



BRIEFING NOTE

Making Subsidy Reform Work for Women in Nigeria

Lucy Kitson, Christopher Beaton and Victoria Ohaeri
March 2016

Key Messages:

- Subsidy reform will likely reduce household expenditure on women's needs and reduce women's access to modern energy sources, affecting their economic opportunities and respiratory health. Reform can have positive effects if it leads to improved energy supply systems (increasing energy access), but this is likely to take place over the medium term.
- There is currently no good data on the exact extent to which reform will affect women. For all near-future reforms, the government should adopt a "precautionary principle" and seek to choose compensation policies that cluster benefits on women.
- Government communications will be stronger if reform is designed so that it can credibly state: i) that women, among other vulnerable groups, are protected and ii) that alternative, more effective energy access policies are being implemented using subsidy savings



1. Why Care? Subsidy Reform and Women

Subsidy reform in Nigeria will increase petroleum and kerosene prices. This will have three major impacts:

- i. Income effect:** Increased energy prices will increase living costs.ⁱ Generally, women have less say over household expenditure than men. As a result, they are more likely to lose out. Inequalities are most pronounced in poorer households.
 - The 2013 Demographic and Health Surveyⁱⁱ finds that in Nigeria's poorest households:ⁱⁱⁱ
 - » 44 per cent of women are unemployed (versus 19 per cent of men).
 - » 93.1 per cent of married working women earn less than their husbands.
 - » Women state that major purchases are mainly made by men in 62 per cent of households, compared to 32 per cent made jointly and 6 per cent mainly by women.^{iv}
 - Data from the Nigeria National Bureau of Statistics (2009) shows that men are more than twice as likely to secure finance compared to women.^v
- ii. Energy-use effect:** Increased energy prices will increase consumption of cheaper energy alternatives. For transport fuels, this means more efficient transport or less transport; for household fuels like kerosene, it means using more biomass for lighting and cooking. A shift to biomass will have worse effects on women than men because generally it is women in Nigeria who collect fuel and cook. More biomass use means increased time spent on fuel collection: arduous work that could be better spent on income generation. It also means increased indoor air pollution and associated health

problems. The traditional use of biomass is a major cause of respiratory disease.

- The World Health Organization finds that smoke from firewood and traditional biomass is responsible for over 95,000 deaths per year in Nigeria.^{vi}
- Research^{vii} in Ekiti State finds the following prevalence of respiratory symptoms among women using biomass fuels versus those using non-biomass fuels: cough (13.7 per cent versus 3.7 per cent), wheezing (8.7 per cent versus 2.8 per cent), chest pain (7.5 per cent versus 1.9 per cent), breathlessness (11.8 per cent versus 6.5 per cent) and chronic bronchitis (10.6 per cent versus 2.8 per cent).

- iii. Energy-supply effect: Fixed prices and quotas have caused energy supply problems in Nigeria. Higher prices can improve energy supply networks. As a result, it may increase women's access to clean fuels.** This ought to help at least partially compensate for income and energy-use effects. But this is a medium-term impact and may require other supply barriers to be addressed in order to take full effect.

Understanding the above impacts is important because **women are already worse off than men according to many common development metrics.**^{viii} Without adequate preparation and compensation, reform can entrench existing inequalities. Nigeria's **National Gender Policy (2006)**^{ix} already recognizes that gender equality is fundamental to sustainable development and that empowering the disadvantaged, particularly women, is a solution to underdevelopment. Increasing equality will not just benefit women. It is in the interests of the country as a whole, bringing improved outcomes for health, education and economic competitiveness—and thus long-run prosperity for all Nigerians.



2. What To Do? Focusing Compensation on Women

There is little data on exactly how much Nigeria’s poorest women would be affected if subsidies were removed.^x Given this, the government should adopt a “precautionary principle” and seek to incorporate pro-women design features into its reform compensation policies.

- **Income effect:** In SURE-P, a number of programs helped supplement incomes following reform. **Such general compensation policies should be designed so that some income benefits are clustered onto women, such as health care and education programs for women** (for more examples, see Table 1).

- **Energy-use effect:** The government should ensure that poor women can continue to afford modern cooking fuel. Kerosene is particularly prone to diversion so **it is recommended that the government promote clean cooking stoves and/or liquid petroleum gas (LPG)**. This is **already a goal of the draft National Energy Policy 2013**. It should be implemented to cluster benefits in Nigeria—that is to say, by establishing cooking stove production domestically and using Nigeria’s LPG production capacity. Any spillover benefits (e.g., employment creation) can be clustered on women. **Gradual reform is likely necessary to allow a fuel transition**. Care should be taken not to introduce a “cure worse than the disease”—subsidies for assets (stoves, starter kits) are effective and any clean fuel subsidies should be carefully targeted to prevent diversion and high costs.

