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Public Disclosure Authorized

Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 10-Sep-2019 | Report No: PIDC27489

BASIC INFORMATION

A. Basic Project Data

Country	Project ID	Parent Project ID (if any)	Project Name
Western Africa	P171122		Dakar-Bamako Intermodal Corridor Project (P171122)
Region	**Estimated Appraisal Date**	**Estimated Board Date**	**Practice Area (Lead)**
AFRICA	Oct 05, 2020	May 25, 2021	Transport
Financing Instrument	**Borrower(s)**	**Implementing Agency**	
Investment Project Financing	Republic of Senegal,Republic of Mali	Agence Nationale du Chemin de Fer (ANCF), National Coordination Unit	

Proposed Development Objective(s)

To reduce the transport and trade time and cost of carrying goods along the Dakar-Bamako inter-modal corridor while increasing the freight transport by rail.

PROJECT FINANCING DATA (US$, Millions)

SUMMARY

Total Project Cost	830.00
Total Financing	830.00
of which IBRD/IDA	600.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Development Association (IDA)	600.00
IDA Credit	600.00

Non-World Bank Group Financing

Commercial Financing	230.00
Unguaranteed Commercial Financing	230.00

Environmental and Social Risk Classification	Concept Review Decision
High	Track II-The review did authorize the preparation to continue

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Other Decision (as needed)

B. Introduction and Context

Country Context

1. **Regional integration has remained a political and economic priority for Africa** since the dawn of independence in the continent[1]. West Africa region remains fragmented, mostly due to the lack of transport infrastructure and inefficient transport services. The situation tends to be worse for landlocked countries, where transport prices account for 15 to 20 percent of import costs – three to four times more than in developed countries. Reducing transport costs could lead to a 25 percent increase in trade, which would benefit both the gateway regions (direct benefit from more efficient trade and from servicing landlocked neighbors) and hinterland ones (from the reduction of substantial trade costs). Intra-continental trade is a goal aiming at increasing development and assisting regional security. Improvements in regional transport infrastructure for better connectivity between transit/gateway and landlocked is therefore critical although it has remained limited in the region. In addition, the impact of such improvements on greater regional trade has been low due to a variety of nontariff barriers and other market failures existing on those corridors. This points to the need for paying greater attention to 'soft' policy reform issues alongside filling gaps in 'hard' infrastructure.

2. **Mali, a large (1,241,238 square km) landlocked country, is a fragile state faced with security challenges and social tensions underlined by high poverty, but its economic growth is projected to remain robust in the near term**. Growth declined to 4.7 percent (1.7 percent in per capita terms) in 2018, from 5.3 percent in 2017, but with the economy reverting to its potential rate of growth in the medium term. Slower growth is partly due to the spread of insecurity in the center and southern regions. Uncertainty in the run-up to the presidential elections also played a role. Nevertheless, growth remained robust thanks to satisfactory gold output and agriculture harvests. On the demand side, investment as a share of GDP fell by 1.7 percentage points because of fiscal consolidation efforts in response to lower-than-expected revenue collection. Growth is projected at around 5 percent over the medium term, in line with the potential growth rate. Mali's economy is largely dependent on agriculture which accounts for over 30 percent of GDP. Furthermore, cotton and gold account for over 62 percent of exports, making the country vulnerable to adverse weather conditions and commodity price fluctuations.[2] Mali exported US$2.3 billion and imported US$4.6 billion in 2017. Mali's imports growth has been on average 8.5 percent per year over 2013-2017. Oil imports represent 18 percent of these trade flows having increased from

[1] The World Bank Group: Supporting Africa's Transformation: Regional Integration and Cooperation Assistance Strategy for the period FY18–FY23, May 7, 2018 (Report No. 121912-AFR)
[2] IMF Article IV 2018.

650,000 tons in 2007 to 1.5 million tons in 2017.[3] Imports of machinery, vehicles and pharmaceuticals are other important imported product categories. In May 2019, the authorities adopted the second phase of the strategic framework for economic recovery and sustainable development (CREDD 2019-2023) which aims at finding a relevant and proactive response to the five major development issues: (i) bridging the governance gap, (ii) ensuring peace and security, (iii) creating the conditions for an economic structural transformation as well as strong and inclusive growth, (iv) better protect the environment and strengthen resilience to climate change, and (v) enhance human capital in order to capture the demographic dividend. For the baseline scenario (4.9 percent of growth), the overall cost would amount to US$ 24 billion or an annual average of US$ 4.8 billion. The development of external and internal trade is one specific objective under pillar # 3 which aims at developing the growth sectors of the country.

