



The Role of Public-private Partnerships in Developing Nigeria's Ports and Maritime Infrastructure



Introduction

Nigeria's maritime sector, though crucial to its economy, faces challenges such as aging infrastructure, inefficiency, and insufficient funding. To address these issues, Public-Private Partnerships (PPPs) have emerged as a promising solution. PPPs combine the resources and expertise of the private sector with the government's oversight to accelerate infrastructure

development. This article delves into how PPPs can revitalise Nigeria's ports and maritime infrastructure, highlighting potential benefits, challenges, and strategies for optimizing their implementation.

An Overview of Nigeria's Ports and Maritime Infrastructure

For decades, Nigeria's ports have operated below capacity, constrained by outdated infrastructure, inadequate port facilities and underinvestment, which has resulted in congestion, inefficiencies, and high operational costs. The aging facilities, obsolete technology and poor logistics coordination often lead to delays in handling cargo and clearance and ultimately, diminishes the competitiveness of Nigeria's ports compared to other West

African countries. The present hurdles within the sector not only affect local businesses but also disrupt regional trade. Additionally, the rising demand for more sophisticated maritime facilities in light of growing global trade and the African Continental Free Trade Agreement (AfCFTA), has underscored the need for significant investment within the maritime sector to address the infrastructure deficit.

Understanding Public-Private Partnerships in Nigeria

Public-Private Partnerships (PPPs) are increasingly recognised as a key vehicle for overcoming infrastructural challenges. PPPs involve a collaborative arrangement where private entities partner with the government to finance, develop and operate projects typically managed by the public sector, in exchange for long-term returns. These partnerships leverage the financial and operational efficiency of private entities to create value in areas traditionally constrained by public sector limitations. It is pertinent to state that the Nigerian government recognises the significance and potential of PPPs as a machinery for advancing infrastructure development across the country. For instance, in the recently released Economic Recovery & Growth Plan (ERGP), the government emphasised the use of PPPs to deliver critical projects, such as roads, rail, seaports and airports.¹

In March 2024, the Nigerian Ports Authority (NPA) announced plans to secure a N200bn loan from Afrexim Bank and the United Kingdom Export Finance (UKEF) to rehabilitate and upgrade critical port infrastructure.² The loan is intended to address issues such as deteriorating facilities and enhance the efficiency of port operations. This significant financial undertaking underscores the pressing need for investment in Nigeria's ports and highlights the limitations of relying solely on public funds.

Furthermore, the Federal Government strongly considers PPP because having made all of the investments referred to above, PPPs would be required to construct and manage port projects to ensure efficiency and maximum return on

the investment. A case in point is how the PPP E-callup system has drastically improved traffic in and out of the ports and how the Lekki Port project, facilitated by PPP has helped to transform Nigeria as a maritime transshipment hub for West Africa.³

Based on the level of private sector involvement, there are various models of PPPs, each suited to different infrastructure needs and operational circumstances. However, the two most prominent PPP models relevant to ports and maritime infrastructure are:

1. **Build-Own-Operate- Transfer (BOOT):**

The BOOT model allows the private entity to build, own, and operate the port infrastructure for an agreed period. Within the maritime sector, the BOOT scheme is the most used, allowing the private entity to finance, design, build and operate a facility for a specified period, after which ownership is transferred to the public sector.⁴

2. Concession Agreements: Concession models, where the private sector is granted the right to operate existing public port infrastructure, are widely used in Nigeria. These agreements allow private entities to manage the port's operations while the public sector retains ownership of the port assets. Nigerian ports like Apapa and Onne operate under this concession model. These arrangements are important for transferring operational efficiency to private operators while enabling the government to focus on regulatory oversight.

¹ Making Public-Private Partnerships Work In Nigeria, <https://www.ajol.info/index.php/epr/article/view/165277/154737> [Accessed 12th November 2024].

² NPA projects N630bn revenue in 2024, seeks N200bn loan for port development, <https://shipsandports.com.ng/npa-projects-n630bn-revenue-in-2024-seeks-n200bn-loan-for-port-development/> [Accessed 27th November 2024].

³ The Guardian, Lagos unveils e-call-up system, streamlines truck movements at Lekki-Epe corridor, <https://guardian.ng/news/lagos-unveils-e-call-up-system-streamlines-truck-movements-at-lekki-epe-corridor/> [Accessed 27th November 2024].

⁴ How to Ensure Successful PPPs In the Port Sector <https://alg-global.com/blog/maritime/how-ensure-successful-ppps-portsector#:~:text=PPP%20schemes&text=In%20any%20case%2C%20in%20the,back%20to%20the%20public%20sector> [Accessed 12th November 2024].

Each of these models plays a role in bridging the gap between public resources and private sector contribution, ensuring that the financial and operational burdens are shared.

Why Public-Private Partnerships?

