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Domestic Obstacles to Trade and Transport in Nigeria and their Impact on Competitiveness

**Introduction**

HIGHLIGHTS

* Despite the absence of border along the Lagos-Kano corridor, the costs, delays and uncertainties faced by traders within Nigeria are high. As illustrated here in the case of cattle, evidence suggests that unjustified charges and barriers along the corridor increase transport and related costs by around 18 percent, lengthen transport time by up to a quarter and create significant risks for traders. Such trade transaction costs also make it harder for products from the north to compete with imported goods.
* Combined with interventions to enhance productivity and quality, reducing domestic trade and transport transaction costs could improve the competitiveness of Nigerian products such as meat more efficiently than the current restrictive trade policy instruments. A combination of investment in infrastructure and policy interventions can contribute to facilitating trade and transport within Nigeria.
* Reducing trade transaction costs is also essential to ensure that economic activity does not excessively concentrate in the Lagos area and that growth is shared with the rest of Nigeria. For instance, trade in cattle for domestic consumption and exports of leather are already important and growing economic activities in Nigeria, benefiting millions in the northern part of the country.

Although traders in West Africa still face severe obstacles, regional trade facilitation has received considerable attention from policy makers and donors. This agenda has largely focused on barriers to international and regional trade, which it has aimed at lifting through initiatives such as joint-border posts or arrangements to facilitate transit trade. However, this should not obscure the fact that major hindrances are also faced on a daily basis by traders on transport corridors within their own countries, due to poor infrastructure and transport services, cumbersome procedures and other obstacles, such as roadblocks. The trade facilitation agenda therefore has a strong domestic dimension and can have a positive impact on trade and economic activity within the boundaries of a country. This note illustrates the prevalence of such obstacles to domestic trade in the case of Nigeria, the largest economy in West Africa. It focuses on the barriers encountered in cattle and leather trade between the northern and southern part of the country, along the Lagos-Kano corridor.

As several other industries, the Nigerian meat sector has been artificially shielded from external competition by an import ban on raw/refrigerated meat for over a decade. Such restrictive trade policy instruments have had negative effects in terms of rent creation, price increase and loss of customs revenue, but they are being circumvented and have not contributed to strengthen the competitiveness of Nigerian products (Treichel et al. 2012). For instance, a recent report suggests that prices for meat have increased markedly in Nigeria over the last decade and are far higher than international prices (GEMS 2011). According to this analysis, high prices are less production driven than caused by the high level of domestic demand, the high transaction costs from farm gate to abattoir, and the ban restricting

imports from producers of cheap meat. While removing the import ban would therefore directly benefit consumers by lowering prices, reducing domestic trade transaction costs should be an objective of any strategy aiming at strengthening the competitiveness of domestic products and promoting domestic supply.[[2]](#footnote-2)

The note starts by presenting the corridor and cattle and leather trade in Nigeria; it then describes the obstacles faced by traders in this sector based on recently gathered data; it concludes by suggesting policy measures which could alleviate these obstacles.

# Cattle and leather trade in Nigeria

Cattle domestication in West Africa dates back millennia and the Zebu, by far the dominant cattle breed in northern Nigeria, is thought to have reached the region by 1,000 AD (Blench 1995). Although it is small compared to major sectors of the Nigerian economy, such as oil and crop production, livestock is an important sector for many Nigerians, notably in the northern part of the country where about one million households keep livestock and sizeable numbers are employed in livestock slaughtering, butchering and trading. In 2012, livestock accounted for a larger share of GDP than financial, transport or construction services (NBS 2013). The Nigerian stock of cattle and annual production of meat and hides have grown in the recent period and represent a sizeable share of total production in the ECOWAS region (Table 1). Moreover, the leather industry, centered in Kano, is one of Nigeria’s largest sources of non-oil exports.

Table 1: Cattle in Nigeria

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2012** | | **Share ECOWAS** | **Growth 2005-12** |
| Stock | 19.2 million heads | | 30% | 21% |
| Meat production | 390,000 tons | | 36% | 28% |
| Hides production | 60,000 tons | | 34% | 28% |
| *Source: FAO Stat [[3]](#footnote-3)* | |

Historically, livestock trade in West Africa has taken place between supply sources in arid and semi-arid Sahelian countries and demand centers in humid coastal countries in the south[[4]](#footnote-4). The value of this thriving, and largely informal, intraregional trade is estimated to have increased in real terms from USD 13 million to USD 150 million between 1970 and 2000 (Williams et al. 2006). FAO data shows that Sahelian countries are net exporters of live cattle, while Nigeria is a net importer at around 500,000 heads per year (Figure 1), though GEMS (2011) estimates that informal imports amount to over two million heads annually.

Figure 1: Net trade of live cattle in West Africa

The strongly growing demand for meat in West Africa in general, and in Nigeria in particular, has also resulted in a rapid increase of meat imports. According to official trade statistics, this has amounted to a quadrupling of West African imports over the last decade, mostly from Europe, Brazil and the United States (Figure 2). As mentioned above, Nigeria currently implements a ban on imports of meat with the objective to protect the domestic market, but the strong demand and high prices have resulted in large smuggling into Nigeria from neighboring countries, especially Benin.[[5]](#footnote-5) Meat consumption is currently growing at 6-7 percent annually in Nigeria and consumption level per capita is still significantly lower than in neighboring countries (World Bank 2011). This suggests that there are clear opportunities for more domestic supply of meat in Nigeria, provided it can stay competitive compared to products from major exporting countries.

Figure 2: Origin of meat imports in the ECOWAS

Within Nigeria, cattle trade links Kano (a major cattle distribution and exchange center for centuries) and surrounding feeder markets in the north[[6]](#footnote-6), to consumption areas around Lagos and other regions in the southern part of the country, such as Port Harcourt. Such exchanges, which have been reported as early as the 1820s, intensified throughout the 20th century in parallel with livestock imports from Niger and Chad, as demand increased due to population and income growth in the south (Okediji 1973). With the strong demand, higher prices in the south made this trade profitable despite transport and marketing costs. As trade flows grew, the supply chain became increasingly institutionalized, with a more complex set of informal arrangements and larger number of actors involved in the purchase, regrouping, transport, marketing and sale of cattle (Box 1). A similar pattern is observed for trade in leather, as hides and skins produced and tanned in the Kano region are transported to the south for processing at leather factories, shipment to foreign markets and local consumption (Chemonics 2002). Additionally, imported chemicals used during the tanning process travel in the opposite direction from Lagos to Kano.