3. **Senegal, a mid-sized (196,722 square km) country, has enjoyed political stability and freedom benefits from a strategic coastal location which makes it a natural gateway for some of the landlocked countries in West Africa, such as Mali**. The country has embarked on a series of reforms anchored in its "*Plan Senegal Emergent*" (PSE) which aims at transforming the country into an emerging economy by 2035. The first pillar (*Axe I*) of the PSE aims at realizing the economic transformation of the country by becoming a logistics and industrial hub and promoting the Dakar-Bamako railway rehabilitation, Dakar port modernization and logistics platforms and hubs construction to leverage flows of goods.[4] Driven by progressively resurgent exports and strong investment, the Senegalese economy has been expanding at above 6 percent annually since 2014. External conditions also became more supportive, as global oil, commodities and food prices declined, which is estimated to have reduced poverty. Agriculture appears to have been one of the main drivers of this reduction, as it has registered slow but positive expansion since 2015.[5] Against this backdrop, the current account deficit increased from 7.3 percent of GDP in 2017 to 8.8 percent in 2018, driven by strong domestic investment and related demand for energy and capital goods imports. Exports also increased but less rapidly than imports, despite strong performance of gold, groundnut, fish and chemical products. The growth of the Senegalese economy is accompanied by rapidly growing imports, particularly oil and capital intermediary products.[6] In 2018, Senegal exported US$3.8 billion and imported US$7.1 billion. The 2018 deficit was mostly a result of public borrowing, particularly the issuance of a US$2.2 billion Eurobond. More recently, however, fiscal pressures have been rising, mostly because of fixed energy prices in a context of rising international oil prices.

4. **Mali and Senegal have a long-standing history of cooperation on trade and transport.** Senegal is a point of entry for exchanges with Mali, especially through the Port of Dakar (PAD). The two countries are connected by road and railway linking Bamako to the Port of Dakar and serving many towns, agricultural and mineral potential areas. Traffic at the port stood at 19.2 million tons in 2017, up 5 percent relative to the year before, of which about 2.6 million tons (14 percent) was transit traffic to Mali.[7] In light of the economic outlook of both countries, trade is therefore expected to grow very robustly and thus the demand for freight transport services and infrastructure. The future developments of bilateral trade and transport links has been on the agenda of the two countries: in 2016, an agreement to modernize the railway connecting the two capitals which could transform the freight market in the region (see below under Sectoral Context); the bilateral protocol on road transport between the two countries is currently under joint revision; the two countries are among the four countries piloting the new ECOWAS PACIR program to unify transit declarations. Cooperation also exists in the field of customs since the administrative assistance agreement between the Governments of Mali and Senegal, signed in September 14, 1967. This framework aims at strengthening the bilateral customs cooperation to facilitate cross-

[3] IMF Article IV 2018.
[4] République du Sénégal, 2014. "Plan Sénégal Emergent".
[5] Senegal Systematic Country Diagnostic 2018, The World Bank Group.
[6] Ibid.
[7] Port Autonome de Dakar – Rapport Statistique 2018. The figure represents international transit to Mali through the port of Dakar. The total transit plus bilateral trade Senegal-Mali stands at 4.6 m tons.

border trade, to secure the supply chain and to ensure the collection of customs revenues. The two countries with the support of donors have initiated a bilateral committee to monitor the performance of trade facilitation on the corridor, an initiative that could prefigurate future joint institutions governing the trade and transport relations between the two neighbors. Mali is also an important stakeholder in the developments of Dakar port, as the "*Entrepôts Maliens au Sénégal*" (EMASE) sits on the board of the PAD.[8]

Sectoral and Institutional Context

5. Despite the relatively long leads (500 km +), most of the railway systems in the West Africa have been caught in a negative spiral of declining revenues, inadequate working capital, and deferred maintenance, both on track and rolling stock - despite rail transport being cheaper, faster, more reliable and less polluting. This has led to a steady loss in capacity and declining service reliability, not only on railways, but across different modal interfaces (railways, ports and inland container depots). The net result of this is that in West Africa, the rail sub-sector in general, and more specifically on the Dakar - Bamako railway system, has lost significant or all market share and now operates well below its original design capacity. The decreasing levels of traffic and revenues have left railway systems in West Africa struggling to generate enough revenue to fully cover operating, maintenance and capital expenditure costs.

