



**International
Finance Corporation**
World Bank Group

BENIN PORT - Private Concession of a Container Terminal



PORTS
Public Private Partnership
Seminar

CAIRO, April 13, 2010

AGENDA

- Introduction and context of IFC mandate
- Main stakeholders involved
- IFC's Approach
- The transaction background
- The challenges of the transaction
- The Due Diligence Phase
- The evaluation process
- The selection criteria
- The concession agreement
- The development impact of the transaction

INTRODUCTION

- The Republic of Benin was declared eligible for Millennium Challenge Corporation (MCC) assistance in 2006. The Government had prepared a large reforms program for which they had solicited the Government of the United States as a donor.
- The agreement was a 5-year Compact signed on 22 February 2006 and entered into force on 6 October 2006
- The five-year, \$307 million grant aims to:
 - increase access to land through more secure and useful land tenure;
 - expand access to financial services through grants given to enterprises;
 - provide access to justice by bringing courts closer to rural populations; and
 - improve access to markets through the Port of Cotonou.
- \$169.45 million was dedicated to the rehabilitation and improvement the port infrastructure under the Access to Market component.

CONTEXT OF IFC MANDATE

- **Activities under the component “Access to Market” included:**
 - *The construction of approximately 550 meters of berth space at the South Wharf; and the construction of a new terminal operations of 16,5 ha next to the new berth.*

The concession of the container terminal to a private operator through a competitive, fair and transparent process was a condition precedent to the disbursement of the MCC grant.

- **IFC’s role as Lead Advisor**

IFC’s mandate included :

- helping to select, through a transparent competitive process, a private operator to develop and operate the new container terminal; and
- providing strategic recommendations on the competitiveness of the Port of Cotonou, identify areas of improvement, and eventually other commercial activities to be transferred to the private sector.

Main Stakeholders

- **Client representative:** State Ministry of Prospective, Development, Evaluation of public policies and Coordination of the Governmental Action- MPDEPP-CGA;
- **Government Technical Team:** A team of representatives of different Ministers led by the MPDEPP-CGA was assigned to work closely with IFC. The team has to validate the options and documents proposed by IFC and submit them for approval to the Government for decision.
- **Lead Advisor:** IFC, team comprising IFC members from Johannesburg, Dakar and Washington offices .
- **Legal Advisor:** Gide Loyrette Nouel, a French law firm.
- **Technical Advisor:** Consortium composed of Grand Port Maritime du Havre- CATRAM Consultant and Grant Thornton, from France.
- **Millennium Challenge Corporation- MCC:** Member from the headquarters and representatives in Benin;
- **Millennium Challenge Account Benin:** The Benin program coordination team.

IFC's approach

•Phase I: Preparation and Diagnostic

•Step 1

- Mobilization
- Mandate
- TORs
- Work Plan
- Trust Funds
- Consultants
- Kick-off

•Step 2

- Diagnostic
- Legal due diligence
- Technical diagnosis
- Market conditions
- Demand projections
- Capital investment
- Regulatory framework
- Potential investors
- Transaction Structure

•Phase II: Implementation

•Step 3

- Reforms
- Legal (new laws)
- Regulatory (agency)
- Emergency measures
- Restructuring
- Retrenchment
- Company turnaround
- Communication
- Financing

•Step 4

- Transaction
- Pre-qualification
- Info Memo
- Data Room
- Due diligence
- Contracts
- Negotiations
- Call for tender
- Award
- Closing



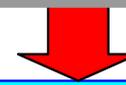
•Team



•Options



•Framework



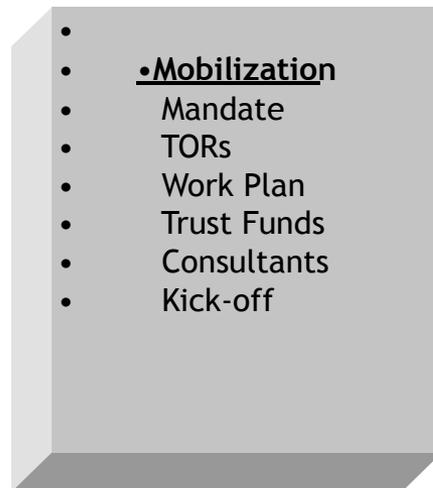
•Transaction



PHASE 1 - STEP 1

•Phase I : Preparation

•Step 1



•Team

KEY DATES

- ✓ 4 November, 2008 - Signing of IFC Mandate
- ✓ 15 December, 2008 - Contract Effectiveness
- ✓ 31 December, 2008 - Consultants Selection
- ✓ January 11, 2009 - Kick-off mission

