



## DAKAR DECLARATION ON THE FINANCING OF RAIL PROJECTS IN AFRICA

### INTRODUCTION:

The “**Dakar International Forum on Financing Rail Projects in Africa**” is a world first, including both the **financing of African infrastructure and rolling stock**.

It introduces a series of events on the same topic, as **the development of railways in Africa** is **crucial** for the population, to promote trade and economic growth, and manage (mitigate and adapt to) climate change.

**Organised by the Chemins de Fer du Sénégal (CFS) and the International Union of Railways (UIC)**, the first “*International Forum on Financing Rail Projects in Africa*” was held on 19 and 20 October 2023 in Diamniadio-Dakar, under the chairmanship of **Macky Sall, President of the Republic of Senegal**.

Amadou Ba, Prime Minister of the Republic of Senegal opened the proceedings in front of more than **500 participants**.

These included the **African Union**, representatives of the **United Nations**, sub-regional organisations, representatives of **African transport, railway and technology ministers, chairs and managing directors** of major **African railway companies**, technical and financial partners, **investors**, and representatives of the **railway industry and railway regulators**.

### BACKGROUND:

The participants identified the following factors for context:

1. The potential for rail development, which will influence the factors driving inclusive economic growth and sustainable development in Africa. With **22% of the world's land mass and 17% of the world's population**, Africa **only has a 7-8% share of the global rail market**. The “African Rail Network” is one of the 15 flagship projects of the African Union's Agenda 2063.

The African Union Commission published a technical document entitled “*Roadmap towards a Continental Rail Market*” in June 2021, as well as organising a continental workshop on the “Integrated African Rail Network” from 30 May to 2 June 2023 in Midrand, South Africa.

**The African Union's objective is to build a rail network to ensure connectivity across all regions of the continent by 2043**, transforming each of the current national rail systems into a connected and interoperable rail network. The UIC Africa Region and the African Union of Railways, in conjunction with the countries, should work together, under the aegis of the African Union Commission, on the institutional and technical framework to be put in place for African



network interoperability, interfaces between the different signalling systems, and governance and standardisation, among other things.

2. At the same time, Senegal is rolling out its **“Emerging Senegal Plan”**, to promote the introduction of high-performance transport systems and develop increasingly public, modern, and sustainable modes of transport that are capable of meeting sustainable mobility requirements, particularly in urban areas, for low-carbon and inclusive economic growth. The Dakar Rapid Transit Bus (BRT) and the Dakar-AIBD Regional Express Train (TER) are the **first two concrete modes of transport which both respond to the sustainable mobility strategy, and also limit greenhouse gas emissions.**

3. **Africa** is in the process of implementing **the African Continental Free Trade Area (AfCFTA)**. Increased economic activity, particularly on an industrial level, offers opportunities for trade within and between African countries. This structural economic transformation requires strategies to optimise transport and logistics capacity in order to meet major challenges in terms of profitability, as well as economic efficiency and environmental transition. Railway development is essential to guarantee the movement of people and goods, and provides the conditions for boosting the productivity and competitiveness of African economies, while also contributing to the fight against climate change.

4. In the “Nairobi Declaration”, adopted at the African Climate Summit on 6 September 2023, African leaders from 54 countries call for:

*“6. We note that multilateral finance reform is necessary but not sufficient to provide the scale of climate financing the world needs to achieve 43 percent emission reduction required to meet the Paris 2030 agreements, without which, keeping global warming to 1.5°C will be in serious jeopardy. Additionally, that the scale of financing required to unlock Africa’s climate positive growth is beyond the borrowing capacity of national balance sheets, or at the risk premium that Africa is currently paying for private capital.”*

*“7. We urge world leaders to rally behind the proposal for a [global] carbon taxation regime including a carbon tax on fossil fuel trade, maritime transport and aviation, that may also be augmented by a global financial transaction tax (FTT) to provide dedicated affordable and accessible finance for climate positive investments at scale and ringfencing of these resources and decision making from geopolitical and national interests.”*

*“8. Propose to establish a new financing architecture that is responsive to Africa’s needs including debt restructuring and relief, including the development of a new Global Climate Finance Charter through UNGA and COP processes by 2025.”*

## DAKAR DECLARATION ON THE FINANCING OF RAIL PROJECTS IN AFRICA



## DECLARATION:

Across two days of intense debate and productive meetings, the participants were able to tackle the very real issues of financing and developing rail projects in Africa.