Box 1: Selected actors involved in cattle trade supply chain

|  |
| --- |
| ***Herders:*** numerous herders, predominantly Fulani people, are breeding livestockin northern Nigeria and across the border in Niger. Part of their cattle is sold every year to traders and their agents at various feeder markets, notably in the Kano region.  ***Cattle traders:*** traders, traditionally Hausa people, hire agents to source cattle in the north. In most cases they accompany the truck loaded with the cattle they purchased to southern Nigeria, or delegate this to a close relative. The majority of traders are small and medium operators who generally buy less than a truck load and hire trucks jointly with other traders.  ***Market leaders:*** in feeder markets, several positions are established to coordinate activities and oversee business transactions and transport deals, some of which are hereditary. They include general market leader (Sarkin Kasuwa), cattle market leader (Sarkin Shanu), loaders’ leader (Shugaban Nyan Lodi) and truck park leader (Sarkin Tasha).  ***Dillalis*** are middlemen who operate in all cattle markets with approval of the Sarkin Shanu to assist with the purchase and sale of cattle. Thanks to the trust relationships they build with both buyers and sellers, they play an important role to facilitate transactions in a largely informal environment. Dillalis charge cattle owners or buyers a commission fee (La’ada) of USD 3-5 per animal sold.  ***Yan’kwamishon*** link cattle traders with available truckers, consolidate loads and arrange the transport price and time.  ***Loaders*** are part of the loaders’ association at each cattle market and charge USD 20-25 to load a truck with cattle.  ***Livestock attendants*** are recruited by cattle traders to assist them from purchase point to Lagos and look after the cattle during the trip. Generally, two attendants are hired for each fully-loaded truck, each being paid around USD 77 per trip.  *Source: Hassan et al. (2011), Adamu et al. (2005)* |



*Loading cattle, Wudil market (source: Hassan et al. 2011)*

**The Lagos-Kano Corridor**

The Lagos-Kano transport corridor, the main channel for domestic, regional and international trade in Nigeria, is also the central axis of cattle and leather trade. It spans approximately 990km and links the country’s two most populous cities, passing through Kaduna, Ilorin and Ibadan (Figure 3). The type and condition of the road on the different sections of the corridors varies from dual carriageway (i.e. centrally divided) in fair to good condition with two lanes and an emergency lane in each direction (Kano to Kaduna, Ilorin to Lagos), to poorly maintained single carriageway with one lane in each direction and a paved gravel or dirt surfacing (Kaduna to Ilorin) (USAID 2013). Severe congestion due to traffic accidents or disabled trucks, as well as flooding from heavy rain, is frequent along the corridor and can stall cargo for extended periods of time. Moreover, the number of military roadblock and checkpoints increases as vehicles go north. Passing Kano and going towards the Nigerien border at Jibiya, there can be as many as one roadblock every two kilometers (USAID 2013).

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Feeder market** | **Season** | | | |
| **Early dry (Oct-Dec)** | **Middle dry (Jan-Mar)** | **Early rainy (Apr-June)** | **Middle rainy (July-Sept)** |
| Maigatari | 80 | 5 | 8 | 60 |
| Maiadua | 80 | 7 | 10 | 50 |
| Daura | 50 | 3 | 5 | 45 |
| Dambatta | 50 | 3 | 4 | 35 |
| Ungwa Uku | 25 | 3 | 5 | 15 |
| Wudil | 60 | 5 | 20 | 50 |
| Total | **345** | **26** | **52** | **255** |
| *Source: Hassan et al. (2011)* | | | | |

There is also a railway from Lagos to Kano, which was renovated and re-launched in early 2013. Some livestock is transported south by train, a trip taking 30-48 hours on average. Although no detailed data on volumes is available, it is clear that only a small fraction of cattle is currently moved by train. The demand of rail freight services is still underserved and there are plans to further upgrade the infrastructure and develop traffic (USAID 2013), which could release some of the pressure put on the road network.

Figure 3: The Lagos-Kano Corridor and cattle feeder market



The volume of cattle traded along the corridor varies throughout the year, peaking at the end of the rainy season and in the following months (September-November). Table 2 gives estimates of the number of trucks loaded with cattle which depart from selected feeder markets every week during the different seasons. With an average of 35 cattle per truckload, these figures suggest that over 300,000 cattle heads are transported south on the Lagos-Kano corridor every year from these markets, not counting all the cattle coming from the other feeder markets in the north and directly from neighboring countries to the north and east.

Table 2: Weekly volume of cattle truck loads, by season

# Transport costs and obstacles to cattle trade

A recent study on the Lagos-Kano corridor commissioned by the World Bank, in collaboration with the GEMS1 project in Kano, provides specific information on transport costs and barriers to cattle and leather trade in Nigeria (Hassan et al. 2011). Data was collected through two methods, which gave consistent results: (i) structured interviews with over a hundred actors at different stages of these supply chains[[7]](#footnote-7), as well as (ii) direct observation by accompanying eight trucks carrying cattle, leather and tanning chemicals. The main results are described below.

