

CPPE WARNS AGAINST WORLD BANK ADVOCACY FOR INCREASED FUEL AND FOOD IMPORTS

Introduction

The Centre for the Promotion of Private Enterprise (CPPE) expresses strong reservations about the policy proposition by the World Bank in its recent Nigerian Development Update, advocating increased importation of petroleum products and food as a solution to Nigeria's supply-side constraints.

This recommendation is deeply troubling and fundamentally misaligned with Nigeria's current economic realities and reform trajectory. At a time when the country is making measurable progress in restoring macroeconomic stability—evidenced by improving foreign reserves, moderating inflation, a more stable exchange rate regime, and growing capacity for the export of refined petroleum products—the policy priority should be to consolidate these gains, not undermine them.

Nigeria is gradually transitioning towards greater self-sufficiency in petroleum products supply, driven by significant private investments in domestic refining capacity. This momentum should be strengthened through deliberate policies that support local production, enhance value addition, and deepen industrial linkages within the economy.

Encouraging increased importation of petroleum products at this stage risks reversing hard-won gains. It would exacerbate foreign exchange pressures, weaken domestic refining investments, and heighten the economy's vulnerability to external shocks—particularly in a global environment characterized by geopolitical tensions and energy market volatility.

The emphasis, therefore, should be on expanding and stabilizing domestic production capacity, ensuring reliable crude supply to local refineries on competitive terms, and fostering an enabling environment for downstream sector investments. This is the pathway to sustainable energy security, economic resilience, and long-term industrial development—not a return to import dependence.

Industrialisation Must Be the Priority

Sustainable economic transformation is anchored on **production, value addition, and industrial capability**—not import dependence. The suggestion that supply-side constraints can be addressed through increased imports runs counter to Nigeria’s long-term development aspirations.

What the Nigerian economy urgently requires is a coherent industrial strategy that:

- Expands domestic production capacity
- Strengthens manufacturing competitiveness
- Deepens value chains across critical sectors

Import-driven solutions risk accelerating **de-industrialisation**, weakening the real sector, and undermining job creation prospects in an economy with a rapidly growing labour force.

Structural Constraints and the Illusion of Competition

The assumption that trade liberalisation enhances competition fails to reflect the structural realities facing Nigerian producers.

Domestic firms contend with:

- Poor logistics and transport infrastructure
- High energy costs
- Elevated financing costs, with lending rates often exceeding 25–30%
- Multiple taxation, fees, and regulatory burdens

In this context, the notion of “competition” between imports and domestic production is both misleading and inequitable. What is being presented as market competition is, in reality, a structural asymmetry that places domestic producers at a significant disadvantage. Nigerian refiners and other manufacturers operate in a high-cost environment—characterised by elevated energy costs, logistics bottlenecks, infrastructure deficits, high interest rates, and policy uncertainties—while many foreign competitors benefit from far more enabling ecosystems, including state-backed subsidies, efficient infrastructure, and lower financing costs.

This is not a level playing field. It is effectively a contest between structurally constrained local investors and globally competitive firms with systemic advantages. Such a framework cannot deliver efficient market outcomes; rather, it undermines domestic capacity, discourages investment, and perpetuates import dependence.

Beyond the issue of structural imbalance, there are also legitimate concerns around the quality of imported petroleum products and the risk of dumping. In the absence of robust quality assurance and trade safeguards, the domestic market could be exposed to substandard products, with implications for consumer protection, environmental standards, and the sustainability of local refining investments.

A policy stance that tolerates such distortions not only weakens domestic industry but also compromises Nigeria's long-term objective of achieving energy security, industrial self-reliance, and sustainable economic growth.

Sustainable competition should be fostered **within a strengthened domestic industrial ecosystem**, not through exposure to import pressures.

Energy Security: A Strategic Imperative

The risks of import dependence are most evident in the energy sector. Nigeria's historical reliance on imported petroleum products:

- Led to the collapse of domestic refining capacity
- Created a rent-seeking import regime with significant leakages
- Imposed an annual import burden estimated at **\$10–15 billion** at its peak
- Exposed the economy to severe foreign exchange and fiscal pressures

Recent developments in domestic refining—particularly the operationalisation of Dangote Refinery—have demonstrated Nigeria's capacity to achieve **self-sufficiency in petroleum products**, subject to supportive policy frameworks.

The ongoing geopolitical tensions in the Middle East have further underscored the dangers of energy dependence. Global supply disruptions are quickly transmitted into domestic price shocks, amplifying inflationary pressures and eroding business margins.

The desired policy direction is therefore unambiguous: **Nigeria needs expansion of domestic refining capacity—not more import licences for petroleum products.**

Encouraging importation at this stage would undermine investor confidence in local refining, weaken backward integration, and reverse progress towards energy security.

Food Imports and Agricultural Disincentives

The case against excessive food importation is equally compelling. Import surges:

- Depress farmgate prices
- Discourage investment in agriculture
- Erode rural incomes and livelihoods
- Undermine food system resilience

Nigeria’s food security strategy must be anchored on **boosting domestic agricultural productivity, strengthening value chains, and improving market access**, not on reliance on external supply channels.

Macroeconomic and External Sector Risks

Heavy import dependence carries significant macroeconomic consequences:

- Increased demand for foreign exchange and pressure on the naira
- Depletion of external reserves
- Heightened exposure to global commodity and supply shocks
- Weakening of domestic value addition and industrial linkages

These risks are incompatible with the objectives of **macroeconomic stability, economic resilience, and national economic sovereignty.**

Global Shift Towards Strategic Protection

Across advanced economies, there is a clear shift away from unrestrained trade liberalisation towards **strategic protectionism**. Governments are increasingly prioritising:

- Domestic production capacity
- Supply chain resilience
- Local content development
- Economic security

It is therefore paradoxical—and indeed worrying—that the World Bank is urging developing economies such as Nigeria to embrace policy prescriptions that many advanced economies are increasingly retreating from. Across the developed world, there is a clear resurgence of strategic protectionism and supply chain reconfiguration—driven by lessons from recent global disruptions, including the pandemic and ongoing geopolitical tensions.

Major economies are prioritising domestic production, safeguarding critical industries, and deploying subsidies, tariffs, and localisation policies to strengthen economic resilience and national security. In contrast, recommending import liberalisation for countries still grappling with structural deficits and industrial fragility risks entrenching dependence, undermining local capacity, and stalling the industrialisation process.

What the World Bank Should Be Promoting

The World Bank should recalibrate its policy advisory towards **industrialisation-driven reforms**, rather than import expansion.

Priority policy recommendations should include:

- Expansion of domestic refining capacity and guaranteed crude supply to local refineries
- Targeted interventions to reduce production costs, especially energy and logistics
- Strengthening manufacturing ecosystems and industrial clusters

- Enhancing agricultural productivity and agro-processing value chains
- Addressing structural bottlenecks constraining private sector production
- Promoting backward integration and local content development

These are the policy pathways that will deliver sustainable growth, job creation, and economic resilience.

Conclusion

Import liberalisation is not a sustainable solution to Nigeria's supply-side challenges. On the contrary, it risks deepening structural vulnerabilities, accelerating de-industrialisation, and exposing the economy to greater external shocks.

Nigeria's development trajectory must be anchored on a **production-driven growth model**, characterised by:

- Strong domestic refining capacity
- Competitive manufacturing sector
- Robust agricultural systems
- Energy and food security

The CPPE therefore urges policymakers to reject import-dependent strategies and prioritise reforms that **build a resilient, self-reliant, and industrialised Nigerian economy**.

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