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MCC's Investments in the Port of Cotonou Are Creating Trade Opportunities in Benin

Benin's Port of Cotonou is a key trading hub for neighboring countries, including Nigeria, and is the driver of economic growth in Benin. In 2006, the Government of Benin and the U.S. Government's Millennium Challenge Corporation (MCC) agreed on significant investments in the Port of Cotonou to attract private sector partners and bring operational efficiency and increased capital to port operations.



The extended sand-stopping jetty ensures that sand does not enter the port entrance channel and reduces maintenance costs, estimated to save the port over \$2.1 million annually.

The Port of Cotonou is a gateway to landlocked West African countries. Ninety percent of all imports arriving in Benin pass through the port, with approximately 54 percent destined for hinterland countries like Burkina Faso, Mali, and Niger. However, high shipping costs, low efficiency, and limited facilities prevented the Port of Cotonou from attracting larger-scale imports and investments, which affected Benin's competitiveness as a springboard to neighboring countries. MCC invested more than \$180 million to improve the Port of Cotonou as part of Benin's \$307 million MCC compact. The private sector is also expected to start complementary investments which will exceed the MCC grant by 2013.

The port contributes to economic growth

When the project began, the port was reaching its capacity and congestion was beginning to increase ship waiting times at anchor and berth. The MCC investment has contributed to a more efficient, higher

capacity, and safer port. The Port has reduced ship waiting time at anchor, waiting time at berth, and customs clearance times. These time savings have cut shippers' costs. Further improvements and the investments planned at the port over the next two years will allow for significant and continued growth of international trade for Benin and the customers that use the port. Benin expects soon to become a much more competitive port and to spur regional growth. Increased imports and exports could also open up the potential for new market and trade opportunities for U.S. businesses.

MCA-Benin, the Government of Benin entity responsible for implementing the MCC compact, hired an advisor to assist with the port's strategic development. According to the advisor, approximately 50,000 people earn a living off the port, both directly and indirectly. A few examples include fishermen, truckers, longshoremen, those buying and selling goods, and those involved in insurance and security. For instance, the port's dockers have responsibility not only for their immediate families, but also for those who may live with them: children, parents, siblings, and extended families. Each worker supports a household of an average of 10 people, so MCA estimates that at least half a million Beninese depending on the port for survival on a daily basis.

Smart, comprehensive investments yield results:

- ★ Construction of a new two-berth south wharf will accommodate more and larger container ships, more than doubling the port's potential container capacity.
- ★ Extension of a sand-stopping jetty by 300 meters will reduce port dredging costs. This ensures that sand does not enter the port entrance channel and reduces maintenance costs, estimated to save the port over \$2.1 million annually.
- ★ Provision of an industrial tugboat will allow safe movement of more than one ship at a time into and within the port.
- ★ Construction of 2,462 meters of road, 1,584 meters of rail, and five gates will better control security and traffic circulation around the port.
- ★ Installation of new fire protection and security systems will improve safety and efficiency.
- ★ Investments in new hardware, software, communications, and training personnel will modernize customs operations and improve ease and efficiency of port procedures.
- ★ Acquisition of pollution control equipment will prevent environmental damage.
- ★ Provision of sophisticated monitoring equipment will assist the port to fine-tune its navigational capacity, essential for the much larger ships it can now accommodate. Technical support being provided by the Cotonou-based Institute de Recherche et Développement, an international oceanographic institute, will assure more effective use of the equipment and assist Benin in its ambition to become the center for oceanographic studies in the region.)

A more efficient and modern port attracts long-term investments:

- ★ **More merchandise creates more income opportunities:** The volume of merchandise flowing through the port has already increased from 4 million metric tons in 2004 to 7 million in 2010, exceeding the port's previous capacity.
- ★ **Increased security protects imported and exported goods:** New security measures are in place across the port, resulting in a total elimination of motorcycles and a reduction of the number of unidentified trucks and people in the port. In addition, the number of theft cases reported at the port annually was nearly cut in half, falling from 40 to 21.
- ★ **Reliable management saves users' time, money:** Improved port management has helped to reduce the length of stay for trucks in the port. In September 2008, trucks spent an average of 104 hours in the port waiting for loading and offloading. As of June 2011, that waiting time was reduced to an average of 19 hours which allows for more efficient transfer of goods.
- ★ **Reduced customs clearance time reduces costs to trade:** Improved systems created under the MCC compact caused average customs clearance times to decrease from four days in 2006 to two days in 2010.

To ensure sustainable results and impact, MCC and the Government of Benin, engaged the International Finance Corporation as a lead advisor to help select a private operator through a competitive bidding process for the concession to operate the new South Wharf terminal. The prospect of a more efficient and modern port attracted the private sector to engage with the government in a long-term public private partnership. The winning bidder was the Bolloré Group who will manage the new container terminal quay in the port for the next 25 years. Within the next two years, Bolloré and the Government of Benin will invest over \$200 million to provide access for 250-meter-long container vessels, and complete the construction of its new container terminal at the South Wharf. This increased capacity for larger ships will at least double total container capacity, guaranteeing increased revenue flows and increased employment at the port.

The MCC's investment in Benin is yielding results. Not only is the improved port contributing to poverty reduction in Benin, but it is creating more stable and prosperous regional economies with opportunities for business and trade.