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THE CABOTAGE VESSEL FINANCING FUND: PROSPECTS AND CHALLENGES IN THE PROMOTION OF INDIGENOUS SHIPPING IN NIGERIA

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INTRODUCTION

Setting Sail: Introduction

The Nigerian marine industry encompasses a significant presence of on-sea activities. The Nigerian coastline further exhibits considerable potential for substantial expansion in maritime operations, as it serves as the meeting point where African waves gently caress the coasts of the most populated nation on the continent. The current population of the country has the capacity to effectively accommodate increased shipping activities in order to adequately satisfy the demands of the people. Despite Nigeria's remarkable maritime potential, the country continues to experience a situation where foreign flags dominate its waters. The introduction of the Cabotage Vessel Financing Fund (CVFF) has occurred despite the challenging circumstances of this arduous nautical journey.

The CVFF, which plays a crucial role in guiding the domestic maritime industry towards achieving excellence in indigenous shipping, has emerged as a topic of noteworthy importance. It is imperative to critically examine and analyze this Fund in order to assess its current performance and note possibilities for its enhancement. Invariably, one of the key aspects involves analyzing the trajectory of both the potential and challenges associated with this effort.

Accordingly, this essay is aimed at sailing to the destination of a deeper exploration of the prospects and challenges of the CVFF, in the promotion of indigenous shipping in Nigeria. This shall be achieved by examining its positive potentials and inherent challenges, as well as proffering viable recommendations.

Casting Off: The Birth of the Cabotage Vessel Financing Fund

The inception of the Cabotage Vessel Financing Fund is a direct response to the critical necessity of protecting and giving precedence to the conveyance of commodities and services within Nigerian seas. This initiative specifically target vessels that are not only owned by Nigerian individuals or entities, but are also constructed and operated by Nigerian crews.[1] The realization of this objective materialized with the implementation of the Coastal and Inland Shipping Act of 2003, which was designed to facilitate the expansion and advancement of Nigeria's maritime industry.[2]

The CVFF was established with the primary aim of offering financial assistance for the procurement, development, and maintenance of vessels intended for use in domestic and coastal marine commerce.[1] The initiative was conceptualized with the aim of augmenting the capabilities of Nigerian ship owners and operators. The foundation of this programme was based on the acknowledgment of the substantial economic prospects that the marine industry presents for Nigeria. country's population.

[1] Section 2(a)-(d), Coastal and Inland Shipping Act, 2003.

[2] Ajiye S., 'Nigerian Cabotage: Its policy, prospects and challenges' (2013) 4(14) Journal of Economics and Sustainable Development 11.

[3] Ibid.

[4] Section 43, Coastal and Inland Shipping (Cabotage) Act, 2003; Okafor Onyekachi, 'Assessment of Cabotage Act implementation and its effect on Nigerian seafarers' (2020) 5(1) Journal of Sustainable Development of Transport and Logistics 124.

It was recognized that this sector provided avenues for the development of riches, the generation of employment, and the empowerment of the country's population.

Before its establishment, Nigerian ship owners encountered challenges in securing loans from financial institutions due to the elevated risks linked to marine projects and the absence of a specialized funding mechanism. Subsequently, the government endeavoured to allocate sufficient and essential financial resources in order to facilitate and enhance indigenous coastal and international shipping endeavours. The primary means through which the CVFF obtains its finances is through a surcharge of 2% of the contract total executed by vessels involved in coastal trade.[4] Additionally, the CVFF receives funding from tariffs, fines, licence fees, and any other amounts that are defined and approved by the National Assembly.

The Nigerian Maritime Administration and Safety Agency (NIMASA) serves as the regulatory body responsible for monitoring the maritime sector in Nigeria. Accordingly, it assumes a pivotal role in the allocation of funds derived from the Cabotage Vessel Financing Fund.

The establishment of the CVFF guidelines in 2006 by NIMASA has facilitated the implementation and administration of the CVFF.[5] These guidelines outline the necessary steps and criteria for eligibility, specify the types of maritime activities that can be funded through the Fund, and outline the financial requirements that eligible applicants must meet.[6] The objective is to provide precedence to enterprises and efforts that prioritize local ownership, shipbuilding, and the employment of Nigerian sailors.