* ***Transport cost and marketing charges:*** At time of interviews (mid-2011), the average cost reported by cattle traders to transport a truck loaded with cattle from Kano to Lagos was around USD 1,470, divided between transport cost (60%) and other charges (40%)[[8]](#footnote-8). The latter include official and unofficial fees collected by State (9.8%) and local governments (5.3%), charges of livestock attendants (10.2%), dillalis(8.7%), loaders/off-loaders (2.3%), market leaders (0.4%), as well as payments to hoodlums/“area boys” (2.7%). Direct data collection during trips on the corridor resulted in similar figures (Table 3). Assuming a fully loaded truck, the total cost amounts to USD 42 per head of cattle on average, which represents 6 percent of the average selling price of a cattle in Lagos and 45 percent of the price gap between northern and southern Nigeria[[9]](#footnote-9). Interviews with large export-oriented tanneries in Kano suggest that the cost to export leather products through Lagos are higher than for cattle at around USD 1,700 per trip on average, with lower road transport cost and fewer charges en route, but high costs at the port (42% land transport costs, 57% port costs and 1% other charges en route). The same operators indicated that the cost to import tanning chemicals in containers is much higher, due to the expensiveness of transport for northbound traffic on the corridor (cf. below) and costs at the port (estimated at around USD 2,100 per trip). Overall, importing chemicals is estimated to cost around USD 4,300 per trip, slightly over 10 percent of the value of the goods. Smaller leather operators, which cannot afford the same transport costs as large companies, reportedly resort to shipping small orders to clients located in the south through passenger buses.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Table 3: Summary of charges on observed trips with cattle** | | | | |
|  | **Paid by trader (USD)** | **Share of trader's costs** | **Paid by transporter (USD)** | **Service provided** |
| Local government revenue collection | 84 | 5.9% |  | Use of truck loading area |
| Market leaders | 4 | 0.3% |  | Coordinate transactions and conflict mediation |
| Middlemen | 39 | 9.7% |  | Intermediary in buying/selling |
| Loaders/  Off-loaders | 20 | 1.4% |  | Load/off-load cattle onto/from truck |
| Livestock attendants | 146 | 10.2% |  | Look after cattle during trip |
| Transport cost | 859 | 60.1% |  | Transport of cattle |
| Abattoir market |  |  | 40 | Use of offloading area |
| ***Sub-total services*** | ***1,253*** | ***88%*** | ***40*** |  |
| State government revenue collection | 136 | 9.5% |  | - |
| Hoodlums | 42 | 2.9% | 22 | - |
| Police and other security forces |  |  | 40 | - |
| Other agencies (NDLEA, FRSC, Customs, etc.) |  |  | 12 | - |
| ***Sub-total non-services*** | ***177*** | ***12%*** | ***74*** |  |
| **Total** | **1,430** | **100%** | **114** |  |

Transport costs for cattle and leather on the Lagos-Kano corridor do not seem prohibitively high even if, as argued below, ways could be found to reduce them. In particular, recent estimates suggest that trucking costs around 4.5 US cents per ton-kilometer from Kano to Lagos, and 9 US cents from Lagos to Kano (USAID 2013). Although comparisons are always delicate, this is in the former case similar to levels reached in Europe, China or the United States (Teravaninthorn and Raballand 2009) and in the latter case in line with the regional average generally considered for West Africa[[10]](#footnote-10). However, these seemingly low rates hide poor operational performances in the trucking sector, characterized notably by the common use of dilapidated trucks prone to breakdown, lack of driving training, disregard for safety or hygiene standards, absence of cargo insurance and frequent overloading, which contributes to the degradation of the road infrastructure. Moreover, it is not sure that trading livestock in Nigeria compares favorably with other parts of West Africa once all costs related to transport, handling and extortion are considered: an older study estimated the average transport and handling costs for a truckload of cattle from the Sahel to the coast at around USD 870, divided between trucking price (44 percent), escort fees (17 percent), handling (16 percent), market charges (8 percent), illegal road taxation (10 percent) and trader’s travel expenses (5 percent) (ILRI 2006)[[11]](#footnote-11).

* ***Freight flow imbalances:*** The average price charged by trucking companies for transport is much lower in the case of cattle/leather trade from the north to the south (USD 870) than for tanning chemicals from the south to the north (USD 2,100). This is largely because the primary route on the corridor is for goods which are produced or imported in the south and transported to the north. The much lower volume of goods traveling in the opposite direction means that numerous trucks return to Lagos empty and that transport is discounted.
* ***Transport time:*** Under normal circumstances, trucks conveying cattle usually take less than 24 hours to reach Lagos, including driving time, rest stops and delays at barriers (cf. below). Trucks loaded with leather and chemical trucks are slower, sometimes exceeding 48 hours, partly because the duration of the trip is less sensitive than for cattle for which traders accompanying the trucks are likely to push for fewer and shorter rest stops. In all cases, these times are arguably long for a domestic corridor of less than 1,000 km and for which driving time at an average of 70km per hour should not take more than 14 hours. As explained below, a significant share of the extra-time is caused by delays due to successive barriers en route.
* ***Delays and charges at barriers:*** Cattle traders and truckers report an average of 20 roadblocks by various institutions (police, army, other security forces and vigilante groups, customs, veterinary services, National Drug Law Enforcement Agency, Federal Road Safety Commission, etc.) and hoodlums on the corridor. On trips transporting cattle from the north to Lagos, consultants for the study observed an average of 23 roadblocks, a large majority of which were manned by the police, army or other security forces[[12]](#footnote-12). For a 990km corridor, this represents 2.3 barriers per 100 km and placed Nigeria among the countries in West Africa with the most roadblocks along transport corridors at the time data was collected (mid-2011) (Figure 4Figure 1). While some West African countries have since then actively tried to reduce the number of roadblocks, it is not clear that the same has happened in Nigeria.[[13]](#footnote-13) Trucks loaded with cattle are particularly likely to be stopped at every roadblock, as livestock is more vulnerable to delays and traders are more willing to pay the sum demanded to avoid wasting time[[14]](#footnote-14). Some checkpoints, such as intrastate veterinary control posts, are frequently used for revenue extraction rather than for their intended purpose[[15]](#footnote-15). With an average of 12 minutes spent at each barrier reported by cattle traders and truckers during interviews (which can be much longer if traders refuse to pay or negotiate the amount), the total delay per trip is almost 4 hours. At over 5 hours and a half, delays at barriers were even longer during the trips directly observed for this study, adding up to almost a quarter of the average trip duration (Table 4). Truckers generally pay the mostly illegal charges demanded by public institutions at the different barriers, which represented on average USD 52 for the trips observed. They also pay part of the sum extorted by hoodlums (USD 22), the rest being paid by traders (USD 42).