TECHNICAL CONSULTANTS

- ✓ Consortium Grand Port Maritime du Havre

LEGAL CONSULTANTS

- ✓ Gide Loyrette Nouel - GLN

PHASE 1 - STEP 2

- Phase I : Preparation

- Step 2

Diagnostic

- Legal due diligence
- Technical diagnosis
- Market conditions
- Demand projections
- Capital investment
- Regulatory framework
- Potential investors
- Transaction Structure



•Options



SCOPE OF THE DUE DILIGENCE

January 11 to March 31, 2009

THE TECHNICAL DUE DILIGENCE

- (i) has determined the required level of investments (private and public);
- (ii) has analyzed the financial viability of the concession;

LEGAL DUE DILIGENCE

- (i) has determined the adequacy of the legal framework;
- (ii) has identified any legal obstacles which could impede the transaction;

✓ *Transaction Structure Report Submitted on 2 April 2009 based on due diligence reports*

TRANSACTION BACKGROUND

- The Port of Cotonou serves as natural Port for Niger and North Nigeria. The domestic traffic represents 40% of the total traffic the remaining part being divided between Niger and Nigeria.
- Increasing traffic: The traffic has doubled from 3.1 to 6.1 millions tons between 2001 to 2007. The current port infrastructure cannot sustain such a continued growth;
- Constraints related to the infrastructure affects the operating performance:
 - Limited capacity: current berth cannot accommodate vessels of more that 10 meters draft when the global trend is for vessel of at least 13 meters draft.
 - Congested platform: Containers storage areas far from the berth. Handling space on the berth causes inefficiency in stevedoring operations.
 - Lack of parking space for the trucks (mostly from and to inland countries).
 - Time spent by vessels on average in the Port: 12 days in Cotonou- 3 in Abidjan- 7 in Lagos- 9 in Tema (*data from November 2008*).
 - Lengthy administrative procedures (7 days in Cotonou; 4 days in average for Abidjan- Lomé- Tema)
- The limited capacity of the Port infrastructure has created a bottleneck which reduces opportunities to develop external markets and the local industry.

Port of Cotonou operating structure

- “Port Autonome de Cotonou”, the Port Authority can be defined as a Landlord port.
 - State Owned Company
 - Responsible for the development and the expansion of the port infrastructures;
 - Full financial autonomy;
 - Under the supervision of the Ministry of Maritime Affairs;
- Private sector operators involved in containers operations since 1998.

Role Players	Roles in the Management of The Port of Cotonou								
	Port Administration	Nautical Management	Port Infrastructure	Superstructure (Equipment)	Superstructure (Buildings)	Cargo Handling Activities	Pilotage	Mooring Services	Dredging
PAC	X	X	X		X		X	X	X
Public Company				X	X	X			
Private Company- 1				X		X			
Private Company- 2				X		X			

Challenges for the transaction

- 3 container handling operators with recently renewed contracts
 - 25-year lease agreement signed in 2007 for the two existing private companies;
 - one year renewable for the public company, since 1998.
- Small market - 300,000 EVP in 2008
 - the container traffic is mainly operated by the private companies.
- Issues for the considered transaction
 - Could the existing contracts allow a viable new concession?
 - Could the transaction envisaged attract a new port operator?
 - Would the tender process be open to the existing public company?
 - To what extent would the legal framework need to be adjusted?

Feasibility of the transaction, issues and mitigating actions were assessed and analyzed during the legal and technical due diligence phase.

KEY FACTS OF THE DUE DILIGENCE PHASE

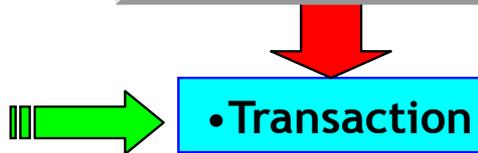
- Main conclusions of the due diligence phase
 - Clarification of the legal text related to the handling license awarding principles ;
 - Proposal of a transaction structure: respective obligations for the conceding authority and private operator, duration; investment size; bid criteria; transaction timetable,, etc...
- Anticipation of the prequalification process:
 - Submission of the prequalification criteria and execution timetable before the finalization of the transaction structure report.
- Constant dialogue
 - Presentation of the field work conclusions to the Government team;
 - Insertion of Government comments and suggestions;
 - MCC/MCA invited to attend the different presentations as observers;
 - Acceptation by MCC/MCA to adjust a technical specification of the project from its initial design to integrate Government's preference guided by the market expectations.
 - Government team well prepared to submit the proposals to the Government Cabinet for official approval.

