



# Public-Private Partnership Stories

## Benin: Port of Cotonou



Benin's port of Cotonou is a potential gateway to landlocked West African countries, but high shipping costs, low efficiency, and poor logistical facilities have kept it from becoming a key trade route. As part of a major port sector reform program, the government hired IFC as the lead advisor on a public-private partnership for a new container terminal. The concession agreement was signed in September 2009.

The Société de Manutention du Terminal à Conteneurs de Cotonou (SMTC), part of the Bolloré group of France, won the bid for a 25-year concession to build and operate the South Wharf Container Terminal. The winning proposal included a commitment to pay \$200 million in concession fees during the first eight years of operation and invest \$256 million in operating equipment and civil works over the life of the agreement. The project is also expected to create more than 450 jobs.

*This series provides an overview of public-private partnership stories in various infrastructure sectors, where IFC was the lead advisor.*

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## BACKGROUND

The port of Cotonou faces major development constraints that affect its competitiveness as a springboard to hinterland countries such as Burkina Faso, Mali, and Niger. The government recognized that an efficient port is a driver of gross domestic product growth, but lacked the resources to support Cotonou's rehabilitation and modernization. In 2006, Benin was declared eligible for \$307 million in assistance from the US Millennium Challenge Corporation, of which \$169 were for port infrastructure improvements. However, the concession of a new container terminal to a private operator was required to validate the grant.

## IFC'S ROLE

Despite several attempts to engage the private sector in revitalizing Cotonou, the government had not been successful in improving the performance of the port. Therefore, in November 2008, the Government engaged IFC as the lead advisor on the structuring, tendering, and implementation of a public-private partnership (PPP) for the 540,000 TEU<sup>1</sup> South Wharf Container Terminal. IFC's unique experience with PPPs, especially in the ports sector, was seen as a major plus. In addition, the government saw IFC's global reputation as reinforcing the credibility of ongoing port reform efforts and attracting internationally reputable investors and operators.

IFC's mandate included helping to select, through a transparent competitive process, a private operator to develop and operate the new terminal. IFC provided strategic recommendations on an appropriate institutional framework, the range of activities to be transferred to the private sector, and a tender and regulatory framework. IFC completed the transaction in eight months.

## TRANSACTION STRUCTURE

IFC proposed a transaction structure based on a 25-year concession agreement to invest in and manage the South Wharf Container Terminal. The concession specified a completion date for wharf construction (21 months after the signing of the concession agreement) and outlined a termination procedure (if the construction is not completed 34 months after the signing, the concessionaire can terminate the agreement and be reimbursed for the entry fee paid at the signing).

The agreement also spelled out the concessionaire's responsibility to pay the Port Authority a fixed fee when the wharf is delivered and to begin terminal operations 12 months after delivery. In addition to the private operator, parties to the agreement would include the government (represented by four Ministries: State; Justice, Legislation, and Human Rights; Economy and Finance; and Maritime Affairs) and the Port Authority.

The agreement was structured to balance risk, protect the rights of all parties, and provide measurable investment and performance objectives.

## BIDDING

Groupement Bolloré won the bid for the South Wharf Container Terminal. The winning proposal included an entry fee of \$33 million, ongoing fees of \$29 per TEU, and guaranteed annual traffic levels. The proposal also included a commitment to pay \$200 million in concession fees during the first eight years of operation and invest \$256 million in operating equipment and civil works over the life of the concession.

The concession agreement was signed in September 2009.

## EXPECTED POST-TENDER RESULTS

- Yield \$200-300 million in fiscal impact.
- Leverage \$256 million in private investments in operating equipment and civil works.
- Create more than 450 jobs.
- Reduce transportation costs and make Cotonou competitive with larger ports within the region.
- Double container traffic in the first eight years of operation, from 300,000 TEUs to more than 723,000 TEUs.
- Expand the export corridor for hinterland countries such as Burkina Faso, Mali, and Niger.
- Increase opportunities to develop external markets for the agriculture and fishing industries.

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<sup>1</sup> Twenty-foot Equivalent Unit