6. The railway network in Senegal covers about 1,057 km, of which 152 km are feeder lines. It is divided into three lines: (a) 645 km section of the Dakar – Bamako railway system concessioned to TRANSRAIL until 2015; (b) suburban blue train line managed by PTB SA; and (c) mining feeder line which links to the Dakar – Bamako railway system and managed by SEFICIS Senegal. Senegal has also built a new Regional Express Train (TER) between Dakar and Diamniadio (38km), which will be extended to the new airport (57km).

7. The railway network in Mali consists of the 582 km section of the Dakar - Bamako railway system (the Malian part of the concession to TRANSRAIL). The railway line used to extend from Bamako to Koulikoro (about 59 km) where a large inland water port is situated. This allowed until the 1960's for seamless and cost-effective intermodal freight and passenger transport between Dakar (Senegal)- Koulikoro - Mopti - Gao - Niamey (Niger). However, both freight and passenger railway traffic – including the section between Bamako and Koulikoro has stopped completely in 2018.

8. Prior to the Cote d'Ivoire period of crisis in the 2000s, the Dakar- Bamako Corridor was a minor route for the maritime trade of Mali, accounting for around 30% of the total, and the Abidjan-Bamako Corridor for all the rest. The closure of the Abidjan routes to the hinterland in September 2002 provided the opportunity to the other West Africa ports to capture the transit to the landlocked countries from the Port of Abidjan and the PAD positioned itself as the natural gateway for Mali, capturing two thirds of the maritime transit of Mali.

9. The dominant mode of transport on the corridor switched from rail to road. Before the Cote d'Ivoire crisis, goods moved exclusively by rail, largely due to its pricing advantage and because the road network was little developed. The surge in volumes could not be accommodated by the rail, despite the hopes placed in the concession of the Dakar-Bamako railway with the Transrail concession in 2003 (see paragraph 16), putting pressure on the road sector to handle the overflow. 2005 was the first full year of operation under the Transrail concession which was cancelled in December 2015. Rail traffic completely stopped in 2018.

10. The trucking industry in Mali was, and still is, largely artisanal, and ill equipped to respond to the increase in demand. With the lack of performance of the rail, which eventually led to the cancellation of the concession, and a trucking industry that remains disorganized, large shippers have taken steps to secure their own needs, but medium and

[8] http://www.portdakar.sn/fr/nous-decouvrir/presentation/organisation/administration

smaller economic operators face challenges for their transport and logistics needs. In the longer term, this situation is detrimental to the economic development of Mali, and to some extent to Senegal too, as it prevents smaller size operators to compete on equal terms with large operators, opening the risk of rent seeking behavior. It also prevents the diversification of the economy because emerging operators do not find the transport and logistics services that are necessary for their growth.

11. Although Mali is the most impacted by this situation, Senegal is also facing negative externalities from the exclusive reliance on road transport. Furthermore, its transport and logistics industry has limited access to international transport as large Malian traders rely on their internal resources for their own logistics needs. Truck traffic in Dakar has reached unsustainable levels, aggravated by the location of the port, fully enclosed by the city. About 1,300 trucks per day enter the PAD container terminal, creating congestion and constraining port operations. The reverse in modal shift from rail to road on long distances has had a negative impact on cities and transit roads, with often dilapidated and overloaded trucks becoming the source of congestion, excess pollution, traffic accidents and significant road maintenance costs.

12. The road corridor efficiency is low, with transport costs estimated at 30 percent of merchandise value in 2016. The average time for goods to reach Bamako from Dakar in 2015 was 23.7 days, with a minimum of 10.8 days and a maximum of 37 days. The main contributor to the length of time and variation is the time the merchandise spends at the port of Dakar, which is 13 days on average with a wide range going from a minimum of 4.5 days to a maximum of 18 days. Senegal ranked 141st on the 2018 Logistics Performance Index (LPI) with a score of 2.25, down from 2016 when it was ranked 132nd with then better customs and logistics competence indicators (two areas targeted under this project). On the other hand, Mali progressed slightly with a score of 2.59 and ranked 96th up from 109th in 2016. In 2018, Senegal ranked 135th on the Doing Business Trading Across Borders indicator while Mali ranked 85th out of 190 countries.

