

Moving Out of Crisis: Why Nigeria Needs a National Transport Policy

Nigeria faces multiple simultaneous pressures to advance economic growth and human development within the context of a large and rapidly growing population. The substantial shortfall in basic physical infrastructure in energy, transport, information and communication technologies (ICT), and water, obstructs sound economic development and is proven to be a costly barrier for Nigeria's present and future development. As for the effects of the infrastructure decay, the African Development Bank estimates that infrastructural shortcomings are slowing growth by at least 2 percent annually and reduce productivity by 40 percent on the continent. Accordingly, the financial gap to provide outstanding infrastructure services in Africa amounts to US\$130 to 170 billion per year, with a financing gap of US\$68-108 billion. Accelerating growth and improving productivity by almost half is a perfect argument for the investment case.

A Blueprint for Accelerated Infrastructure Development

For Nigeria, the numbers are as follows: The 2015 National Integrated Infrastructure Masterplan (NIIMP), a self-proclaimed blueprint for accelerated infrastructure development, written under the aegis of President Jonathan's administration, estimated that a total investment of US\$3.0 trillion would be required over the next 30 years to build and maintain infrastructure for Nigeria. These numbers were confirmed and repeated by the Nigerian Investment Promotion Commission and the credit rating agency Moody's recently. For the transport sector, the NIIMP blueprint projected that Nigeria would need an average capital expenditure of about US\$25 billion annually to fund the needed infrastructure over a 30-year period. The number represents 5.5 percent of Nigeria's 2020 GDP and is more than 16 percent of the Government's 2020 Budget. In contrast to the need, the Federal Government's allocation to the transport sector has declined over the last five years, with 2020 ranking the lowest since 2016.

To counter this trend and bridge the funding gap, the Government plans to increase private sector participation. It recently created a new company named Infra-Co that will focus on infrastructure development in the future. The company is a public-private partnership capitalized by the Central Bank, the Nigerian Sovereign Investment Authority (NSIA), and the Africa Finance Corporation, with a seed capital of 1 trillion Naira (= US\$2.45 billion). Also, the Federal Government recently commenced the procurement process to concession 12 highways to the private sector under the Public-Private Partnership scheme.

The Government's Plan to Revitalize Transport

The Government's plan to revitalize the country's transportation system is currently most visible in railways. The construction of various new rail lines is to all intents and purposes, the flagship project of President Buhari's overhaul of the transport sector. Several rail lines that are being constructed and planned for the near future will be built predominantly by Chinese construction companies and are to a great extent financed through Chinese loans. Of the US\$22.7 billion new borrowing approved by the Senate in March 2020, US\$17 billion is provided by the China ExIm Bank, whereby nearly 50 percent of the figure is destined for the railway sector. The funds reserved for the road sector represent 5.4 percent of the new borrowing of which 65 percent are meant for the East-West Road and 35 percent for road rehabilitation or US\$434.7 million reserved for road maintenance or put differently US\$12.4 million per meter of Federal Highways.

Choosing priorities

The budget for road maintenance is surprisingly small despite the well-known fact that Nigeria's economy is overdependent on road transportation and roads account for at least 90 percent of passenger and freight traffic. As rail transport and inland waterways were not connected with roads in the past, they were systematically ignored by the government, as a result, they account for a negligible share of passenger and freight movement today. Hence Nigeria overuses the existing road infrastructure and thereby exhausts it. Furthermore, because Nigeria is not spending enough for maintenance, there is no sustainability in the sense that spending for maintenance matches deterioration. According to the Road Quality Indicator, from the World Economic Forum's Global Competitiveness Index published annually (which represents an assessment of the quality of roads in a given country based on data from the WEF's Executive Opinion Survey - a long-running and extensive survey tapping the opinions of over 14,000 business leaders in 144 countries) the quality of Nigeria's roads has remained stable around the low value of 2.5 on a scale from 1 (underdeveloped) to 7 (extensive and efficient by international standards).