PHASE II - STEP 4

Phase II : Implementation

•Step 4

-
- Transaction
- Pre-qualification
- Info Memo
- Data Room
- Due diligence
- Contracts
- Negotiations
- Call for tender
- Award
- Closing



Prequalification launched on 23 Mars 2009

- 6 companies bought the prequalification documentation;
- 4 submitted the required information
- ✓ *3 Prequalified on May 4, 2009.*

Tender Process

- Submission of transaction documents to prequalified investors on May 19, 2009;
- Bidders Conference on June 2, 2009;
- End of negotiations on July 3, 2009;
- Bids submission on August 3, 2009;
- ✓ *Announcement of the winning bidder on August 8, 2009.*
- ✓ *Signing of the concession on September 10, 2009.*

Evaluation Process

- For both prequalification and final bidding process:
 - The rules are clearly defined in the prequalification and bidding document which have been communicated to the bidders at each phase;
 - IFC team remains in its lead advisor role during the evaluation sessions; guides the government team; provides clarifications when needed; make sure that the rules communicated to the bidders are followed by the evaluation committee;
 - MCC/MCA attended all the evaluation sessions as observers to ensure that the process was competitive, fair and transparent.
 - The Government team members composing the evaluation committee were officially designated by their respective ministries under the coordination of the Client representative.
 - The results were official only after submission of the evaluation detailed minutes to and approval by the cabinet.

The Concession Agreement

Project Name:	Benin Port		
PPI Type:	25-year concession		
Contracting parties			
<u>Government of Benin</u>	<u>Port Authority</u>	<u>Private Concessionaire</u>	
<ul style="list-style-type: none"> (1) the Minister of State in charge of the Planning, Development, Evaluation of Public Policies and the Coordination of Government Action, (2) the Minister of Justice, Legislation and Human Rights, Government Spokesperson, (3) the Minister of Economy and Finance, (4) the Minister of Maritime Affairs 	Port Autonome de Cotonou - PAC	Groupe Bolloré (France)	75%
		SMTC– (Benin)	25%
Main obligation of the parties:			
<p>For the Concessionaire: (i) to develop the terminal, in this regards, the concessionaire has committed to achieve an investment of USD115 million for civil works and equipment acquisition over the first five years of the concession; (ii) to maintain the shareholding structure unchanged for 5 years from the beginning of the concession; and (iii) to pay the variable fees per TEU according to the guaranteed traffic submitted in the bid.</p>			
<p>For the Government of Benin: to grant all permits and authorizations necessary to the Concessionaire within a reasonable time window; To guarantee the repayment of the entry fee in case of the termination of the concession on the Government or Pac's default.</p>			
<p>For the Port Authority of Cotonou: (i) to deepen the access channel from an initial 12.5 meters to 14 meters on the south quay berths; (ii)to perform maintenance dredging at regular intervals, (iii) to refrain from making major developments or reassignments of the yard space which can jeopardize the viability of the concession within the first eight years of the concession;(iv) to ensure that a reasonable access to the southern terminal is always available; and (v) to provide the Concessioner with access to water, electricity and telecommunications networks.</p>			