Figure 4: Number of roadblocks per 100 km (2011)

Table 4: Summary of delays at barriers on observed trips with cattle

|  |  |  |
| --- | --- | --- |
|  | **Delays** | **Share of trip duration[[16]](#footnote-16)** |
| Police and other security forces | 3h 56 mn | 16% |
| State government revenue collection | 42 mn | 3% |
| Hoodlums | 31 mn | 2% |
| Other agencies (NDLEA, FRSC, Customs, etc.) | 26 mn | 2% |
| *Total* | ***5h 35mn*** | ***23%*** |
| *Source: Hassan et al. (2011)* | | |

* ***Regulatory charges for truckers:*** truck owners and drivers complain about the various licenses and charges that must be paid every year (often without the issuance of a receipt) to operate. Based on interviews, the estimated annual cost of these permits and licenses is around USD 360 per truck (Annex 3). More than their amount, the issue is that several of these licenses are imposed in successive States/Local Government Areas (LGAs) crossed on the corridor, are not mutually recognized between administrative authorities and must be renewed annually in each locality. Failure to do so results in more extortion and harassment at roadblocks. Although it is unclear whether transporters systematically obtain these licenses or prefer to make facilitation payments to pass, the time and procedures required to get all the documents theoretically required in every State/LGA along the corridor appears to be very high.
* ***Lack of security:*** anecdotal evidence suggests that transporting cattle along the corridor can be a dangerous activity for traders, who usually accompany their cattle to Lagos, and for truck drivers. Besides the regular threats and intimidation at barriers, interviewees reported cases of traders or truckers being beaten or even killed by thugs after having refused to pay the sums they demanded. There are also frequent reports of robbers stealing traders, who generally carry large amounts of cash during their trip back to the north, sometimes with the complicity of officials at roadblocks. According to Adamu et al (2005), insurance against such risks is virtually inexistent in cattle trade, partly due to lack of trust in the functioning of the insurance system in Nigeria, although support can be provided to affected traders by fellow traders or dillalis. In other cases, traders had to leave their cargo and hide for several hours in order to avoid being attacked. In recent years, the increased violence and instability related to the rise of Boko Haram has added another dimension to the insecurity affecting trade, and more generally economic activity, in northern and northeastern Nigeria.

Transport of cattle from Kano to Lagos is a high volume and relatively well-organized activity, but it nonetheless faces serious obstacles which significantly increase time, cost and riskiness. As was observed during the study, a significant part of the charges paid by traders to transport cattle from northern to southern Nigeria, around 12%, is not associated with any discernible service (Table 3). This notably includes the charges paid for each head of cattle to authorities in the States crossed during transit and the sums paid at illegal roadblocks manned by security forces and other institutions. It is also not clear whether the quite large charges perceived by Local Governments for the provision of basic amenities and security at the markets are always proportionate with the services rendered and investments made. Moreover, several charges paid by truckers at the numerous barriers on the corridor are factored in the transport price charged to traders, amounting to 9 percent of this price on the trips directly observed for this study. Transport prices could therefore be lower in the absence of illicit charges, assuming that savings are fully passed to traders (which could be the case in a context of scarcity of loads to transport from north to south). Overall, transport and related costs could be reduced by 18 percent in the absence of undue payments. On the basis of USD 42 per animal and around 300,000 heads transported from the markets listed above to Lagos every year, removing these unjustified costs would represent a USD 2.3 million saving for cattle trade alone.



*Trucks loaded with cattle en route, Mokwa (source: Hassan et al. 2011)*

Finally, the hours of delays caused by barriers can also significantly impact the profitability of this trade, especially as they increase the risk of cattle heads dying or being weakened during the trip (out of the 24 traders interviewed, 5 reported having lost animals due to delays at barriers in the recent period). A basic analysis of profitability based on average purchase/selling prices for cattle and observed transport costs suggests that the traders’ profit per trip for a fully loaded truck is around USD 1,750, to be shared among traders in the case of a jointly hired trucks (Table 5). These calculations suggest that losing one head of cattle can result in a 40% reduction of traders’ profit margin[[17]](#footnote-17). On the contrary, removing the charges paid by traders and transporters highlighted in which do not correspond to services rendered could increase profits per trip by 14 percent, from USD 1,751 to USD 2,003. As noted above, shorter delays due to fewer barriers en route would also contribute to reducing the risk for traders.

Table 5: Profitability of a cattle trip from Kano to Lagos

|  |  |  |
| --- | --- | --- |
| **(in USD)** | **Observed** | **If no barriers and undue charges** |
| **Expenses** |  |  |
| Purchase price per head | 606 | 606 |
| Total investment (35 heads) (A) | 21,210 | 21,210 |
| Transport cost for the trader (B) | 859 | 785 |
| Other charges paid by the trader (C) | 571 | 394 |
| **Revenue** |  |  |
| Selling price in Lagos per head | 697 | 697 |
| Total selling price (D) | 24,394 | 24,394 |
| Profit (D-A-B-C) | 1,751*(100%)* | 2,003 *(100%)* |
| Profit if 1 loss | 1,055 *(60%)* | 1,306 *(65%)* |
| Profit if 2 losses | 358 *(20%)* | 609 *(30%)* |
| *Source: authors’ calculations based on data from Hassan et al. (2011)* | | |

The obstacles and trade costs faced in domestic cattle trade between Kano and Lagos also undermine Nigeria’s international trade. A study on transport costs and time along the Lagos-Kano-Jibiya corridor found that transporting a 20-ft container by road costs USD 837 from Kano to Lagos and USD 1,548 from Lagos to Kano (USAID 2013).[[18]](#footnote-18) “Extra costs” were evaluated at 21 and 35 percent of total transport costs from Kano to Lagos and Lagos to Kano respectively, mostly due to inefficiencies/high prices in the trucking sector and, to a lesser extent, to unofficial payments. Average reported transport time was around four days which, given the less than 1,000 km distance, suggests that a large share is caused by delays and inefficiencies. Taking into account costs and delays incurred at the port, the study concluded that the Lagos-Kano corridor compares unfavorably with the Tema-Ouagadougou corridor linking Ghana and Burkina Faso, with 25 percent higher costs and 150 percent longer delays for exports. This confirms that domestic trade costs can represent at least as high an obstacle as border crossings, and need to be given adequate policy attention.

