specific objectives can be determined by understanding the target audience through a public perception survey in addition to their level of interests and influence in the proposed reform. These objectives serve as a key reference element throughout the campaign.

## Map Key Stakeholders

Understanding whether a stakeholder feels positive, negative or neutral is useful in deciding which engagement approach will be most effective and if the need for action is urgent.<sup>8</sup> Stakeholder mapping and analysis is integral in understanding how to engage with key interest groups as well as determine how best to involve and communicate with them. Before the public campaign is launched, it is important to determine which stakeholders are affected by and interested in the reform measure and which of them has influence that can affect the success of the reform. Alignment of internal and external stakeholders is crucial for reform advocacy and securing the credibility of the reform process. Stakeholder consultations at the beginning of the reform process, is more likely to build and retain broad support.<sup>9</sup>



<sup>7</sup> Advocacy Action Guide, A Toolkit for Strategic Policy Advocacy Campaigns, Elements of a Policy Advocacy Campaign. Available at: [https://preventepidemics.org/wp-content/uploads/2019/06/Elements\\_of\\_a\\_policy\\_advocacy\\_campaign.pdf](https://preventepidemics.org/wp-content/uploads/2019/06/Elements_of_a_policy_advocacy_campaign.pdf)

<sup>8</sup> Stakeholder Mapping - Attitude. Available at: <https://www.stakeholdermap.com/stakeholder-mapping-attitude.html>

<sup>9</sup> GSI(Global Subsidies initiative) and IISD (international institute for Sustainable Development) (2013) Guidebook to Fuel Subsidy Reform for Policy Makers in Southeast Asia. Available at: [https://www.iisd.org/gsi/sites/default/files/ffs\\_guidebook.pdf](https://www.iisd.org/gsi/sites/default/files/ffs_guidebook.pdf)

*“ After evidence-based messages have been established, a credible source must be leveraged to deliver the messaging. ”*

## Conduct Opinion Research

Qualitative and quantitative research such as in-depth interviews, focus group discussions (FGD), and public opinion surveys can provide information and insight on the stakeholder landscape. They can help policymakers understand stakeholder concerns, knowledge of subsidies, and opinions about existing social safety mechanisms. Research findings will inform the development of targeted messaging to specific stakeholders. Additionally, opinion surveys also help inform what the strategic and tactical messaging should be.



## Develop and Pretest Messaging

A well-elaborated messaging architecture captures the specific intent, priorities, and goals of the reform to the masses. Public campaign messaging for energy subsidy reform must demonstrate (based on information gathered during public opinion research) what stakeholders stand to benefit in addition to available social safety nets for those who may be affected by the reform. Messages can change attitudes because they stimulate thought, evoke emotions, and connect with citizens' motivations and needs.<sup>10</sup> These messaging must be pretested with a small number of the target audience; to gauge the effectiveness of the message before it can be launched on a large scale. Monitoring and evaluation of messaging to determine efficacy are central during the public campaign.

## Assign Credible Spokespeople

After evidence-based messages have been established, a credible source must be leveraged to deliver the messaging. They must have authority in the energy sector with strong experience in public speaking and engagement. These messengers should speak the audience's language and not be viewed as overly political when making statements about the energy subsidy reforms.<sup>11</sup>

<sup>10</sup> Good Practice Note 10 (2018) Designing Communication Campaigns for Energy Subsidy Reform. Available at: <http://documents.worldbank.org/curated/en/939551530880505644/Designing-Communication-Campaigns-for-Energy-Subsidy-Reform-Communication>

<sup>11</sup> Good Practice Note 10 (2018) Designing Communication Campaigns for Energy Subsidy Reform. Available at: <http://documents.worldbank.org/curated/en/939551530880505644/Designing-Communication-Campaigns-for-Energy-Subsidy-Reform-Communication>

“ Indicators for each communications activity should be identified and data collected throughout the campaign. ”

## Identify Communication Channels

It is of no use to have a well-planned communications campaign without having channels through which the information can be disseminated to reach the target audience. The illustration below, based on identified channels that are country-specific, can be leveraged for public dialogue and amplification of campaign messages.



## Monitor & Evaluate Campaign Effectiveness

No one wants to travel a long distance, spend a lot of money, and somehow end up in the wrong place.<sup>12</sup> Before launching the communication campaign, it is important to establish metrics to determine whether campaign initiatives are successful and determine what happened or did not happen as a result of the campaign.<sup>13</sup> Indicators for each communication activity should be identified and data collected throughout the campaign. Public opinion surveys are important campaign implementation tools that gauge changing or unchanging public behavior, sentiment or perception. Based on research findings, new messaging and communication interventions can be developed to mitigate any gaps or perception challenges.