The Dakar-Bamako Trade Corridors

13. The Dakar-Bamako corridor is key for both Senegal and landlocked Mali. As stated earlier, most of Malian imports and exports transit through the PAD, followed by Abidjan port. The share in tonnage of Malian imports transiting through the Dakar-Bamako corridor stands at 60 percent (see Figure 2). In addition to maritime transit, bilateral trade between the two countries represents a high proportion of the corridor traffic, as notably petroleum products and cement are locally purchased by Malian operators. In the light of the economic outlook of both countries trade is therefore expected to grow very robustly and thus the demand for freight transport services and infrastructure.

The Challenges on the Dakar-Bamako Corridor

14. The Dakar-Bamako Corridor comprises three different multimodal routes: (i) the 1,288 railway connection (of which 1,057 km in Senegal, and 582 km in Mali) on which the traffic has ceased since March 2018; (ii) a parallel Northern road corridor which is currently the main route being used for freight between Senegal and Mali, linking the cities of Dakar– Kaolak– Tambacounda (Senegal) – Kidira/Diboli (border) – Kayes (Mali) – Bamako over a length of 1,470 km; and (iii) the Southern road corridor, connecting Tambacounda – Kédougou – Saraya (Senegal) – Moussala (border) – Kita (Mali) – Kati – Bamako. Although the Southern corridor is shorter by about 200 km, it is currently more difficult to access by heavily charged trucks (it is used by some trucks on the return empty trip). Development partners (AfDB, JICA) finance the rehabilitation of several sections of the route on the Senegalese side. In Mali the road connecting the

Southern corridor is not yet paved.

15. The current organization of the transport and logistics industry in the two countries is hampering economic growth:

- The road transport industry in both countries is divided into two contrasted segments, with small commercial trucking operators facing numerous challenges on one hand, and large fleet operated by own account industries and traders on the other. The smaller operators with ageing truck fleets tend to compensate for the low level of utilization of their trucks by overloading, in order to maximize revenue per trip, which in turn affects the quality of the road infrastructure. Own account operators, on the other hand, often operate recent trucks, having better utilization and therefore lower fixed costs per trip. The legal framework for transport professions in both countries is currently lacking, notably regarding the regulation of drivers and freight companies. The weak regulatory environment leads to low professional standards and thus poor quality and inefficiency of freight services;
- Not only the road freight market is fragmented between own account and commercial transport, it is also fragmented between Mali and Senegal. A bilateral agreement protocol organizes transit freight according to national quotas, leading to market inefficiencies. It formalizes the application of quotas for freight allocation at the port of Dakar in the form of 2/3 for Malian operators and 1/3 for Senegalese operators. The bilateral agreement of 1993 could also benefit from an update to include measures to facilitate trade and transit between the two countries. The agreement reserves 'strategic products' to Malian operators: petroleum products notably, and cotton exports. In practice, Senegalese trucks delivering goods in Mali are obliged to return empty, making the corridor route less attractive to them;
- Although own account trucking operators benefit from a secure access to freight, they still face a challenging operating environment on the corridor, with congestion in Dakar and the port as well as in Bamako. The Port of Dakar is currently suffering from traffic and congestion issues, both inside and outside the port perimeters, with 1,500 trucks blocking circulation daily. This is caused by inefficiencies in handling crane replacements and empty containers within the port; poor quality of the road infrastructure within the port due to overreliance on trucks and underutilization of rail (also in a dilapidated state inside the port) as well as an inefficient use of space; trucks parking inside the port; and the location of the port in the center of Dakar with poor linkages to the highway. Lack of a Port Community System that can serve as an effective real-time information integrated system for all port users to improve efficiency at all stages of the process of manifesting, through vessel discharge and loading, Customs clearance, port health formalities and delivery in and out of the terminal;
- Both Mali and Senegal are exploring ways to address the conflicting demands on the urban road networks of Dakar and Bamako by individuals and freight, through the development of new terminals and logistics zones that will impact the organization of the logistics chains. In Dakar, new port platforms in Ndayane (DPWorld project for a new port with the relocation of the container terminal first, and then the RoRo terminal); and Bagry-Sendou (private mineral terminal) are under construction or planned. The PAD rail connection to Pier 3 was planned under Phase 2 of the TER project (ongoing). In Bamako, the current truck terminal for the Dakar Bamako corridor is in Kati, but alternative scenarios are under consideration: (i) near Noussoumbougou (linked to a project in association with DP World); (ii) upstream of Kati (close to the rail, but the availability of space and topography are to be analyzed); (iii) at Korofina (the historic logistics platform for rail; Korofina involves the descent of trains from Kati to Bamako with a maximum gradient of >2%, which requires complex rail maneuvers including addition of a second locomotive or unbundling of trains, and presents complexities for traffic in central Bamako);
- The negative impact of inefficient trade procedures on the corridor is high. Multiple transit regimes (both international and domestic initiated at the Malian entry border) followed by final clearance lead to lengthy border procedures. The digitization and interconnection of customs within and between the two countries is

