# PPIAF Supports Private Sector Participation in Nigeria's Port Sector

In 2001 PPIAF financed a study to formulate a port sector reform strategy in Nigeria at the request of the federal government. The country's ports had previously been plagued by high costs, long turnaround times, theft, poor infrastructure, and inefficient regulatory frameworks, but PPIAF-funded recommendations laid the foundation for one of the most ambitious infrastructure concessioning programs ever attempted, resulting in 26 long-term concessions with planned investments in excess of $1 billion.

In the 1990s Nigerian ports faced numerous logistical, financial, and administrative challenges. Turnaround and dwell times were exceedingly long, sometimes lasting more than 30 days, when compared with the standard 48-hour turnaround time found in other world class ports. Equipment was old and dilapidated, and fraud and theft of goods and materials was common. Port infrastructure had fallen into disrepair, security was a major concern, and the workforce was overstaffed and unproductive. Furthermore, because the National Ports Authority held dual functions as both port operator and regulator, institutional arrangements were antiquated and costs and tariffs were well above industry norms, making Nigerian ports some of the most costly in the world.

## PPIAF SUPPORT AND RESULTING OUTCOMES

In 2001 PPIAF funded a $596,000 study that recommended the implementation of a "landlord" model of port management, accompanied by a series of interrelated institutional reforms. Under this "landlord" approach, the public sector would be responsible for port planning, regulatory functions, and ownership of port-related land and basic infrastructure. The private sector would, in turn, be responsible for marine and terminal operations and the construction, acquisition, and ownership of superstructure and equipment.

Specifically, the PPIAF-funded report specified that improvements to maritime policy should rest with the Ministry of Transportation, enabling them to plan and develop new port facilities as well as create vital intermodal linkages with corresponding infrastructure. The report also suggested that the National Ports Authority be divided into autonomous port authorities, each responsible for different geographic areas. In line with the "landlord" model, these authorities would manage the leasing and concessioning of port land, develop tariff policies, and provide nautical services (e.g., vessel traffic management).

Finally, the report recommended that private companies be responsible for port operations and services. This would include terminal operations, cargo handling, warehousing, and delivery. The private sector would also be responsible for financing and implementing investments and maintenance for port superstructure and equipment, and for staffing and training personnel to meet all of these responsibilities.

During the concessioning process, approximately 100 expressions of interest and 59 formal bids were submitted by private companies to manage and operate the ports. Key aspects of this process included strict adherence to deadlines for bid submissions, the completion of technical evaluations by the government's transaction advisors, and the involvement of all major stakeholders in the approval of and negotiations with the preferred bidders.

By late 2006 the Nigerian government had successfully executed nearly all of the concession agreements. Today, although not all of the major legislative reforms recommended by the PPIAF-funded study have been passed into law, several are still actively being discussed by legislators. Furthermore, while comprehensive data on the post-reform performance of concessionaires is not available, partial and anecdotal evidence indicates that operational efficiency has indeed increased under private management.

## DONOR COORDINATION

The findings and recommendations of the PPIAF-funded study were prepared by Dutch maritime advisory firm Royal Haskoning BV.

Key stakeholders included the Nigerian government and its Bureau for Public Enterprise, National Ports Authority, Ministry of Transportation, and National Council on Privatisation.

With support from the World Bank, the government hired CPCS Transcom of Canada to prepare the legal and regulatory framework and assist with the restructuring and concession plans necessary to implement these reforms. Concessional financing from the World Bank's International Development Association facility was also utilized.

## IMPACTS

By mid 2008, 26 concessions were in place with long term operating leases ranging from 10 to 25 years. The Nigerian government had received more than $115 million from the private sector in revenues from various fees, out of a projected net present value of more than $1 billion and a total nominal value of $6 billion over the life of all the concessions. The government's savings in port operations were estimated to be in excess of $500 million.

### RELATED PPIAF ACTIVITIES IN NIGERIA

- 2001: Private Sector Participation (PSP) Options for the Port Sector, **$596,000**
- 2004: PSP in Infrastructure Development, **$51,056**
- 2006: Final Design of the Nigeria Infrastructure Advisory Facility, **$74,700**
- 2007: Feasibility Study for Establishing a Public-Private Partnership (PPP) Resource Center, **$390,000**
- 2008: PPPs in Infrastructure Development, **$75,000**
- 2009: Assessment of Financial Crisis Impacts on PPPs, **$65,500**
- 2009: Infrastructure Concession and Regulatory Commission Institutional Capacity Building, **$423,200**

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This series highlights how PPIAF's support has made an impact on the ground.