Table 1. Options for Targeting Compensation to Women

	Compensation tools	Design features to cluster benefits on women
Income effect	In-kind transfers, e.g. free or low cost food, water, transport services, education, healthcare, assets etc.	<ul style="list-style-type: none"> • Target groups in which women are over-represented, e.g. service industry • Provide in-kind transfers that are targeted at women’s needs, e.g., women’s healthcare (SURE-P Maternal and Child Health program); retaining women’s school attendance; public transport services at night; etc. • Make women recipients of transfers, e.g., coupons, equipment etc.
	Cash transfers: conditional or unconditional	<ul style="list-style-type: none"> • Make any conditionalities relevant to women’s needs as well as children’s • Make women recipients of transfers (e.g., Mexico’s Oportunidades)
	Stimulate employment via micro loans, internships, vocational training	<ul style="list-style-type: none"> • Make all or a fixed share of recipients women (e.g., micro-loans targeted at women entrepreneurs; or a quota of women beneficiaries in programs like the SURE-P Graduate Internship Scheme) • For finance tools, include outreach to expand women’s financial inclusion
	Infrastructure programs (e.g., electrification, water, roads, public transport)	<ul style="list-style-type: none"> • Make a fixed share of employment opportunities focused on women • Build infrastructure of key relevance for women’s needs, e.g., wells to save time on water collection; street lighting to reduce violence etc.
Energy use effect	Target existing subsidies	<ul style="list-style-type: none"> • Automatically clustered on women if it enables access to clean cooking fuel • Make women recipients of subsidy
	Promote other clean fuels, e.g., distribution, provide equipment, targeted subsidies.	<ul style="list-style-type: none"> • Automatically clustered on women if it enables access to clean cooking fuel • Make women recipients and owners of any assets, e.g., stoves, cylinders. • Make women recipients of subsidy



3. What to Say? Reform, Women and Communications

Fossil fuel subsidy reform is unpopular and typically requires a concerted communications effort. This is particularly the case in Nigeria, following large-scale protests and strikes following attempted reforms in January 2012.

The government can strengthen its communications by showing that it is addressing women's needs. This must be based on a starting principle that the government is not reforming subsidies in order to save money but in order to make people's lives better and plug the gaps that allow waste and corruption to thrive. Following the recommendations in this briefing note can open the door to two strands of messaging:

- i. **“The government cares and it is protecting the vulnerable—including women.”** The government should emphasize that it is protecting the poorest from higher energy prices. It should be able to cite its practical steps to ensure that women are protected (including other vulnerable groups, such as youths, the elderly etc.).
- ii. **“Fossil-fuel subsidies have failed—it is time for something better.”** Reform should not be seen as a “negative” agenda: it is not about taking something away; it is about providing something that works. Particularly with kerosene subsidy reform, the government should pursue strong messaging that “kerosene subsidies have failed to make clean fuel affordable for the poorest in Nigeria,” noting that most purchase kerosene far above official prices. It should be clear that the government wants to promote clean energy access in an alternative way. It should quantify some of the benefits, particularly on women, with respect to time saved and

improved health. It should note other countries that have done the same, for example, Brazil, Peru.

The government should also design policy and prepare communications capacity so that it is able to tackle opposition messages. Possible negative perceptions about alternative policies should be identified early and addressed when planning reform. For example, clean cookstoves are often criticized because they are imported, and this encourages production and technical expertise to be retained abroad. In some cases, too, cookstoves promoted by government have not been properly aligned with cultural concerns and local needs. Safety concerns often dominate news about LPG. Policy should be designed to be robust to such concerns by, for example, ensuring that: cookstoves are produced domestically with spillover benefits, promoted cookstoves are chosen following a careful needs assessment and LPG meets high safety standards. This will allow officials to quickly respond to and neutralize concerns. The Jigawa State government's cookstove scheme and the Kike cookstove by Carbon Credit Network are examples of locally produced cookstoves that could be investigated.

Finally, communications will be required to encourage a shift in energy use. Promoting alternative cooking fuel amounts to a major cultural transformation. Consultations by Spaces for Change with low-income women in Lagos found that most would use new fuels but not abandon old fuels and that very few had any awareness about clean cooking options. An energy-access initiative would benefit from a robust public enlightenment program targeted at rural and low-income populations. The government could also consider linking into regional initiatives such as the ECOWAS program for Mainstreaming Gender in Energy Access.^{xi}



Want to Know More?

This briefing note was produced by the Global Subsidies Initiative (GSI, www.iisd.org/gsi) of the International Institute for Sustainable Development, a dedicated international research program on fossil fuel subsidy reform operating for over 10 years, and Spaces for Change (www.spacesforchange.org/), a non-profit organization working to infuse human rights into social and economic governance processes in Nigeria.

GSI and Spaces for Change are currently collaborating on a four-year research project on fossil fuel subsidy reform and gender in Nigeria. This project is supported by ENERGIA (www.energia.org), the International Network on Gender and Sustainable Energy, and funded by the UK Department for International Development (DFID).

