ECONOMIC IMPLICATIONS OF TRANSPORT INFRASTRUCTURE ON THE NIGERIAN ECONOMY: A STUDY OF ROAD TRANSPORT CHOICE AND COST OF DOING BUSINESS

By

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ABSTRACT

Transportation infrastructure is vital for growth of economies worldwide, and for developing-country catch-up drive. The objective of this study is to examine the current state of road transport infrastructure with emphasis to travel choice and its impacts on the cost of doing business. Data was sourced from some locations in the Northeast Nigeria. Two main theories formed the springboard of this study: public finance theory, and infrastructure theories. Multinomial logit and ordinary least square (OLS) are the main tools of analysis. The results of multinomial logit (marginal effects) show that worsening conditions in the terrain affects transport choice, preference of individuals and cost of doing business. This has implications of price of transportation, agricultural productivity, and cost of transactions. OLS results for public investment and maintenance estimated showed low investment expenditure on roads due to fiscal problems. This has generally effected cost of doing business manifested in high transport prices, prices of goods and services. These results are supported by findings of World Bank, Sub-Saharan Africa Transport Policy and others agencies. Nigeria’s infrastructure deficit remains one of the binding constraints to growth in the economy. The overall marginal change in network access showed increased access due to new highways. However these gains have not been sustained due crisis in the locations. Participation of the private sector is road building is still very low to compliment public expenditure. The study recommends higher prioritization for roads in the budget space; this supports the goals of the national transport policy of 2010, that 90 percent of all movement of goods and people is by road transportation.

Keywords: road conditions, cost of doing business, infrastructure, transport choice
**ABSTRAK**


**Kata kunci:** keadaan jalan raya, kos menjalankan perniagaan, infrastuktur, pilihan pengangkutan
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<td>AASHTO</td>
<td>American Association of State Highways and Transportation Official</td>
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<td>AGIS</td>
<td>Abuja Geographic Information System</td>
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<td>AGOA</td>
<td>African Growth Opportunity Act</td>
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<td>AICD</td>
<td>Africa Infrastructure Country Diagnostic</td>
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<tr>
<td>AU</td>
<td>African Union</td>
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<tr>
<td>CFA</td>
<td>Communaute Financiere Africaine</td>
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<td>CPI</td>
<td>Consumer Price Index</td>
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<td>DCM</td>
<td>Discrete Choice Model</td>
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<td>ECOWAS</td>
<td>Economic Community of West African States</td>
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<td>EU</td>
<td>European Union</td>
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<td>FERMA</td>
<td>Federal Road Maintenance Agency</td>
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<td>FGN</td>
<td>Federal Government of Nigeria</td>
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<td>FMW</td>
<td>Federal Ministry of Works</td>
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<td>FRSC</td>
<td>Federal Road Safety Corp</td>
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<td>ICRC</td>
<td>Infrastructure Concession Regulatory Commission</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>IRF</td>
<td>International Road Federation</td>
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<td>IRIN</td>
<td>Integrated Regional Information Network</td>
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<td>KBE</td>
<td>Knowledge-Based Economy</td>
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<td>LGA</td>
<td>Local Government Area</td>
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<td>LNC</td>
<td>Lagos-Niger Corridor</td>
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<td>Acronym</td>
<td>Full Form</td>
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<td>MDGs</td>
<td>Millennium Development Goals</td>
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<td>ME</td>
<td>Marginal effect</td>
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<td>MNC</td>
<td>Multinational Corporation</td>
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<td>MNL</td>
<td>Multinomial Logit</td>
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<td>MTEF</td>
<td>Mid-Term Expenditure Framework</td>
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<td>NBBRI</td>
<td>Nigerian Bureau for Road Research Institute</td>
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<td>NCFRP</td>
<td>National Cooperative Freight Research Program</td>
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<td>NEEDs</td>
<td>National Economic Empowerment Development Strategy</td>
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<td>NEPAD</td>
<td>New Partnership for African Development</td>
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<td>NERFUND</td>
<td>National Economic Reconstruction Fund</td>
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<td>NTP</td>
<td>National Transport Policy</td>
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<td>NZIER</td>
<td>New Zealand Institute for Economic Research</td>
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<td>OAU</td>
<td>Organization of African Union</td>
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<td>PCA</td>
<td>Principal Component Analysis</td>
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<td>PPP</td>
<td>Public-Private Partnership</td>
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<td>R&amp;D</td>
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<td>RUM</td>
<td>Random Utility Model</td>
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<td>SMEDAN</td>
<td>Small Medium Enterprises Development Agency</td>
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<td>Small Medium Enterprises</td>
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<td>Sub-Saharan Africa</td>
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SSATP  Sub-Saharan Africa Transportation Policy

USAID  United States Aid Agency for international Development

VMT  Value of Miles Travel
CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

Transport economics is concerned with various aspects of the transportation system. It covers choice of roads and users, various goods (types of modes), induced demand for transport types, cost minimization of types of routes and modes. The transportation system follows demand and supply theories. Increase in population and growth of new cities, costs of congestions (urban sprawl), logistics management, generalized cost of travel, complications in networks and others aspects, all results in changes. These had introduced sophistication in theory and measurements used in transportation models. Transport economists are interested in the economic problems of moving goods and people (Button, 2010). Transport has long been recognized as an important determinant of the location of economic activity, and therefore, the policy instrument for economic development (Lane, 2014). Greene and Hensher (2013), on the other hand, examined various aspects of demand for transport, especially the dimensions of heterogeneity of individuals in the demand for transport for various levels of activity.

The working of the transportation system depends on the characteristics and peculiarities of the economy. In Nigeria, the working of the transportation system is best described in the background study of the economy – given available stock of roads, pricing, fiscal issues related to investments and maintenance of road networks and other factors. The population of Nigeria is about 175 million people (see Appendix III).
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