<sup>12</sup> Issuelab (2008) Are We There Yet? A Communications Evaluation Guide. Available at: <https://www.issuelab.org/resource/are-we-there-yet-a-communications-evaluation-guide.html>

<sup>13</sup> Good Practice Note 10 (2018) Designing Communication Campaigns for Energy Subsidy Reform. Available at: <http://documents.worldbank.org/curated/en/939551530880505644/Designing-Communication-Campaigns-for-Energy-Subsidy-Reform-Communication>

*“ In a country where you have crude and you export almost all your oil and there aren't local refineries and you're trying to also encourage people to use crude in-country - subsidy does not allow that. ”*

## Interview with Henry Adigun



Crede Advisory interviewed Henry Adigun, who is an international development professional with 18 years of experience in policy and private sector development. He currently leads the Facility for Oil Sector Transformation (FOSTER 2) project, funded by the Oxford Policy Management. Henry has led several interventions to speed up transparency in Nigeria's oil sector with analytical insights on policy reforms to the Ministry of Petroleum, the NNPC, National Assembly and the Presidency. Prior to joining FOSTER 2, he made remarkable achievements in Adam Smith International, the British Council, and other top agencies.

### What's the core argument for subsidy removal?

The big argument for it can be categorized into three. Number one is benefits. It doesn't benefit the targeted recipients. Now, in a country where you have poverty in the numbers we have and you have dependencies on those numbers we have as well; it's sort of criminal to subsidize something the poor do not benefit from. Every research we've done indicate that only the rich and middle-class benefit from subsidies because in subsidizing petrol (which is a consumption item); the more you consume the more you benefit. The second issue is the corruption in the process. When you have something that has so much impact on your finances that your deficit is almost equal to your subsidies, there is a problem. If you cannot see any substantial gain in your economy, then you're spending money on the wrong things. We are averagely spending N1.3 - N1.5 trillion on subsidies. It negates the principles of financial management in a country struggling; so, there is a lot of corruption in there. Then, the third thing is market strangulation. In a country where you have crude and you export almost all your oil and there aren't local refineries and you're trying to also encourage people to use crude in-country - subsidy does not allow that. People will not do petrol business locally if they can't find a fair market price to sell it and if there is a history that you owe marketers large amounts of money, then there is no incentive to ensure the downstream is effectively developed.

**To address this from the strategic communications perspective. In the work we are doing in different countries, majority of the public aren't even aware that they're actually paying subsidized pricing. So how do you remove something that people are not even aware that they have?**

The first thing we've tried to do is create awareness, it's always interesting when people come in contact with you and say there is no subsidy. It is a problem in Nigeria because people don't believe it exists, because in their mindset there are two things - an entitlement mentality and the sense that the figures are not transparent. In history, it has been recorded that we've had subsidy since 1974. We have been subsidizing petrol, diesel and others. It is a challenge, and the first thing to say is, "here is how it works", "here is the landing cost", "here is the differential". Again the government is very dishonest in communications.



*“Public communication and support is a critical success factor for any subsidy reform measure.”*

For every Minister of Petroleum we have worked with, when they say “the savings of subsidy”, I tell them - in a country like Nigeria; when you tell people “savings of subsidy”, you disfigure the message. That is why the promises from government have not worked; because they’ve all promised savings that do not exist. Therefore, they can’t find money to fulfil the promises made to the public when they are removing the subsidy.

**While most people agree that it’s critical and long overdue to remove subsidy, the bone of contention is how to go about removing the subsidy. Is there a right or wrong way? Should it be phased or should it be just all out, you know just rip off the band-aid? What are your views?**

All studies have shown that taking off the band-aid can cause a lot of harm and distortion in the economy. We’ve always advocated for gradual phasing out of the subsidy, in a way where it’s a declining process until people get used to it. We call that process “ratcheting.” It’s where you do it in quarter 1, quarter 2, and quarter 3. As we’ve seen from our experiences, that is what works best in many countries. There are some instances where the opportunity might arise for ripping it off like it exists right now with oil prices this low. There are also country-specific areas where, you have savings from it and you can deploy to other areas where there are immediate benefits. An example is what they did in Indonesia some years ago; where they already prepared the minds of people and gave them cash transfers. By the time subsidy removal was implemented, the citizens easily accepted it. It depends on the country in focus, the economic situation and the level of trust you enjoy with your people. If the people’s trust in the government is not high, and the authorities try something like this, it might cause a loss of government.

### Credo Experience

Credo Advisory’s principal consultant provides strategic communications support on energy subsidy reform in Nigeria, Sudan, and Zambia. The support involves technical assistance in the designing and implementation of public campaigns for proposed subsidy reforms. Technical assistance service entails facilitating public opinion research, launching nationwide campaigns, communications advisory to client governments, political economy analysis to guide engagement strategies, capacity building of government communications professionals, media engagements, developing campaign creatives and collaborating with locally-based communication firms, governments, and donor partners.

## Conclusion

Public communication and support is a critical success factor for any subsidy reform measure. It should be planned and implemented in conjunction with the subsidy reform design and execution. For maximum impact and sustained public support, communications campaigns for energy subsidy reforms must factor in political, social, and cultural elements. It should also be based on qualitative and quantitative research findings that reflect public sentiment and perception. Public support on a government reform measure can only be obtained when the public are a part of the solution and can link the reform to the improvement of societal gaps and economic development.