Leveraging PPPs can drive significant improvements and foster growth within the maritime sector, thus creating value for both public and private stakeholders. One of the numerous advantages of PPPs is access to capital and resources. The private sector's involvement brings substantial capital and resources to supplement government funds, enabling large-scale investments in port infrastructure. Therefore, in circumstances of limited public borrowing by fiscal regulations, PPPs can represent a key driver to initiate the development of infrastructure that otherwise could not be implemented.⁵

The operational efficiency and expertise found within the private sector is an added advantage. Private entities usually have specialised skills, requisite technology and management practices, which can increase efficiency and reduce turnaround times in port operations. Lastly, a drive in PPPs enhances port infrastructure. The resultant

effect of agreements such as this includes job creation in logistics, shipping, and related industries, while the increased flow of goods from one region to another boosts our economic activities. Essentially, PPPs help by providing additional sources of funding and finance, private sector analysis and innovation, sector experience and incentives, and long-term investment perspective.⁶

The maritime sector has seen several successful PPP initiatives. A good example is the Lekki Deep Sea Port Project, which aims to bridge the projected demand-capacity gap by accommodating larger vessels, optimizing storage area and ease of expansion, providing modern equipment and facilitating the relocation of tank farms.⁷ The Onne Port Complex, APM Terminal Apapa Concession, the concession of Murtala Mohammed Airport Terminal 2, Lagos and the concession of 105 KM Lagos –Ibadan expressway are also examples of successful PPP initiatives in Nigeria.

Successful PPP Initiatives in Nigeria's Maritime Sector

Several successful PPP initiatives have been implemented in Nigeria's maritime sector, demonstrating the potential of this model. Some notable examples include:

- 1. Port Concessioning:** The Nigerian Ports Authority (NPA) has successfully implemented port concessions programs, which have led to

significant improvements in port operations and efficiency. Private sector operators have invested in modernizing port facilities, acquiring new equipment, and implementing advanced technologies.⁸

⁵ Ibid

⁶ Risks and Challenges in Public-Private Partnership Projects in Nigeria: A Case Study of the Concession of Murtala Mohammed Airport 2 Terminal (Lagos) to Bi-Courtney Nigeria Ltd, https://www.researchgate.net/publication/338559875_Risks_and_Challenges_in_Public-Private_Partnership_Projects_in_Nigeria_A_Case_Study_of_the_Concession_of_Murtala_Mohammed_Airport_2_Terminal_Lagos_to_Bi-Courtney_Nigeria_Ltd [Accessed 12th November 2024].

⁷ Lekki Deep Water Port Basic Information, <https://ppp.icrc.gov.ng/project/118> [Accessed 12th November 2024].

⁸ Adaora Florence Okeke et al, Port Concession and The Quality of Service Delivery in Nigerian Ports Authority https://www.researchgate.net/publication/378268886_Port_Concession_and_The_Quality_of_Service_Delivery_in_Nigerian_Ports_Authority#:~:text=The%20results%20of%20the%20stud,y,operations%20and%20the%20level%20of [Accessed on 23rd November 2024].

2. Terminal Expansion: Terminal Expansion: PPPs have been used to finance and construct new port terminals, increasing port capacity and handling capacity. These projects have involved partnerships between the NPA and private sector companies.⁹

3. Dredging Projects: PPPs have been employed to finance and execute dredging projects, which are essential for maintaining navigable waterways and accommodating larger vessels.

Challenges in Implementing PPPs in Nigeria's Port Sector

Although PPPs offer promising solutions, the implementation of PPPs in Nigeria's maritime sector faces several challenges, which must be addressed to optimize the benefits of this collaborative infrastructure development model. These challenges will be discussed in the subsequent paragraphs below.

1. Lack of Holistic Regulatory Framework: While there has been progress in developing policies that encourage private sector involvement, the framework remains overly complex and fragmented. The lack of a unified legal system governing PPP agreements has led to inconsistencies in contract enforcement and disputes between public and private entities. Therefore, there is an urgent need for clearer guidelines and a more robust legal infrastructure that can safeguard the interests of both the private and public sectors. This will ensure that the contractual agreements are not only fair but also transparent and enforceable, reducing uncertainties for potential private investors and entities.

2. Bureaucratic Inefficiencies: This presents another major barrier to successful PPP implementation. Bureaucratic inefficiencies lead to inflated project costs, delays in contract awards, and skewed tenders that do not favour the most competent or qualified bidders. The bureaucratic red tape which characterises many government processes in Nigeria causes significant delays in project approvals, contract execution, and regulatory compliance. These inefficiencies deter potential private investors who may be discouraged by the high costs of navigating complex government systems like ours. Hence, addressing these governance issues is vital to fostering a more conducive environment for PPP investments.

