

Case Study-Babs Omotowa CEO of Nigeria LNG and President of CIPS 2015



In this case study Babs discusses the benefits Nigeria LNG were able to negotiate for Nigeria's economy as part of a supplier agreement and highlights the additional value procurement delivered with early engagement.



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Nigeria LNG – Early Procurement Involvement

Babs Omotowa outlines an example from Nigeria LNG of which he is particularly proud, which demonstrates the benefits of involving the procurement team from day one.

“We recently signed a \$1.4 billion contract with Samsung and Hyundai in South Korea to build six new LNG ships. This followed a transparent and fiercely competitive tender, which ensured we got value for money. Having so ensured shareholder value, normally that is where the story would have ended.

However, not for us, as we had involved the procurement team right from conceptualisation. This enabled us to look at stakeholder issues and to integrate into the purchase some solutions to address a number of socio-economic challenges in Nigeria. These included skills acquisition, employment, capacity development, etc.

We included in the contract terms that 600 Nigerians will be trained in shipbuilding – 200 in South Korea over the two year period of the ship construction, and 400 in established institutions in Nigeria. For those Nigerians now in South Korea, the experience and skills they will gain will enable us to transfer shipbuilding knowledge that was hitherto not available in Nigeria.

But then we did not stop at that.

We looked at materials to be used for the construction of the ships and identified those that could be made in Nigeria, including cables, paints, furniture, anodes, etc. We then included in the contract that these must be bought in Nigeria by the Korean Companies, once they met the required standards. We then worked with the local manufacturers to improve their capacity and also got international agencies to verify that their products met the global standards. Today for the first time in Nigeria, local companies such as Kabelmetal – a beneficiary – have exported over \$1 million of cables to South Korea, and other categories are following.

But that was not all.

We also got the Korean companies to send shipping simulators worth over \$5 million to Nigeria. This will enable us to train many more Nigerians in ship operation and navigation locally rather than only the few that could afford to go overseas. These simulators will not only help save funds, but also improve significantly the regulator’s capacity and create higher capacity locally.

We didn’t stop there.

We also included in the contract that a dry-dock facility must be built in Nigeria at the back of the contract. We got Samsung and Hyundai not only to commit \$30 million to the project, but also to provide the technical partnership to local investors for the project. A feasibility study has been completed, and once this dry dock is built it will create thousands of jobs locally. Also, ships that historically used to spend foreign currency in locations all over the world for dry docking can now do so locally.

I think you will agree that this project really did stretch the boundaries of what a procurement exercise is normally expected to achieve. Although this was a large-scale project, the principles it embodies can apply in almost any procurement scenario. We could have settled for getting great value for the company and its shareholders, but we wanted much more for our workers and for our country. I intend to use it as a template within my own company for many years to come.”

For more information on Babs as CIPS president 2015 please visit - [Procurement and Supply Comes of Age - Raise your Game, Raise your Voice](#)

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