The CVFF, thus, evolved as a strategic instrument within this legislative framework with the intention of stimulating the expansion of domestic shipping capability. Basically, the Fund has a diverse range of objectives, which include promoting the ownership of vessels by Nigerian individuals, enhancing the capacity for shipbuilding, and empowering experts in the Nigerian maritime industry. The CVFF seeks to advance the maritime industry of Nigeria towards a future characterized by increased prosperity and sustainability through the growth of local ship owners, the promotion of shipbuilding initiatives, and the cultivation of a proficient Nigerian workforce.

[5] Lazarus Okoroji, and Wilfred Isioma Ukpere, 'A strategic reposition of the maritime industry for economic recovery and sustainability: The Cabotage Act' (2011) 5(14) *African Journal of Business Management* 5658.

[6] *Ibid.*

[7] Agama Ferdinand, and Henry C. Alisigwe, 'Cabotage regimes and their effects on states' economy' (2018) 9(1) *Nnamdi Azikiwe University Journal of International Law and Jurisprudence* 71.

The Destination Port: Prospects

The Cabotage Vessel Financing Fund represents a significant catalyst for transformation, offering a perspective for prospects that have the potential to overhaul the Nigerian maritime sector. This objective is aimed at being accomplished by placing particular emphasis on the domestic shipping operations of the country. Without a doubt, the Fund presents numerous and elating opportunities that, if carefully followed, will propel the Nigerian maritime industry towards a desirable destination.

One of the notable potential benefits of the CVFF is its role as a catalyst in promoting the growth and success of the maritime industry through the support of indigenous shipping businesses. This support includes the encouragement of Nigerian-flagged vessels operating in domestic waters. Consequently, it will enhance the capability and magnitude of the fleet possessed by Nigeria. As the size of these fleets increases, their capacity to fulfill domestic shipping requirements improves, hence diminishing reliance on international carriers.[7] The presence of Nigerian-owned and operated vessels navigating through Nigerian maritime territory represents not only a potential commercial opportunity but also serves as a significant source of national pride.

Moreover, the CVFF elucidates the trajectory towards economic well-being for many individuals in Nigeria and the entire nation. Indigenous maritime businesses, benefiting from financial assistance provided by the CVFF, are undertaking ambitious endeavours to expand their fleet. The aforementioned expansion contributes to an upswing in the need for a proficient workforce in the maritime industry. The ramifications of job development in the maritime industry have significant economic implications that extend beyond the business itself. When individuals successfully obtain employment in diverse maritime-related positions, their augmented income and enhanced purchasing power have a ripple effect on local economies. This encompasses the promotion of local enterprises, the stimulation of housing markets, and the augmentation of consumer expenditure, making additional contributions to the overall progress of the nation.

Likewise, the improvement in shipping traffic and cargo volumes in Nigerian ports is stimulated by the rise of indigenous shipping companies, which get support from the CVFF.[8] In order to meet the growing demand, ports necessitate substantial modifications and expansions.

[8] Okon Inah Eteng, and Joseph Okon Edem, 'The impacts of cabotage law implementation on Nigeria's indigenous shipping industry: A study of the Onne Sea Port, Rivers State, Nigeria' (2019) 8(7) *International Journal of Development and Sustainability* 388.

[9] Lazarus Okoroji, and Wilfred Isioma Ukpere, *op. cit.*

The revenue derived from port operations, encompassing fees for docking and costs for container handling, can be allocated towards enhancing port infrastructure through reinvestment. Consequently, there will be a notable advancement in the creation of contemporary, streamlined, and high-capacity harbours capable of accommodating larger vessels and managing significantly greater cargo quantities. In essence, the CVFF is important in facilitating infrastructural development within the maritime sector.

Furthermore, when considering the potential of the CVFF, it becomes evident that its impact is amplified by the combined influence of other prospects. This money is imperative for enhancing Nigeria's international reputation and strengthening its competitive position within the global marine sector. The provision of finance will enable the Nigerian industry to adopt and adhere to best practices. Consequently, Nigerian-owned vessels will be able to operate at the same level as foreign counterparts, thereby ensuring compliance with safety, security, and environmental standards. The dedication to achieving high standards not only contributes to the positive perception of the Nigerian shipping industry but also fosters trust and assurance among international collaborators and clientele.[9]

This phenomenon provides backing for the advancement of the economy, the generation of foreign exchange revenue, and the consolidation of Nigeria's standing as a significant participant in the international trade arena.