incomplete. The single window in the port of Dakar is not yet fully operational despite the digitization of procedures and a single window does not yet exist in Mali. In Senegal, the electronic connection between the customs border posts at Moussala and Kidira (with Mali) with the central system in Dakar is missing. In both countries, the use of risk management mechanisms for customs clearance is still limited.

16. Railway could be a relevant alternative but needs to be rehabilitated and managed efficiently:

- The Dakar-Bamako railway line is currently inactive. Originally called the 'Chemin de fer Dakar-Niger', the Dakar – Bamako- Koulikoro railway line connecting Dakar and Bamako through Thies, Tambacounda, Kidira, Kayes and Kita on a length of 1,288 km was built in various stages between 1885 to the 1920s. It is a metric gauge (1,000 mm) railway with low gradients and axle loads in the 15-17 tons range. It could be a relevant alternative to road transport given the characteristics of the corridor and could help mitigating the impact of the port traffic on the city congestion and road safety. However, in recent years, mismanagement of the corridor and deferred maintenance, has led to a highly degraded infrastructure The average commercial speed had dropped to less than 18 km/h in the last years of its operation; it took about 3 days for a train leaving Dakar to reach Bamako, which is still about four times quicker than the average time spent by trucks on the road (21 days). At its peak, the Dakar – Bamako railway system carried about 1.5 million tons of freight (more than 90% of the total freight of the corridor) and many passengers, contributing to an acceleration of infrastructure degradation and encroachments;
- The concession of Dakar – Bamako railway system failed. As part of the wave of concessions/leaseholds in Sub-Saharan Africa (SSA), the Dakar-Bamako railway line was concessioned to TRANSRAIL in September 2003 for a period of 25 years. In 2007, the majority shareholder of TRANSRAIL became ADVENS, with the Governments of Mali and Senegal holding minority stakes in it. However, in a context of failed concession, both countries finally terminated the concession on December 5, 2015 and have been supporting all staff salaries and expenses since then, which has a heavy fiscal impact. Following the termination of the concession contract, the two Governments created by joint ministerial decree an ad-hoc railway structure called Dakar Bamako Ferroviaire (DBF), which is responsible for managing the transition phase;
- Why did the concession fail? The key reason for the poor performance of the TRANSRAIL concession was its integrated structure ("full concession" design) that made the private sector concessionaire responsible for both infrastructure management (maintenance and development) and train operations, without the ability to raise adequate revenues to cover the costs of both activities. The structural flaws of the concession were compounded by the poor state of both the track and rolling stock due to decades of chronic under-investment, deferred maintenance and mismanagement by both Governments. Furthermore, both Governments invested heavily over the last 15 years in upgrading the two existing road corridors from Dakar to Bamako, further exacerbating competitive pressure on the Dakar – Bamako railway system. Because of a poor and dilapidated infrastructure stock, poor operational performance, and lack of modern railway management practices, TRANSRAIL was unable to provide the necessary level of reliable service to the tradable sectors of the economy to effectively compete with the road sub-sector. Finally, both Governments failed to implement concession restructuring along the lines of a leasing model - including support to much needed personnel headcount right sizing - despite the clear support expressed by development partners, including the World Bank Group, for such a solution.