This fact is most visible in Lagos: The metropolis is suffering from a persistent traffic gridlock at the Apapa and Tin-Can Island seaports. The extensive traffic is deteriorating the roads and the volume of traffic cannot be handled by the existing infrastructure. The consequences are felt in the whole country as the Lagos gridlock drives costs upwards countrywide and drags down productivity. Unsurprisingly compared to the world, Nigeria ranks 131st of 190 countries in the World Bank's Ease of Doing Business Index.

Lagos-Ibadan railway as a benchmark

Taking the Lagos-Ibadan railway as a benchmark for the construction of new rail lines in the

country it is not unreasonable to doubt the success of the Government's rail sector development plans. The Lagos-Ibadan corridor is one of the most important for Nigeria's economy because it connects the commercial capital to the rest of the country. As explained before, the Lagos-Ibadan expressway experiences overwhelming traffic and costly permanent reconstruction.

The railway, which will be extended to Kano in the future, was planned and built to take pressure off the expressway by taking away commercial traffic from the roads. Today, a couple of months since the start of commercial activities, skepticism grows regarding the capacity of the railway to generate enough income to repay the debt incurred on the project, a US\$1.3 billion loan taken from the Export-Import Bank of China and to ease the traffic stress on the surrounding roads. Not only has the rail line still not been connected to the ports, but in-depth research published by the US National Geospatial-Intelligence Agency has also shown that industrial assets including key manufacturing plants along the Lagos-Ibadan axis have not been connected to the rail line. In other words, it is improbable that a substantial volume of cargo traffic will transfer to the railway. The same is true for the Abuja to Kaduna rail line which according to the Minister of Transportation, Rotimi Amaechi, is not being utilized for the movement of cargo, although a major goal of the Government was to increase cargo transport by rail. The recently started freight service on standard gauge Itakpe to Warri rail line will serve as a renewed litmus test in this regard, whereby it bears noting that the volume of bulk goods coming into Warri port is very low compared to that offloaded in Lagos.

Another question Minister Amaechi should be asked is why the NRC is seemingly incapable of providing a functioning e-ticketing service for its train services. For the Abuja-Kaduna rail, a concessionaire named SecureID Solutions is now running the e-ticketing system in a Public-Private Partnership. For the payment of 900 million Naira, the company will receive 20 percent of the projected revenue of 12 billion Naira over 10 years. That is a profit margin of more than 260 percent, suggesting the government is forgoing a massive chunk of revenues.

Absence of a Transport Policy

A poignant answer to the questionability of transport sector development in Nigeria could be that all that planning, spending, and borrowing is regrettably conducted in the absence of a transport policy. The dysfunctionality of the transportation system in Nigeria has been recognized as a problem by professionals and former administrations and unaccounted amounts of Naira have been injected into the sector in the past. As shown above, this has neither improved the quality of roads nor anything else in transport.

The country has been waiting for a new National Transport Policy (NTP) since 1993 when the

first and last national transport policy entitled “Moving out of the crisis” was adopted. The introduction to the policy document of 1993 stated that “at present, the Nigerian transport system functions in a crisis situation” and continued that “a major imbalance between the needs of Nigerian society and economy for adequate transport facilities and the ability of the transport sector to meet such demands”.

Subsequent draft national transport policies were produced in 2003, 2008, and 2010. The latest in this series was the 2017 Draft NTP which has not been presented to the public. Instead, in the past national transport policies and politics have been embedded in various national development plans such as the above mentioned National Integrated Infrastructure Master Plan (2015-2043), the Economic Recovery Growth Plan (2017-2020), the Nigeria Industrial Revolution Plan (2013-2017), the Agricultural Sector Food Security and Nutrition Strategy (2016-2025), the Agriculture Promotion Policy (2016-2020) and the Agricultural Transformation Agenda (2011-2015). There are thus no grounds for assuming the assessment of the 1993 Transport Policy does not remain valid to this day.

VISION AND MISSION OF A NATIONAL TRANSPORT POLICY

A national transport policy should identify opportunities for the efficient transport of goods, services, and people while considering the needs and the demand of the people as stated in the 1993 NTP. This does not mean that funds should be used to build railway stations that can handle 4,000-6,000 people per hour, such as are being built on the Lagos-Ibadan-Kano railway, because there is no realistic way such a volume of passengers will be able to travel in the near future on that route given the lack of rolling stock, not to mention the unaffordability of tickets.