# Lifting domestic obstacles to trade to boost competitiveness in Nigeria

Overall, the bad condition of roads on some segments of the corridor, low quality of transport services, high number of roadblocks and level of unofficial payments all contribute to increased costs, delays and risks for traders within Nigeria. As illustrated by the case of cattle, domestic obstacles to trade can have a significant effect on transport costs and on the profitability of trade within Nigeria. Beyond cattle, these obstacles negatively impact the capacity of products from regions distant from the coast to be brought to the markets profitably. In fact, transaction costs along road corridors affect the competitiveness of domestic products vis-à-vis imports, which arrive directly in the southern markets by sea. Everything else being equal, it can be argued that high domestic trade and transport transaction costs reinforce incentives for economic activity to concentrate around Lagos, as investors locate close to markets to avoid additional costs and delays.

Enhancing the competitiveness of Nigerian industries features high on the priority list of policymakers in the country. Protection from external competition has so far been seen as a solution in some sectors, such as meat, but has had counterproductive effects, including inflating domestic prices for consumers and disincentivising modernization of the industry. As argued above, import bans are frequently circumvented and do not constitute an efficient or durable way to promote domestic competitiveness[[19]](#footnote-19). Strengthening the competitiveness of the Nigerian industries, such as meat and leather, will require action in several areas, some of which are outside the scope of this note (e.g. modernize production techniques to increase productivity and quality, improve hygiene, reorganize the value chain, develop access to finance). As discussed above however, one way to improve the profitability of trade in cattle and leather between northern and southern Nigeria and enhance the competitiveness of domestic meat is to reduce domestic trade transaction costs.[[20]](#footnote-20) This could contribute to increase the volumes of cattle trade and boost the income and jobs it generates for the millions of households involved in the livestock and meat sector. It could also lower the price of meat in consumption areas, increasing the competitiveness of domestic versus imported meat in coastal areas more efficiently than the circumvented import ban. In the case of leather, reducing domestic obstacles to trade and port inefficiencies would lower the cost of imported inputs and strengthen Nigeria’s export competitiveness on regional and global markets.

Given the analysis above, relatively easily achievable interventions to reduce domestic trade transaction costs in the short run could include:

* *Roadblocks:* Barriers are still prevalent on the corridor, most of which are manned by security forces or other public agencies but unofficial. While a certain number of controls can be justified by current security concerns, measures must be taken at the federal, State and local levels to ensure that official or unofficial roadblocks are not used for rent extortion. The experience in other countries in West Africa, including for instance Benin, has shown that decisive progress on this front can be achieved with strong political commitment, and Nigeria could seek to emulate this experience. In order to raise awareness, delays and illicit payments caused by roadblocks between Kano and Lagos could also be monitored, as done for several years in neighboring ECOWAS countries and along the Abidjan-Lagos corridor[[21]](#footnote-21);
* *Insecurity:* The risk of extortion, loss of cargo and physical harm for traders and truckers caused by the presence of hoodlums between Kano and Lagos is considerable, especially for a high value and vulnerable product like livestock. Despite their excessive presence along the corridor, it appears that security forces have so far not ensured sufficient protection of traders and should strive to reduce insecurity;
* *Regulatory requirements and charges:* Licensing requirements and regulatory charges for transporters should be reviewed to ensure they do not represent an excessive burden due to non-harmonization across States. Interviewed truck owners have argued that these should be recognized across States and Local Government Areas in order to avoid multiple taxation, and that the least relevant charges should be eliminated. Official taxes perceived by local and State institutions at the markets and en route should also be reviewed to ensure they actually correspond to services or investments benefiting economic operators. The case of the livestock sector suggests this is currently not always the case. Efforts should be made to eliminate unofficial payments and ensure that no unreceipted payments are asked or given.
* *Corridor management:* Generally, international best practices to improve the performances of trade and transport corridors in terms of infrastructure, services and institutions should be followed. In this regard, Nigeria can benefit from the experience of other countries in Africa and elsewhere which have established successful corridors. In this regard, recent information on the management of trade corridors can notably be found in World Bank (2014) and SSATP (2013).

In the longer run, more structural constraints should be addressed, particularly regarding the quality of infrastructure and the efficiency of transport services:

* *Infrastructure:* As argued above, several segments of the Kano-Lagos road corridor are in dire need of rehabilitation, and transport would be facilitated by upgrading the infrastructure (e.g. dual carriageway, emergency lane). Moreover, ensuring adequate maintenance and enforcing axle load limits would help reduce the pace of degradation. Further development of the railway could also contribute to relieve the pressure put on the road network, including for livestock;
* *Transport services:* Adequate regulations regarding the licensing and qualifications of road transport operators should be enforced, and training should be developed for both transporters and public officials in regulatory and control agencies. Better compliance with standards for vehicles roadworthiness, axle load and road safety would improve the quality of transport services and reduce the opportunities for controls and extortion. Policy measures are also needed to address other constraints faced by transporters, such as access to finance and schemes for the renewal of truck fleets.

# Finally, domestic efforts aimed at reducing trade transaction costs should take into account and leverage regional initiatives to facilitate trade, particularly at the ECOWAS level. In the case of livestock, this notably includes the activity “Promoting Regional Trade in Meat and Livestock-Related Products in ECOWAS” carried out under the West Africa Agriculture Productivity Program (WAAPP) by the World Bank, the ECOWAS Commission and the regional agricultural institution CORAF/WECARD. This project will promote the modernization and harmonization of livestock trade policies at the national and regional levels through practical policy recommendations, action plans, awareness campaigns and capacity building to address key constraints in the meat and livestock value chain[[22]](#footnote-22).