17. The revitalization of the Dakar – Bamako railway system has now become the centerpiece of a broader intermodal strategic priority along the corridor, for both Governments. The Governments of Mali and Senegal have recognized the importance of having a competitive railway system in terms of socio-economic development, transport mode balance, and regional integration after several decades of neglect of the railway sub-sector. An intermodal approach is necessary because the organization of freight flows on the corridor cannot be conceived without a broader

reflection on the different transport service offers (rail and road). Transport modes are interdependent: natural competitors for some of the freight, the coexistence of rail and road transport offers a strong incentive for each mode to achieve efficiency gains and modernize freight transport services; and complementary on the other hand because road transport connects to rail for the transport of goods from or to the track. The intermodal dimension is also essential for the connections of rail and/or roads to logistics and maritime platforms. Finally, it contributes to the attractiveness of the railway to a future private operator.

18. Historically the rail has always been an important mode for the corridor, and initial sounding of the potential demand for rail freight, suggest that there will be a substantial market in the future for rail freight. Important freight users in Mali have expressed their interest in the resumption of the rail, including through direct participation.

19. However, road freight transport remains critical for the economic development of Mali and improving its efficiency is equally important. Large areas in both Mali and Senegal are not served by the railway, and in the case of Mali, a large part of its territory is closer to other maritime gateways. Only a part of the Mali cotton production can be exported competitively through the port of Dakar, the petroleum products consumption is spread throughout the territory, and the mining industry is one of the major road users. Even for the areas more directly served by the railway, road transport remains necessary for industries not connected directly to the network. Improving only railway operations without addressing the challenges of the road freight industry would therefore have limited benefits.

2. Institutional context

20. In Mali, the 'Ministere des Infrastructures et de l'Equipement' (Ministry of Infrastructure and Equipment – MIE) is responsible for road and rail infrastructure network and related public works including construction, rehabilitation and maintenance; whereas the 'Ministere des Transports et de la Mobilité Urbaine' (Ministry of Transport and Urban Mobility) is responsible for transport sector policies, including urban transport. in Mali through the National Directorate of Roads (DNR in French) and the National Directorate of Land, Maritime and River Transport (DNTTMF in French).

21. In Senegal, the 'Ministère des Infrastructures, des Transports et du Désenclavement' (Ministry of Transport and Infrastructure – MTI) is responsible for the transport sector. The Government of Senegal (GoS) has also created a state agency (APIX in French) to manage major projects like the Dakar – Diamniadio toll road and the TER. Furthermore, it has recently created the 'Agence Nationale du Chemin de Fer' (ANCF - National Railways Agency) to revitalize and develop the railway sub-sector.

22. Dakar Bamako Ferroviaire (DBF) has been established as the temporary transitory railway operator since the termination of the concession and until the selection of a new private operator. Created from an interministerial decree, DBF legal status remains unclear. Besides DBF employs about 900 staff with no traffic and revenues, and faces potential pending liabilities arising from unilateral termination of the former concession.

Relationship to CPF

24. The proposed project is aligned with the second focus area of the FY16-FY19 Country Partnership Framework (CPF) for Mali: Create economic opportunities. This area includes improving productive capacity and market integration of farmers and pastoralists, diversifying agriculture value, and improving infrastructure and connectivity for all Malians. By improving the corridor efficiency, the project aims to reduce the cost of imported merchandise into Mali, of which fertilizer constitutes a big share and which represents an important input into agricultural production, thereby affecting the sector's competitiveness.

25. The FY13-FY17 Country Partnership Strategy (CPS) for Senegal presents regional integration as a key part of the CPS, particularly pillar 1 on Accelerating Growth and Generating Employment. The importance of regional integration stems from the fact that 20 percent of Senegal's exports are intra-regional to Mali (15.8 percent) and Guinea (4.8 percent). The proposed project directly contributes to deepening Senegal's regional integration. It also contributes to improving Senegal's business environment, a focus of the CPS as well as of the recently-finalized Systematic Country Diagnostic which will form the basis for the upcoming (2019) CPF for Senegal.

26. The Bank supports ECOWAS and WAEMU Priority Corridors through a holistic, program approach. The focus of Bank's assistance to regional integration in West Africa region is on the main international transit and logistics corridor network connecting the landlocked countries of Mali, Burkina Faso and Niger to the gateway countries of Senegal, Guinea, Ivory Coast, Ghana, Togo, Benin and Nigeria. This support, central to the WBG's mission of poverty reduction and shared prosperity, aims at connecting people to economic and social opportunities and increasing efficiency of mobility solutions in landlocked countries, while stimulating a healthy competition among the transit countries to attract traffic from the hinterland. The revitalization of the Dakar-Bamako railway system is also fully aligned with the transport infrastructure priorities of both ECOWAS and WAEMU. More specifically, WAEMU has developed a transformational 'program of priority actions in the WAEMU area to develop railway transport', which covers the 2013 – 2023 periods and is estimated to about US$14 billion. The Dakar – Bamako railway system is a key railway in WAEMU's program for rail transport.

