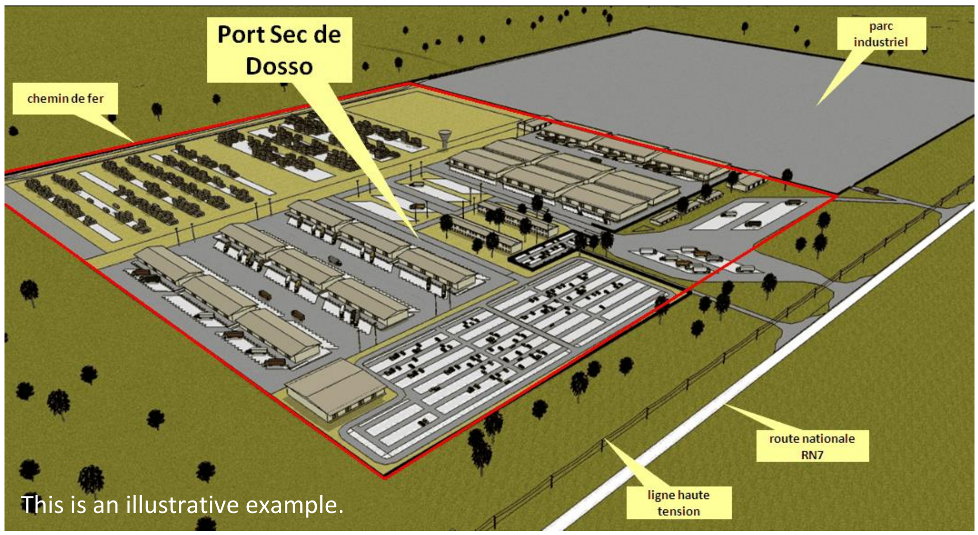
Public-Private Partnership Stories

Niger: Dry Port



As a landlocked country, Niger depends on neighboring countries' infrastructure to import and export goods, resulting in prohibitive transport costs. This is a significant obstacle for the country's economic development. The Government of Niger (GoN) sought IFC support to structure and implement a dry port project in Dosso and Niamey in order for the country to facilitate and process international trade, speed up the flow of cargo, reduce red tape and transportation costs, and move the time-consuming sorting and processing of merchandise inland away from the congested seaports of Cotonou (Benin), Lome (Togo), Tema (Ghana), and Abidjan (Côte d'Ivoire).

Bolloré Africa Logistics (B.A.L.) won the bid for a 20-year concession to build, develop, and operate both dry ports. Obligations on B.A.L. include a minimum mandatory investment of $50m divided in four phases, and payment of concession fees for an estimated minimum of $48m.

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

The project was implemented with the financial support of DevCo, a multi-donor facility affiliated with the Private Infrastructure Development Group. DevCo provides critical financial support for important infrastructure transactions in the poorest countries, helping boost economic growth and combat poverty. DevCo was co-founded by IFC and the UK's Department for International Development (DFID), and is funded by DFID, the Austrian Development Agency, the Dutch Ministry of Foreign Affairs, and the Swedish International Development Agency.

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BACKGROUND

Niger is a landlocked country entirely dependent on neighbouring countries for maritime access for its imports and exports. Transport costs are frequently prohibitive and constitute a major obstacle for development. Therefore, the Government of Niger (GoN) decided to structure and implement a dry port project in Dosso and Niamey Rive Droite for the country to: (i) facilitate and process international trade through strategic investment in multi-modal transportation assets and promote value-added services as goods move through the supply chain, (ii) speed up the flow of cargo between ships and major land transportation networks, which could carry goods to the rest of the country, (iii) reduce red tape and transportation costs for users in Niger, and (iv) move the time-consuming sorting and processing of merchandise inland, away from the congested seaports in Benin, Togo, Ghana, and Côte d'Ivoire, its main accesses to the sea.

The dry port project is the first project of this type in the country and, following IFC's recommendations, GoN created a new Dry Port Authority in 2014. This new Authority will act as the conceding and monitoring Authority of the concession and the main interlocutor of B.A.L.

The dry port is expected to be multimodal with a connection to the new railways project between Benin (Port of Cotonou) and Niger. Construction of the railways is on-going and the Dosso dry port platform is expected to be the largest multimodal cargo handling center for merchandise imported from Benin.

IFC'S ROLE

IFC was the lead transaction advisor appointed by the Government of Niger to attract the private sector to the development and operation of the greenfield Dosso site as well as the operation of the already existing Niamey Rive Droite platform.

IFC procured legal and technical consultants who undertook due diligence for the project and supported the structuring of the transaction. IFC and its team have been instrumental to GoN in ensuring a bankable deal and helping the government identify and carry out the necessary reforms, including the creation of the new dry port authority.

IFC's mandate included helping to select a private operator through a transparent and competitive bidding process to develop and operate the dry port.

TRANSACTION STRUCTURE

IFC proposed a transaction structure based on a 20-year concession agreement to invest in and manage the two platforms in Dosso (corridor of Benin) and Niamey Rive Droite (corridors of Togo, Ghana and Côte d'Ivoire).

The concession included provisions to balance risk and protect the rights of both parties, as well as other stakeholders, including:

- a minimum mandatory investment of $50m divided in four phases (B.A.L is offering additional social investment for a total capex up to $78m),
- ambitious performance obligations (operational key performance indicators, IFC environmental and social standards, safety, security, construction timetable of nine months, etc.),
- detailed penalties backed up with a first demand performance bond over the life of the concession,
- transfer of all existing personnel with an immediate 20% salary increase and training.

In order to make the project more attractive and to compensate for the relatively low volume of traffic at Dosso, the Government committed to provide a one-time $6 million subsidy to support the first phase of the infrastructure required at the greenfield site of Dosso. All subsequent phases of investment at Dosso and all four phases at the site of Niamey Rive Droite would be under the responsibility of B.A.L.

BIDDING

The winning bid of Bolloré Africa Logistics included an upfront fee of $2 million and a fixed fee (land lease) payable by sqm and variable fees payable per ton of cargo for an estimated minimum $48 million over the life of the concession.

The concession agreement was signed on October 28, 2014.

EXPECTED POST-TENDER RESULTS

- Yield a minimum of $48 million in fiscal impact.
- Leverage between $50 - 78 million in private investments in operating equipment and civil works.
- Provide, for a start, at least 130 jobs.
- Reduce transportation costs and increase efficiency of trade in Niger.
- Increase efficiency via the link with the regional railway corridor program linking Niger to Benin, and then Burkina Faso and the rest of West Africa.