A transport policy is not in itself a solution neither is it a self-fulfilling prophecy, but it does provide the setting for policy priorities and present policy choices. For example, if the Federal Government wants to promote agriculture, it should get involved in the construction and maintenance of rural roads and connect farmers and processing businesses to the nation’s infrastructure. This has not happened in the past despite various attempts to promote national agriculture and create much-needed jobs in the sector. The vision and mission of NTP should be to properly link railway to roads, ports, and inland waterways by considering the needs of the country’s businesses and other policies under the leadership of a full-fledged Ministry of Transportation. The latter does not unfortunately exist at present. In the political landscape, the Ministry of Transportation competes with the Ministry of Works and is left out of the planning, construction, and maintenance of roads by the formal institutional structure. This hinders effective governance.

Intermodality in Transport as Grey Theory

Nigeria's Federal Government has proclaimed a vision in which it sets out to achieve economic growth through intermodal transportation by investing in rail transport, namely creating an environment for intermodal transportation. Stakeholders in the transport sector have stressed the need for effective intermodal transport architecture for many years now, but government only uses intermodality as a catchphrase, not as a policy.

While intermodal freight transport involves the transportation of freight in an intermodal container or vehicle, using multiple modes of transportation such as rail, ships, trucks, and aviation, without any handling of the freight itself when changing modes, the Government has not provided the necessary infrastructure connections businesses would need, nor has it set out a plan whereby the public or private sector would create such. In the case of intermodal passenger transport which involves the use of two or more modes of transportation in a journey, the new rail lines might do their job for those who can afford it. As stated, this will not be cost-effective and not benefitting the have-nots.

In the absence of a National Transport Policy, intermodality in the transport sector is an empty theory. In today's politics, ministries, departments, agencies and their parastatals involved in transportation are each pursuing their own "policies". The responsibility for planning, developing, and maintaining the nation's transport infrastructure is shared among the three tiers of government. Taking the road sector, intra-state roads are the responsibility of State Governments, while the Local Governments are required to cater for intra-urban and rural feeder roads, which account for over 60 percent of the existing road network. The Federal Government is responsible solely for the national highways which constitute only 17 percent of the existing road network and yet a glance at the budgeting shows expenditures skewed in favour of the national road network. In addition, the Federal Government through its agencies and parastatals is also responsible for inland waterways/river ports, seaports, railways, airports, and pipelines.

Minister of Transportation, Rotimi Amaechi, can be accused with some justification of simply playing politics with transportation. Last year he announced that certain types of cargo will not be allowed to go by road after the completion of major rail projects across the country, but he has not made any efforts to ensure there will be enough waggons to carry goods and freight or that there will be container-offloading facilities at the relevant railway stations. Moreover, locomotives have been bought from China and need to be shipped back there and repaired within the first few months of their use. In late 2020 when new locomotives from China on the Abuja-Kaduna train broke down several times 5 months after their procurement, Minister Amaechi disclosed that locomotives that have broken down up to two times will be returned to China. He was quoted saying, "it is worrisome that these locomotives that are

brand new are failing.” This is true indeed. At least the locomotives have a warranty that covers them for over four years. Hopefully, Nigeria will by then have the staff to maintain locomotives and rolling stock without the need for assistance from abroad.

Short Assessment

National transport infrastructure policy in Nigeria is primarily abstract. The NIIMP provides some guidance but there are no concrete definitions of economic needs and no granularity in the form of planning to the next level down. An integrated and intermodal planning system is practically non-existent. This unfortunately is not to the benefit the quality of transport services provided to the country and there have been no signs that the present administration, halfway through its term, intends to change this state of policymaking. Instead, the norm has been erratic policy decisions that provide no framework and are not meaningful. At the same time, a vast volume of national debt has been shouldered to pay for projects for which to date no realistic business cases have been published. Such a lack of clear policy likewise hinders internal investments in the economy as well as investments from abroad. A well-defined and integrated National Transport Policy would likely be a strong catalyst for economic growth and development in Nigeria at the regional and national levels.