For more information about GSI and Spaces for Change's work on subsidy reform and gender in Nigeria, please contact:

- Laura Merrill: lmerrill@iisd.org
- Victoria Ibezim-Ohaeri: spacesforchange.s4c@gmail.com

Endnotes

ⁱ The exact extent to which subsidy reform will affect household incomes is unknown. This is because large shares of Nigeria's petroleum and kerosene subsidies are captured by black markets: many households pay above official prices for subsidized fuels, and therefore may see little actual cost increases. Nonetheless, in most countries it is typically the case that—no matter how inefficient—a share of benefits does reach households, and this transfer is relatively large as a share of the poorest households' total incomes. In addition, reform normally causes inflation, increasing the prices of other essential goods such as food and transport services. In the absence of contrary evidence, this briefing adopts the precautionary principle and assumes that poor households will see living costs increase.

ⁱⁱ National Population Commission (Federal Republic of Nigeria) and ICF International (2014). *Nigeria Demographic and Healthy Survey 2013*. Retrieved from <https://dhsprogram.com/pubs/pdf/FR293/FR293.pdf>

ⁱⁱⁱ Poorest households are defined as the lowest quintile (i.e., the bottom 20 per cent). The wealth index is consistent with expenditure and income measures. It is constructed by scoring households by assets in three steps: first by indicators common in urban and rural areas; second, indicators that are area-specific; and third, by adjusting area-specific scores so that they are nationally applicable.

^{iv} According to men, they are the main decision-makers on large household purchases in 50 per cent of households (a 12 per cent difference), while in 36 per cent of households, such decisions are made jointly (a 6 per cent difference) and in 23 per cent of households they are mainly made by women (a 17 per cent difference).

^v Organisation for Economic Co-operation and Development. (n.d.). *Social Institutions and Gender Index: Nigeria*. Retrieved from <http://genderindex.org/country/nigeria>

^{vi} World Health Organization. (2009). *Country profile of environmental burden of disease: Nigeria*. Retrieved from http://www.who.int/quantifying_ehimpacts/national/countryprofile/nigeria.pdf?ua=1

^{vii} Pneumol, J. B. (2010). *Increased risk of respiratory symptoms and chronic bronchitis in women using biomass fuels in Nigeria*. Retrieved from <http://www.ncbi.nlm.nih.gov/pubmed/20835590>

^{viii} For example, the Human Development Index reflects that women in Nigeria have 2 fewer years of schooling and earn about 38 per cent less than men on average.

^{ix} Federal Republic of Nigeria (2008). *National Gender Policy Strategic Framework (Implementation Plan)*. 2008-2013. Retrieved from <http://cewhin.org/pdf/STRATEGIC%20DEVELOPMENT%20RESULTS%20FRAMEWORK.pdf>

^x The International Institute for Sustainable Development and Spaces for Change are currently conducting a multi-year project to identify the impacts of fossil-fuel subsidy reform upon women in Nigeria. For more information, contact lmerrill@iisd.org and spacesforchange.s4c@gmail.com.

^{xi} African Development Bank Group. (2015). *Inception Workshop for the ECOWAS Policy for Mainstreaming Gender in Energy Access*. Retrieved from <http://www.afdb.org/en/news-and-events/multimedia/video/inception-workshop-for-the-ecowas-policy-for-mainstreaming-gender-in-energy-access-946/>

©2016 The International Institute for Sustainable Development
Published by the International Institute for Sustainable Development.

The International Institute for Sustainable Development (IISD) is one of the world's leading centres of research and innovation. The Institute provides practical solutions to the growing challenges and opportunities of integrating environmental and social priorities with economic development. We report on international negotiations and share knowledge gained through collaborative projects, resulting in more rigorous research, stronger global networks, and better engagement among researchers, citizens, businesses and policy-makers.

IISD is registered as a charitable organization in Canada and has 501(c)(3) status in the United States. IISD receives core operating support from the Government of Canada, provided through the International Development Research Centre (IDRC) and from the Province of Manitoba. The Institute receives project funding from numerous governments inside and outside Canada, United Nations agencies, foundations, the private sector, and individuals.

Global Subsidies Initiative (GSI)

GSI is an initiative of the International Institute for Sustainable Development (IISD). GSI is headquartered in Geneva, Switzerland and works with partners located around the world. Its principal funders have included the governments of Denmark, the Netherlands, New Zealand, Norway, Sweden and the United Kingdom.

IISD Head Office

111 Lombard Avenue, Suite 325
Winnipeg, Manitoba
Canada R3B 0T4

Tel: +1 (204) 958-7700
Fax: +1 (204) 958-7710
Website: www.iisd.org
Twitter: @IISD_news

GSI

International Environment House 2
9 chemin de Balaxert, 1219 Châtelaine
Geneva, Switzerland

Tel: +41 22 917-8683
Fax: +41 22 917-8054
Website: www.iisd.org/gsi
Twitter: @globalsubsidies