⁹ ICRC superintends and regulates PPPs in Nigeria <https://www.icrc.gov.ng/projects/projects-under-custody/> (Accessed on 23rd November 2024).

3. Political Risk: This also plays a considerable role in hindering the effectiveness of PPPs in Nigeria. The long-term nature of many PPP projects means that private investors are exposed to political instability and changes in government policy. A change in administration can lead to the renegotiation or cancellation of previously agreed PPP contracts, creating an unpredictable business environment for private entities. Without assurances of policy stability and long-term government commitments, private investors may be reluctant to participate in large-scale infrastructure projects, particularly in sectors like port development that require significant capital outlay and operational oversight over extended periods.

4. Economic or Financial Risk: Nigeria's economic environment, characterised by inflation, currency volatility and financial instability,

makes long-term financing for infrastructure projects difficult to obtain. Financial risk that can be attributed to changes in interest rates, exchange rates or inflation adversely affects the project outcomes.¹⁰ Investors are often hesitant to commit large sums of capital without viable guarantees of returns on their investments.

These challenges underline the complexities involved in implementing PPPs in Nigeria's ports and maritime infrastructure. While the PPP model offers numerous benefits, a concerted effort must be made to address these systemic issues in order to attract and retain private sector investment in the long term.

Recommendations for Optimising PPPs in Nigeria's Ports and Maritime Infrastructure

Optimising PPPs in Nigeria's ports and maritime infrastructure requires a multifaceted approach that addresses key structural, financial, and governance issues. Several recommendations can enhance the viability of PPPs in this sector. To fully capitalise on PPPs, the government ought to focus on encouraging local content participation. The success of Nigeria's local content policy in the oil and gas industry shows that with the right framework, domestic

industries can flourish alongside foreign investments. A similar approach should be applied to port infrastructure projects, ensuring that local companies, workers, and materials play a significant role in project execution. This would not only boost the economy by creating jobs and stimulating local industries but also build local expertise in port management and operations, ensuring the long-term sustainability of infrastructure projects.¹¹

¹⁰ Identifying Risks, <https://ppp.worldbank.org/public-private-partnership/applicable-all-sectors/identifying-risks#:~:text=Default%E2%80%94the%20risk%20that%20the,adversely%20affect%20the%20project%20outcomes> [Accessed 12th November 2024].

¹¹ Public Private Partnership Model- A necessity for Maritime Infrastructural development in Nigeria, <https://nimasa.gov.ng/public-private-partnership-model-a-necessity-for-maritime-infrastructural-development-in-nigeria-mobereola/#:~:text=He%20noted%20that%20the%20PPP,growth%20and%20development%20of%20the>

Another key recommendation is the exploration of innovative financing models to support PPPs in port development. Traditional financing methods may not be sufficient or sustainable for large infrastructure projects, particularly in an economy like ours that is prone to inflation and currency fluctuations. As a country, we can consider blended finance models, where development finance institutions or multilateral agencies provide partial risk guarantees or co-financing alongside private sector investments. Such arrangements can reduce the financial risk borne by private investors, making PPP projects more attractive. Additionally, innovative financing options like green bonds or infrastructure bonds, tied to environmental sustainability goals, can open new streams of capital for developing ports and related infrastructure.

Furthermore, strengthening the technical capacity of government bodies involved in port management is essential for the successful oversight of PPP projects. The

government can partner with international organisations or private firms to provide specialised training for local staff on port operations, project management, and financial modeling for large-scale infrastructure projects. This will help public agencies negotiate better PPP terms and ensure that projects are managed efficiently post-construction. Lastly, integrating new technologies into Nigeria's port and maritime infrastructure can significantly boost efficiency and attract private investment. Automation in cargo handling, improved logistics systems, and digitalised customs processes can reduce bottlenecks and operational delays, making ports more competitive globally. Encouraging PPP projects that incorporate cutting-edge technology will also improve service quality, reducing turnaround times for shipping and boosting Nigeria's competitiveness across West Africa.

Conclusion

Conclusively, Public-private partnerships represent a viable strategy for transforming Nigeria's port and maritime infrastructure, delivering enhanced efficiency, capacity, and global competitiveness. The success of these partnerships, however, depends on adopting appropriate models, ensuring transparency, and addressing the

challenges posed by regulatory, financial, and governance frameworks. With continued investment in PPPs and a focus on long-term development, Nigeria's ports can become major drivers of the country's economic growth and integration into the global trade network.

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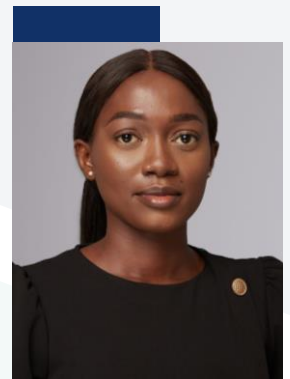
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