Besides, the CVFF is a major actor in promoting environmentally sustainable practices within the maritime sector of Nigeria. The provision of money will enable the procurement of contemporary and environmentally sustainable vessels, resulting in a subsequent decrease in the ecological consequences of maritime activities. These maritime boats exhibit reduced emissions of pollutants into the atmosphere and water bodies, mitigate the potential for oil spills, and adhere to sustainable waste management practices.[10] Consequently, the fleets held by Nigerian entities undergo a transformation towards greater environmental friendliness, thereby aligning with the global objectives of sustainability.

Evidently, the Cabotage Vessel Financing Fund emerges as a transformative force in the Nigerian Maritime industry. Its prospects are a testament to the untapped potential that lies within the Nigerian shores.

The Rising Tide: Challenges

In a country like Nigeria, where approximately 80% of the shipping business done on the coast of West Africa is done[11], there is still an unenviable track record of maritime business in the country. Nigeria, as a coastal state, exhibits significant potential for generating substantial revenue from both domestic and international sea transportation of individuals and commodities. Nevertheless, the current situation does not align with this potential. In light of the opportunities and prospects offered by the Cabotage Vessel Financing Fund, it is imperative to carefully examine the unexplored aspects of its obstacles and potential drawbacks. Although the Fund is driven by noble objectives, it is expedient to recognize the potential challenges it may face in navigating the complex waters of the Nigerian Maritime industry. This acknowledgment is essential for gaining a comprehensive understanding of the CVFF's potential impact.

Similar to other government-driven initiatives, the presence of bureaucratic procedures might impede the timely distribution and allocation of the Fund.

[12] The efficacy of the CVFF in bolstering indigenous shipping enterprises is contingent upon its proficiency in delivering financial aid.

[10] Protea, 'Marine Emissions' (Protea, 2 November 2020) <[\[8\] Okon Inah Eteng, and Joseph Okon Edem, 'The impacts of cabotage law implementation on Nigeria's indigenous shipping industry: A study of the Onne Sea Port, Rivers State, Nigeria' \(2019\) 8\(7\) International Journal of Development and Sustainability 388.](#)>

[11] Adaku Onyenuchey, 'Maritime grossly under-explored in Nigeria, stakeholders lament' (Guardian, 29 September 2022) <<https://www.google.com/amp/s/guardian.ng/business-services/maritime/maritime-grossly-under-explored-in-nigeria-stakeholders-lament/amp>> accessed 18 September 2023.

[12] Anele Kalu, 'A study of the cabotage policy in Nigeria from the prisms of ship acquisition and shipbuilding' (2018) 17 WMU Journal of Maritime Affairs 91.

To date, despite the establishment of the CVFF over [17] years ago, there is a lack of documented evidence on the recipients who have directly benefited from the Fund.[13] Undoubtedly, this is intricately linked to the difficult and burdensome procedure of accessing this Fund. Numerous attempts have been made in the past to allocate the Fund, although none have been successfully executed. The untimely allocation of funds can pose obstacles to the timely expansion and maintenance of local fleets, potentially hindering the growth of the business. Similarly, bureaucratic procedures can give rise to apprehensions regarding the principles of transparency and accountability.[14] The absence of openness has the potential to erode public confidence in the CVFF and the organizations tasked with its management.

Equally, one of the inherent risks associated with the CVFF pertains to the possibility of the cash it disburses being misallocated or mismanaged. There exists a potential that the allocation of monies facilitated by the CVFF may not consistently adhere to the fund's initial objectives.[15] This phenomenon might arise as a result of corrupt practices, inadequate management, or a dearth of transparency in the process of resource allocation.

[13] Ibid.

[14] Ibid.

[15] Igbokwe M., *The New Cabotage Act: Its Intended Effect on the Local Shipping Industry*, (2003) a paper presented at the annual Maritime Seminar of the Nigerian Maritime Law Association held on May 13th and 14th, 2003

[16] Ajiye S., *op. cit*

[17] Anele Kalu, 'Analysis of the Enforcement of the Suppression of Piracy and Other Maritime Offences Act in Nigeria: Matters Arising' [2023] Dordrecht: Springer Netherlands, 1.

There is a potential risk that funds designated for the purpose of facilitating the growth and acquisition of vessels for indigenous shipping enterprises may be diverted towards unrelated ventures. Another concern arises from the potential allocation of funds towards projects that fail to produce the desired outcomes.[16] For instance, in the event that the CVFF provides funding for vessels that are insufficiently maintained or managed, it may result in suboptimal utilization of resources and diminished returns on investment.