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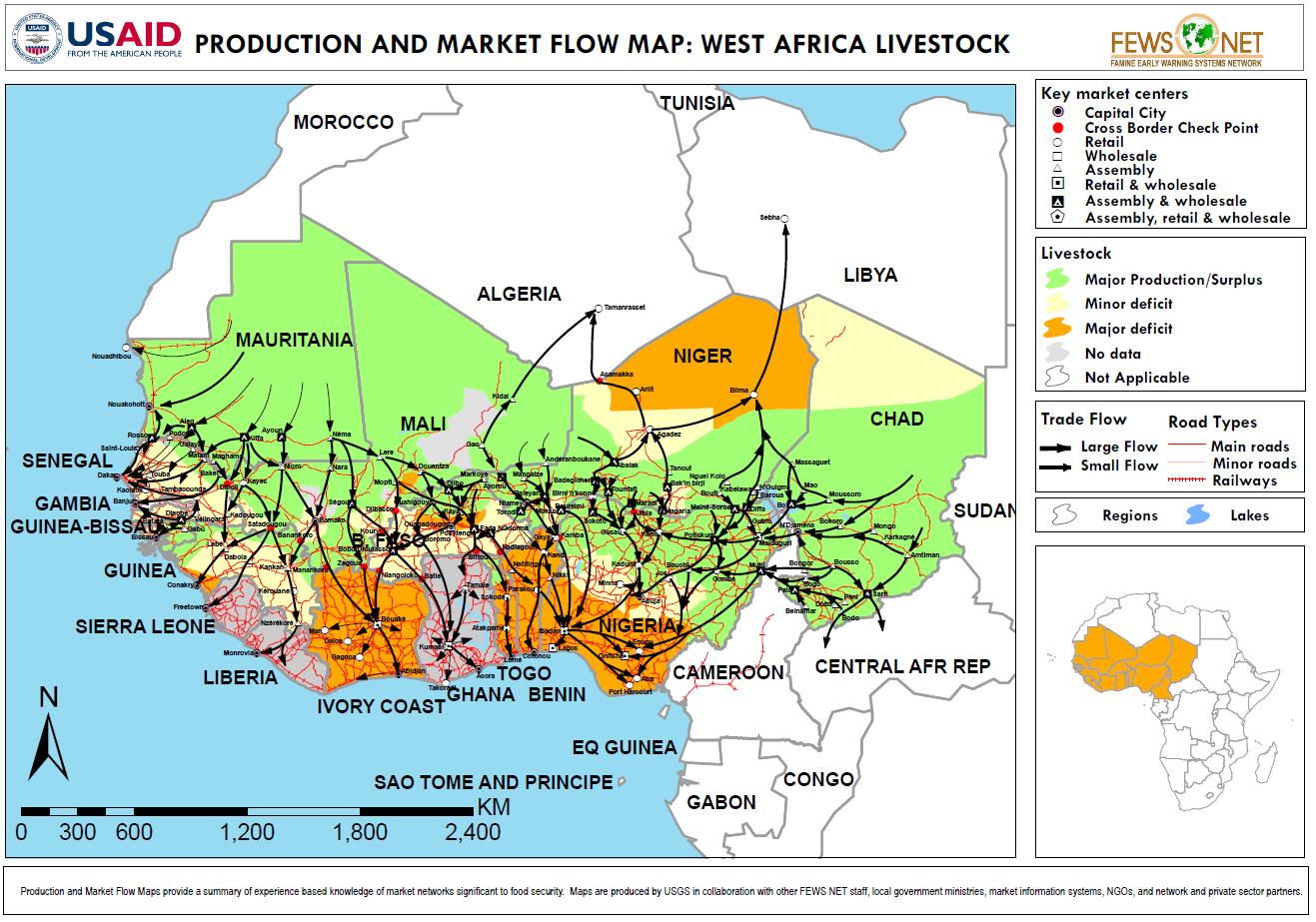
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Annex 1: Map of livestock trade flows in West Africa



*Source: FEWS Net (*[*www.fews.net/sites/default/files/documents/reports/r1\_fullmap\_livestock\_norm.pdf*](http://www.fews.net/sites/default/files/documents/reports/r1_fullmap_livestock_norm.pdf)*)*

**Annex 2: Summary of interviews carried out in Hassan et al. (2011)**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Location** | **Cattle traders** | **Cattle loaders** | **Truck owners** | **Truck drivers** | **Commission agents** | **Cattle market leaders** | **Leather operators** | **Total** |
| Maigatari | 4 | 2 | 4 | 7 | 3 | 1 | - | **21** |
| Maiadua | 7 | 2 | 3 | 8 | 2 | 3 | - | **25** |
| Daura | 3 | 1 | 2 | 3 | 1 | 2 | - | **12** |
| Danbatta | 2 | 1 | 1 | 6 | 1 | 3 | - | **14** |
| Ungwa Uku | 1 | 1 | 3 | 2 | 1 | 1 | - | **9** |
| Kano City | - | - | 8 | - | - | - | 13 | **21** |
| Wudil | 4 | 3 | 3 | 5 | 2 | 1 | - | **18** |
| Lagos | 3 | 1 |  | 5 | - | 1 | 2 | **12** |
| **Total** | **24** | **11** | **24** | **36** | **10** | **12** | **15** | **132** |

**Annex 3: Annual permits and licenses for truck drivers**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Permits** | **State** | **Local Government Area** | **Remark** | | **Amount (₦)** |
| Drivers’ License | any | - | Obtainable once in any state | | 5,500 |
| Road Transport Employees Association | any | - | Obtainable once in any state | | 100 |
| Vehicle License | any | - | Obtainable once in any state | | 5,000 |
| Insurance | any | - | Obtainable once in any state | | 2,000 |
| National Union of Road Transport Workers (NURTW) | any | - | Obtainable once in any state | | 2,000 |
| Road Worthiness (clearance certificate) | any | - | Obtainable once in any state | | 1,000 |
| National Development Fund | Oyo, Ogun | - | Applicable in Oyo and Ogun States only (N4,000 each) | | 8,000 |
| Haulage | Lagos | - | Applicable in Lagos State only | | 7,000 |
| Environmental Sanitation Clearance | - | MG, WD, TR, MF, FT, BJ, IG,KDN, MK, BG | Applicable in the 10 LGAs (N300 each) | | 3,000 |
| Refuse Disposal | - | MG, WD, TR, MF, FT, BJ, IG,KDN, MK, BG | Applicable in the 10 LGAs (N300 each) | | 3,000 |
| Joint Mobile Sanitation | - | MG, WD, TR, MF, FT, BJ, IG,KDN, MK, BG | Applicable in the 10 LGAs (N800 each) | | 8,000 |
| Mobile Sanitation | - | MG, WD, TR, MF, FT, BJ, IG,KDN, MK, BG | Applicable in the 10 LGAs (N700 each) | | 7,000 |
| Vehicle Mobile Outdoor | - | MG, WD, TR, MF, FT, BJ, IG,KDN, MK, BG | Applicable in the 10 LGAs (N300 each) | | 3,000 |
| Radio/ TV Clearance | - | IW, SG | Applicable in 2 LGAs (N1,000 each) | | 2,000 |
|  |  |  | | **Total** | **56,600** |
|  |  |  | | **Total (USD)** | **362** |
| Note: MG (Maigatari); WD (Wudil); TR (Taraumi); BJ (Bebeji); MF (Malumfashi); FT (Funtua); IG (Igabi); SG (Shagamu); KDN (Kaduna North); MK (Makarfi); Ibadan West (IW); Birnin Gwari (BG).  *Source: field interviews, Hassan et al. (2011)* | | | | | |