27. The proposed project responds to Strategic Priority 1: "Generate economic dynamism along regional economic corridors" of the recent Africa Regional Integration and Cooperation Assistance Strategy for the period FY18–FY23. This priority focuses on selected transnational economic corridors where integration could be realized, and where financing for regional physical infrastructure connectivity would be complement by policy reforms to address barriers to value addition and facilitate greater trade. Such approach would include creating an enabling environment for private sector to invest along these corridors, thus responding to the regional integration priorities of the Regional Economic Communities (RECs) and countries and the expectations of the private sector in terms of connecting and growing markets.

C. Proposed Development Objective(s)

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28. The project's proposed development objective is to reduce the transport and trade time and cost of carrying goods along the Dakar-Bamako regional corridor while increasing the freight transport by rail.

Key Results (From PCN)

29. The following results will measure achievement of PDO:

- Trade and transport time will be measured by: (the sum of) Port dwell time (and variation), rail/road inland transport time (and variation), and final clearance time (and variation) on the corridor, both in Senegal for its trade, and in Mali for maritime transit. Costs savings will be derived from shorter transit time and reduced uncertainties.

- Trucking transport costs reduction would be measured by: the increase in the average number of round trips per year (if number of annual round trips increases, fixed costs per trip decreases).
- Reduced transport price on the corridor will be measured by comparing price of the transport of a 40' container by rail and road for the same imported products or container.
- Increased freight transport by train will be measured by volumes of freight transported by train.

D. Concept Description

30. The proposed project aims at restoring the full range of transport and logistics options that will serve the long term development of the Mali and Senegal economies by: (i) relaunching the operations of the railway through a PPP with a reputable international operator recruited on a competitive basis while rehabilitating the physical rail infrastructure, (ii) reforming the road transport services to complement and create competition/alternative to rail transport, and (iii) improving the procedural and operational environment for trade and logistics.

31. The increasing heavy goods vehicle traffic generated by the economies of the two countries is putting a strain on the road network of the two countries, at critical nodes (the port and its surrounding area (the metropolitan area of Dakar), at the border crossing at Diboli, in the Bamako metropolitan area, and on the trunk network. Reviving the historic railway connection between the two countries would rebalance the modal share (as it historically has been) and help address several negative externalities arising from the current state of road transport: metropolitan and road corridor congestion, improvement of the safety and reliability of goods on the corridor (including by removing dangerous cargo from roads), and reducing the damage to the road infrastructure caused by heavy traffic and overloading. Competition from rail transport would reduce transport costs of goods, help contain road transport costs and curb overloading on the main road corridors. Rail transport would capture some of the road traffic volumes but would also force road transport to become more modern and efficient, with positive impact on overall transport security and mitigation of GHG emissions, thus reducing the negative externalities. While the bulk of the investment under the project would go into the rehabilitation of the existing Dakar-Bamako railway and possibly of logistics facilities and railways passenger station(s) (Mali), it is critical to develop and effectively implement policies to modernize road transport.

32. The project will be designed around four main components to be implemented jointly or complementary by the two countries: (1) Improvement of rail infrastructure and logistics platforms along the corridor in Senegal and Mali; (2) Railways institutional reforms; (3) Modernization of Road Transport Services and International Trade and Transit Procedures; and (4) Project and Corridor management. They are to be developed during project preparation.

Component 1: **Improvement of rail infrastructure and logistics platforms along the corridor in Senegal and Mali**

1.1. Rehabilitation of priority sections of the Dakar – Bamako railway infrastructure, including in the Port of Dakar; it includes preparation of a detailed techno-economic feasibility study of the whole Dakar – Bamako railway system, of detailed design and bidding documents; and of safeguards studies;

1.2. Deployment of new railways signaling system, ICT equipment and software;

1.3. Rehabilitation of logistics/truck terminal/railway station (e.g., Tambacounda in Senegal, Korofina in Mali); this sub-component will depend on the conclusions of a proposed Logistics Strategy/Master Plan for the corridor, about to be launched under Bank (TFWA) funding.