**Pape Amadou Ndiaye, Minister in charge of Railway Development, closed the Forum. During the two days of deliberations, it was noted that:**

1. The African States and their respective railway sectors have already made considerable effort in developing the railways, with internationally recognised success.
2. The African States and the African Union are working together to roll out an *"Integrated African Rail Network"* as part of Agenda 2063.
3. The African States are working to establish centres of excellence in railway training.
4. Mobilising resources to finance rail and public transport projects remains the key to success.

In this respect, more advantageous subsidy and funding frames of reference for future rail and public transport projects are desirable.

In this respect, the participants would like to highlight the following points:

1. Proactive strategies for developing the **African rail sector**, with the extensive support of the African States, already exist, with: (i) the commissioning of internationally recognised projects, such as the TER in Dakar and the high-speed line in Morocco, among others; (ii) the creation of centres of excellence to train and enhance the skills of railway staff and engineers; (iii) the development of rail projects which can be quickly financed.

In addition, **some African countries** are in the process of adopting the **Luxembourg Protocol** into their national legislation to secure and finance rolling stock. These **ownership efforts** are **encouraged** by the **African Union**. It is therefore strongly suggested that African countries support the Luxembourg Protocol ratification process.

The Agenda 2063 is the African Union's master plan, and the Integrated African Rail Network is **one of its 15 flagship projects**. To this end, the African Union Commission: (i) published its *"Roadmap towards a Continental Rail Market"* in June 2021; (ii) organised a continental workshop on the Integrated African Rail Network in Midrand, South Africa, from 30 May to 2 June 2023; (iii) suggested that common technical specifications and standards be introduced in the rail sector to increase interoperability; (iv) encourages the implementation of technical governance over large geographical areas in Africa.

2. Despite the efforts made, **funding for rail projects in Africa remains crucial**, both to maintain the existing network and to roll out the Integrated African Rail Network project. From this point of view, the Forum provided African States, railway investors and sponsors, and manufacturers with an opportunity for a better mutual understanding in terms of their



respective ambitions and/or constraints, and to move resolutely towards a mutually beneficial relationship for economic growth and sustainable development.

Despite the capital being available at international level to finance rail projects, the discussions called attention to a number of points which highlight persistent difficulties:

- Access to international funding for such projects, as they are often considered as financial risks and non-priority expenditure for Africa.
- The lack of financial return on investment for the construction of rail infrastructure. In fact, private or public rail company investments include the operation of rail services and a part of the maintenance costs, but do not cover the infrastructure. The investment has a socio-economic return, but this is not attractive to private investors unless the infrastructure is financed by public subsidies.

### **3. The Forum encourages continued efforts to promote mutual understanding.**

Exchanging best practices is not enough. Previous achievements must be consolidated. The Forum calls for the definition of an innovative subsidy and financing framework, focused on the operational effectiveness of aid and support from international sponsors and investors. Effectively, the challenge is to develop rail, as it has relatively few negative externalities, while compensating for almost all of them, unlike other economic sectors and modes of transport. In the future, some sectors will not be able to achieve carbon neutrality. They will therefore have to invest in rail projects through carbon offsetting.

This is why the Forum supports the introduction of a **global carbon taxation system**, consisting of a carbon tax applied to fossil fuel trading, and to road, sea, and air modes of transport, complemented by a global Financial Transaction Tax (FTT) to provide dedicated, affordable services and accessible funding to boost rail investment and promote public transport with interconnected cycling and pedestrian infrastructure.

- 4. As part of this global system, new rules for financing rail projects should enable industrial or service sectors, that are unable to achieve the required carbon neutrality, to subsidise or finance rail infrastructure and public transport projects through carbon offsetting.**
- 5. At the end of the Dakar forum, the participants recommended that a committee be created to follow up the recommendations and periodically review progress between now and the next forum. The participants also recommended that railway standards tailored to Africa be drawn up with the help of UIC.**

At the end of this first Forum, the participants asked UIC to organise regular meetings in order to prepare the “**Second International Forum on the Financing of Railway Projects in Africa**”, which will take place in **2025**.

Signed in Dakar on 20 October 2023