**Annex 4: Roadblocks faced during five observed trips with cattle**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | **Charges (USD)** | | | | | **Delays (minutes)** | | | | |
|  | **Location of barriers** | **LGA** | **State** | **Actor** | **1** | **2** | **3** | **4** | **5** | **1** | **2** | **3** | **4** | **5** |
|  |  |  |  | *Number of roadblocks* | *27* | *20* | *22* | *22* | *22* |  |  |  |  |  |
| 1 | Kwangila | Maiadua | Katsina | Customs | 9.6 |  |  |  |  | 13 |  |  |  |  |
| 2 | Daura | Daura | Katsina | Police | 1.3 |  |  |  |  | 10 |  |  |  |  |
| 3 | Maigatari | Maigatari | Jigawa | Police |  | 3.1 |  |  |  |  | 8 |  |  |  |
| 4 | Gumel | Gumel | Jigawa | Police | 0.6 |  |  | 0.6 |  |  |  |  | 5 |  |
| 5 | Danbatta | Danbatta | Kano | Police | 1.0 |  |  |  |  | 5 |  |  |  |  |
| 6 | Jido | Wudil | Kano | Police | 1.6 | 1.6 | 1.9 | 1.9 |  |  |  | 8 | 20 |  |
| 7 | Unguwa Uku | Tarauni | Kano | Police, Army | 5.8 | 3.2 | 2.6 | 2.6 | 6.4 | 15 | 15 | 18 | 10 | 20 |
| 8 | Naibawa | Tarauni | Kano | Police, Army | 1.3 |  | 1.6 | 1.6 | 1.9 | 20 |  | 7 | 10 | 12 |
| 9 | Filin Paki | Tarauni | Kano | Police, Army | 5.1 | 4.5 | 4.5 | 4.5 | 3.8 | 8 | 20 | 13 | 10 | 14 |
| 10 | Chiromawa | Bebeji | Kano | Police, Army | 2.6 | 2.9 | 2.2 | 2.2 | 2.9 | 17 | 10 | 16 | 2 | 15 |
| 11 | Konan Dangora | Bebeji | Kano | Police, Army | 3.2 | 2.9 | 2.6 | 2.6 | 2.2 | 12 | 12 | 9 | 10 | 6 |
| 12 | Daka Tsalle | Bebeji | Kano | FRSC | 4.2 | 2.6 | 2.6 | 2.6 | 2.9 | 4 | 6 | 12 | 10 | 13 |
| 13 | Makarfi | Makarfi | Kaduna | Army | 1.9 | 2.6 | 2.9 | 2.9 | 1.6 | 10 | 10 | 21 | 20 | 8 |
| 14 | Zaria | Zaria | Kaduna | NDLEA | 5.1 | 6.4 | 6.4 | 6.4 | 6.4 | 16 | 13 | 14 | 5 | 22 |
| 15 | Mararraba Jos | Igabi | Kaduna | Operation Yaki | 1.9 | 2.6 | 1.6 | 1.6 | 1.9 | 20 | 20 | 8 | 5 | 5 |
| 16 | Airforce Base | Igabi | Kaduna | Police, Army | 1.9 |  | 3.5 | 3.5 | 2.6 | 5 |  | 13 | 20 | 11 |
| 17 | Mando | Igabi | Kaduna | Police, Army | 1.9 | 3.2 | 3.2 | 3.2 | 2.9 | 15 | 5 | 27 | 15 | 20 |
| 18 | Airport Round about | Igabi | Kaduna | Police | 1.0 | 1.6 | 1.3 | 1.3 |  | 20 | 20 | 11 | 20 |  |
| 19 | Buruku | Chikun | Kaduna | Police | 1.3 | 1.0 |  |  | 0.6 |  | 15 |  |  | 15 |
| 20 | Udawa | Chikun | Kaduna | Vigilante | 0.6 | 0.8 | 1.2 | 1.2 | 0.6 |  | 20 | 15 | 25 | 23 |
| 21 | Birnin Gwari | Birnin Gwari | Kaduna | Police | 1.3 |  | 0.6 | 0.6 | 1.0 |  |  | 19 | 10 | 25 |
| 22 | Pandogari | Rafi | Niger | Police | 0.6 | 1.0 | 1.0 | 1.0 | 1.6 | 18 | 7 | 14 | 2 | 12 |
| 23 | Gada | Rafi | Niger | Police, Vigilante | 1.6 |  | 1.9 | 1.9 | 1.6 | 7 |  | 7 | 10 | 7 |
| 24 | Tegina | Rafi | Niger | Police | 1.0 | 1.3 | 1.0 | 1.0 |  | 10 | 10 | 12 | 10 |  |
| 25 | Makera | Mokwa | Niger | Police, Vigilante | 1.0 | 2.2 | 0.6 |  | 1.3 | 14 | 13 | 8 |  | 10 |
| 26 | Mokwa | Mokwa | Niger | Police |  |  |  |  | 2.2 |  |  |  |  | 6 |
| 27 | Bode Saadu | Moro | Kwara | Army, Police | 2.2 | 2.9 | 1.9 | 1.9 | 2.9 | 20 | 22 | 23 | 20 | 5 |
| 28 | Olurun | Moro | Kwara | Police, Vigilante | 1.6 | 2.2 | 2.2 | 2.2 | 1.3 | 11 | 14 | 13 | 10 | 13 |
| 29 | Oyo Entrance | Oyo West | Oyo | NDLEA |  |  |  |  | 6.4 |  |  |  |  |  |
| 30 | Ibadan | Ibadan West | Oyo | Area Boys | 22.4 | 19.9 | 20.8 | 20.8 | 25.6 |  |  | 30 | 48 | 13 |
|  |  |  |  | **Total** | **83.6** | **68.5** | **68.1** | **68.1** | **80.6** | **270** | **240** | **318** | **297** | **275** |
| *Source: field interviews, Hassan et al. (2011)* | | | | | | | | | | | | | | |