Component 2: Railways Institutional Reforms

2.1 Legal, financial and operational TA on concession of railway operation: To be commercially "bankable", the project requires substantial upstream reforms. A new institutional framework needs to be developed to restart and modernize railway operations between Dakar and Bamako. To that end, capacity in both countries needs to be improved

to build the concession based on a leasing model. Under such model, the governments have the obligation to finance rail track rehabilitation works while the private concessionaire would be responsible for the financing and upkeep of the cargo rolling stock while supporting overall operating risks, including track maintenance and track rehabilitation works implementation for both States;

2.2 Facilitating the setting of binational private sector rail operator(s) who would be responsible for the actual train operations, including rolling stock (investment and maintenance): attracting investment from the private sector by having an independent operator to commercially operate and maintain the binational railway network will be the market test that modal rail transport will help meet a demand for increased and improved transport and logistics services on the Dakar-Bamako corridor;

2.3 Setting up an independent regulator, whose role will be to establish and monitor the rules, standards and procedures for the railway industry in both countries, and to act as an impartial referee;

2.4 Capacity building activities including HR capacity;

2.5 Existing rail employees' retrenchment (TBD);

2.6 PPP Transaction implementation and support including potential Partial Risk Guarantee (PRG) to minimize the concessionaire's risk.

Component 3. Modernization of Road Transport Services and International Trade and Transit Procedures

3.1 Assistance to professionalization and formalization of transport and logistics sectors for better integration into a multi-modal concept and increased intermodal competition: it includes setting professional standards for the operators (including to access the profession), as well as support existing operators to adapt to higher standards, and address deficiencies in the road transport and logistics services markets, such as contracting and the meeting of supply and demand. Also, assistance to rebalance the road freight industry between own account and commercial transport is critical in the evolution of the trucking industry towards higher standards. The two aspects -professional standards and restructuring of the road freight market - need therefore to be tackled together;

3.2 Improvement of transit and clearance regimes on the corridor: it includes a reform of the procedures that will replace the succession of international and domestic transit declarations by a single declaration covering the entire rail/road route. The blueprint for this has been developed under the PACIR program and adopted as the regional model by ECOWAS. For the clearance of goods, the component will support automation of trade procedures, availability of trade information, risk management and trusted traders (leading in future to full fledge AEO) programs for Customs authorities of the two countries;

3.3 Coordinated corridor border management.

Component 4. Project and Corridor Management: This component will include costs associated with project management in each country (PMUs operating costs; and the competitive hiring of consultants, as needed, for support in project implementation); and regional corridor performance monitoring (including production of data) and reporting and support of bilateral cooperation mechanisms.

Note to Task Teams: The following sections are system generated and can only be edited online in the Portal. ***Please delete this note when finalizing the document.***

Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

Summary of Screening of Environmental and Social Risks and Impacts

Note to Task Teams: This summary section is downloaded from the PCN data sheet and is editable. It should match the text provided by E&S specialist. If it is revised after the initial download the task team must manually update the summary in this section. ***Please delete this note when finalizing the document.***

33. The environmental and social risks associated with this project are both expected to be high. The scale of works is expected to be very large; rehabilitating over 1,000 km of railway will require substantial logistics, resources, materials, works and the mobilization of large teams of workers. The risks include health and safety risks to workers and communities, nuisance factors, road traffic, resource extraction (rocks, gravel, other materials), cultural heritage. Furthermore, certain "greenfield" sites will be developed, which will likely result in net loss of natural (or semi-natural) areas. Works in ports, on access roads, in other potential associated facilities could also have substantial risks and impacts.

34. The project is expected to result in significant involuntary resettlement of people – many of which may have encroached on the right-of-way of the railway without formal rights to the land that they occupy. Multiple stakeholders with non-aligning interests will need to be engaged and consulted throughout project preparation and implementation and is likely to result in social tension. Labor issues are diverse and complex, including management of contracted workers, labor influx risks, and likely retrenchment of parts of the existing workforce. Experience and capacity of the Borrowers to develop and implement instruments under the Bank's Environmental and Social Framework is low. The security situation in certain parts of Mali is fluid and long term predictions of the security context in the project area is difficult.

Note: To view the Environmental and Social Risks and Impacts, please refer to the Concept Stage ESRS Document**.**
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