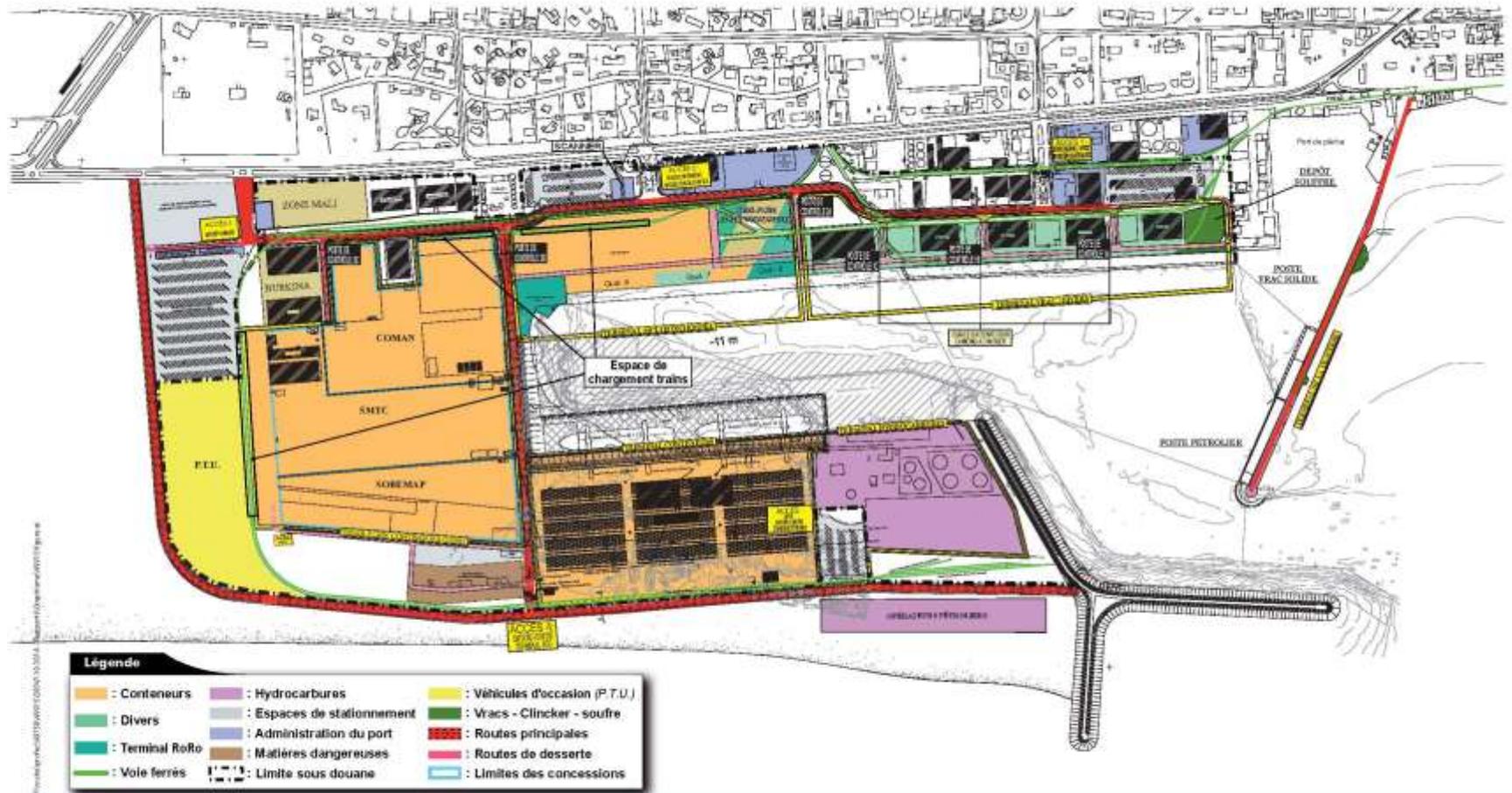
Development Impact of the Benin Port Concession

- ❑ US\$600 million in fiscal impact (concession fees and corporate taxes over 25 years discounted at 10%).
- ❑ US\$256 million in private investments in operating equipment and civil works (US\$ 110 over the first 5 years of which US\$40 of civil works).
- ❑ More than 450 jobs to be created.
- ❑ Reduced transportation costs, which would make Cotonou competitive with larger regional ports.
- ❑ Doubled container traffic in the first eight years of operation, from 300,000 TEUs to more than 723,000 TEUs.
- ❑ Reduction in vessels waiting time, and good handling time, significant indicator of performance for a Port to reach the best standards.
- ❑ Improved indicators for measuring the project's success—for example, higher client satisfaction levels and shorter waiting times at the port entrance, performance objectives included in the concession agreement.

Current configuration of the Port of Cotonou



The future Container Terminal



Signing of the concession on 10 September 2009



Design and Construction of the Berth from September 2009 to October 2011



Civil works of the terminal and equipment acquisition, from October to December 2012.

*Commencement of operations
expected for January 2013*



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THANK YOU!!!