1. Trade Analyst, Trade & Competitiveness Global Practice, Word Bank ([acoste@worldbank.org](mailto:acoste@worldbank.org)). [↑](#footnote-ref-1)
2. This note focuses on trade transaction costs and does not cover other essential issues for the competitiveness of the livestock, meat and leather sectors, such as the efficiency of production, processing and distribution, the regulatory environment, quality and standards, access to credit, etc. On these issues, see the GEMS project ([http://gemsnigeria.com/gems-1](http://gemsnigeria.com/gems-1/)) and ILRI (2006) for an analysis of the capital outlay and entry barriers for small traders in another West African context. [↑](#footnote-ref-2)
3. The figures presented give an order of magnitude but should be considered with caution, as they are estimates derived from the last cattle census in Nigeria, dating back to 1992. [↑](#footnote-ref-3)
4. See the map established by FEWS Net in Annex 1 for an overview of livestock trade patterns in West Africa. [↑](#footnote-ref-4)
5. Being the largest African country in terms of population size and GDP, one would expect Nigeria to also be among the largest regional importers of meat. However, because of the import ban, only marginal meat imports are recorded in Comtrade, equivalent to USD 0.03 per capita in 2012. On the other hand, meat exports to Benin are recorded at USD 328 million the same year, which would make this country the largest meat importer per capita in the ECOWAS at around USD 33. This suggests large unofficial re-exports of meat from the latter to the former. In fact, the only significant intra-ECOWAS trade in meat recorded in Comtrade in 2009 and 2010 (cf. Figure 2) corresponds to exports reported by Benin to Nigeria, which are not found in Nigeria’s import statistics for these two years. [↑](#footnote-ref-5)
6. Ungwa Uku is the main cattle market in Kano serving the corridor to Lagos. Major feeder markets around Kano include Wudil (45km south-east) and, going towards the Nigerian border, Dambatta (60km north), Daura (130km north), Maiadua (150km north) and Maigatari (150km north-east). These markets are exchange centers for animals bred within Nigeria as well as across the border. [↑](#footnote-ref-6)
7. See Annex 2 for a summary of interviews conducted. [↑](#footnote-ref-7)
8. The collected figures in Naira are converted in dollars are the rate of USD1 = ₦156 (rate as of June 2011). [↑](#footnote-ref-8)
9. The average amounts determined for the study were ₦100,000 (purchase in Kano) and ₦115,000 (sale in Lagos). [↑](#footnote-ref-9)
10. Transport price from Kano to Lagos on a per ton-kilometer basis may be higher in the case of cattle, since truckloads weight less than general cargo and overloading is difficult. With an average weight of 250 kg per head of cattle and a distance of 990 km, the average transport price of USD 859 per truckload of 35 animals amounts to around USD 9.9 cents/tkm, which is fairly high even on regional standards. [↑](#footnote-ref-10)
11. Exchange rate used: USD 1 – CFA 550 [↑](#footnote-ref-11)
12. See Annex 4 for a summary table of roadblocks and the related costs/delays faced during the five trips with cattle from Kano to Lagos observed by Hassan et al. (2011). [↑](#footnote-ref-12)
13. During interviews conducted for another study in 2013, a sample of 30 truckers reported an even higher average of 44 checkpoints between Lagos and Kano (USAID 2013). [↑](#footnote-ref-13)
14. In this regard, this issue would be magnified if the refrigerated transport to the South of meat from livestock slaughtered in the North was developed in Nigeria, as refrigerated meat is more perishable than live animals. [↑](#footnote-ref-14)
15. [www.vanguardngr.com/2010/09/%E2%80%98veterinary-control-posts-not-for-revenue-collection%E2%80%99](http://www.vanguardngr.com/2010/09/%E2%80%98veterinary-control-posts-not-for-revenue-collection%E2%80%99/) [↑](#footnote-ref-15)
16. Based on a 24-hour trip duration for a truck loaded with cattle from Kano to Lagos. [↑](#footnote-ref-16)
17. This calculation is only a rough estimate, as it is likely to omit certain costs for traders, may not perfectly reflect prevailing market conditions and does not take into account seasonal variations in prices. However, it gives an idea of the order of magnitude of the sensitivity of cattle trade to the additional cost and time caused by barriers faced on the corridor. [↑](#footnote-ref-17)
18. Data for this report was collected in 2013, and an exchange rate of USD 1 = NGN 157 is used, almost identical to the one used here. [↑](#footnote-ref-18)
19. Moreover, the ECOWAS common external tariff (CET), which was adopted by Member States in October 2013 and will enter into force on January 1st, 2015, will require that instruments such as bans and special levies be eventually dismantled and replaced by tariffs (35% for beef meat under the CET’s “fifth band”). [↑](#footnote-ref-19)
20. A detailed study carried out by ILRI found that “the livestock production system in the Sahelian countries, which is based mostly on pastoral systems, makes it possible for beef to be produced at a globally competitive price […] However, in addition to the negative effect of subsidies on non-African chilled meat landing along the coast, the above competitive edge of Sahelian beef in coastal markets is considerably eroded by the costs of transportation and handling. […] These transportation and handling costs amount to 122,133 FCFA (US$ 222) for transferring the equivalent of a tonne of beef from the Sahel to the coast and are 250 percent higher than the US$ 80 required to ship the equivalent from Europe to West Africa.” (ILRI 2006). [↑](#footnote-ref-20)
21. See: [www.borderlesswa.com](http://www.borderlesswa.com). See also the Trade Route Incident Mapping System (TRIMS) crow-sourcing initiative supported by GIZ in the context of the SEDIN program, which will be piloted in Ogun State in end-2014 and aims at enabling the reporting via SMS, recording and mapping of roadblocks’ location, agency involved and associated costs, delays and harassments ([www.sedin-nigeria.net](http://www.sedin-nigeria.net)). [↑](#footnote-ref-21)
22. The targeted countries are Burkina Faso, Cote d'Ivoire, Ghana, Mali, Niger, and Nigeria (extended to Cameroon, Chad and Central African Republic in the CEMAC region), and the project is expected to be completed by end-2014. [↑](#footnote-ref-22)