Moreover, it is crucial to highlight that the process of obtaining and preserving vessels necessitates a significant amount of capital investment. While the CVFF offers monetary assistance, it also exposes indigenous shipping enterprises to potential financial vulnerabilities. The financial stability of individuals or entities can be potentially compromised by the burden of debt commitments and the need to make loan repayments, particularly in situations where market conditions or freight rates are unfavourable.[17] Indigenous enterprises that receive support from the CVFF may potentially face susceptibility to market volatility, which can impede their capacity to earn revenue and fulfill financial obligations.

This phenomenon exhibits a strong correlation with the hypothesis that indigenous maritime enterprises may develop an excessive dependence on the Cabotage Vessel Financing Fund (CVFF) as a means of obtaining financial assistance and fostering growth. When enterprises only depend on funding, their motivation to pursue innovative methods for financing vessel acquisitions, maintenance, or operational enhancements may diminish.

The Cabotage Vessel Financing Fund undoubtedly serves as a promising and influential driver for Nigeria's marine sector. However, it is imperative to recognize that, similar to any substantial undertaking, it is not devoid of obstacles and potential drawbacks. Although there are indeed problems present, it is important to emphasize that these should not detract from the overarching objective of the fund and its inherent positive possibilities. Instead, these areas should be seen as focal points in order to effectively handle the challenges that may arise from the effort.

Weathering the Storm: Recommendations

He who controls the water controls the world.

- Themistocles (-524--459 BC), Athenian statesman.

In charting a course for the future of the Cabotage Vessel Financing Fund (CVFF) and the Nigerian Maritime industry, it is imperative to navigate through the challenges that lie ahead.

1. Streamlined Bureaucracy

It is of the utmost importance to streamline the procedures linked to the CVFF in order to overcome the administrative roadblocks. In order to accomplish this, the administrative processes and regulatory steps that are necessary for the distribution and management of funds need to be unified and made as efficient as possible. Also, when potential investors believe that their funds are being handled well and that their investments will generate returns on schedule, they are more likely to put their money into those investments.

2. Robust Oversight and Accountability

A high emphasis on oversight and accountability is required in order to reduce the potential for improper distribution of funds. If an independent

body or regulatory agency is established with the responsibility of monitoring CVFF allocations and usage, the likelihood that funds will be allocated to projects that are congruent with the goals of the fund will increase. These institutions ought to be granted the authority and resources necessary to perform audits, check compliance, and investigate any allegations of misallocation or misuse of funds. In addition, there should be procedures for accountability and auditing that are in place so that any persons or organizations that misallocate or misuse funds can be held accountable. Those who are discovered to be in violation of the rules and regulations governing fund management may face legal repercussions, penalties, or punishments as a result of this.

3. Balanced Fund Approach

It is essential to take a more diversified approach to funding in order to avoid being overly dependent on the CVFF. Indigenous maritime enterprises should be aggressively seeking alternate funding sources, such as private investments, equity finance, and partnerships. By increasing the variety of sources from which they draw funding, they can lessen their dependency on the CVFF and move closer to achieving financial independence.

4. Continuous Capacity Building

Within the Nigerian maritime industry, the recommendation for continued capacity building highlights how important it is to have ongoing training and development initiatives. This effort seeks to improve the skills and knowledge of maritime professionals such as seafarers, engineers, and individuals who work in maritime management. Possible components of this initiative include training programmes, workshops, and courses that cover a variety of nautical specializations. This will ensure that professionals remain current with industry developments, which will enable them to efficiently adapt to new problems and opportunities, and will also ensure that they are aware of the best way to use the money when it is given to them.

Anchoring Hope: Conclusion


When contemplating the prospective development of Nigeria's marine industry, she finds herself on the border of a significant and revolutionary shift. By prioritizing openness, accountability, and collaboration among all relevant parties, Nigeria can envision a future in which the Cabotage Vessel Financing Fund plays a pivotal role in fostering the growth and prosperity of the domestic maritime sector. The forthcoming period holds the potential for steady economic expansion, amplified employment prospects, and a robust maritime industry that not only satisfies domestic shipping demands but also makes substantial contributions to the international maritime sphere. As Nigeria persists in addressing the obstacles and capitalizing on the advantages within its maritime domain, the nation can anticipate a forthcoming era in which its maritime capacity is comprehensively actualized, thereby enhancing economic prosperity and solidifying its status as a dominant maritime force within Africa and other regions.

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