

## PROJECT INFORMATION DOCUMENT (PID)

### CONCEPT STAGE

Report No.: 65080

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<b>Project Name</b>	Mauritania Port of Nouakchott Development Project
<b>Region</b>	AFRICA
<b>Country</b>	Mauritania
<b>Sector</b>	Ports, waterways and shipping (100%)
<b>Lending Instrument</b>	Specific Investment Loan
<b>Project ID</b>	P108554
<i>{If Add. Fin.} Parent Project ID</i>	N/A
<b>Borrower(s)</b>	Islamic Republic of Mauritania
<b>Implementing Agency</b>	Ministry of Transport /Nouakchott Port Authority
<b>Environmental Screening Category</b>	[ X ]A [ ]B [ ]C [ ]FI [ ]TBD (to be determined)
<b>Date PID Prepared</b>	October 13, 2011
<b>Estimated Date of Appraisal Completion</b>	March 15, 2012
<b>Estimated Date of Board Approval</b>	September 17, 2012
<b>Concept Review Decision</b>	Following the review of the concept, the decision was taken to proceed with the preparation of the operation.

### I. Introduction and Context

#### **General background:**

1. The Islamic Republic of Mauritania has undergone a period of political instability with the overthrow of elected governments in 2005 and 2008. The presidential elections of July 18, 2009 facilitated the World Bank's re-engagement with the government. These recent developments underline challenges, as well as opportunities for the country's future. Following the discovery of oil, Mauritania became an oil producing country in early 2006. Although the oil actual reserves were not as large as originally expected, the production of about 100 thousand of high quality crude barrels a day together with a more stable political situation, imply that Mauritania's medium growth perspectives have improved considerably. However, Mauritania is still hampered by a lack of basic infrastructure. This lack of basic infrastructure is especially notable when it comes to maritime transport. Although the country has two ports, namely the Port of Nouakchott mainly aimed at commercial traffic and the Port of Nouadhibou, more specialized in fishing and mining exports, they do face real issues with regards to their capacity and productivity. The port of Nouakchott, also known as *Port Autonome de Nouakchott dit Port de l'Amitié (PANPA)*, was built in the 1980s with Chinese funding, and the current operational structure was set up by a governmental decree in 1987.

#### **Bank projects in the sector:**

2. Two Bank projects in Mauritania are directly supporting the proposed project: (i) the Urban Development Program under which financed a multi-modal study of the sector in 2006

and a Nouakchott flooding risks analysis in 2004; and (ii) the Transport Sector Institutional Development and Technical Assistance Project (TSIDTAP), more specifically aimed at designing necessary reforms for highly ineffective institutions, which became effective December 29, 2009. These two projects paved the way for the definition of a project concept for *PANPA*, based on the issues discussed above. Moreover, the Bank is also financing, under the Africa Catalytic Growth Fund (ACGF), an important section of Nouakchott-Rosso (between Bombri and Rosso) to complement the European Union (EU) financing.

**Sector issues:**

3. The transport sector in Mauritania has been plagued by numerous institutional issues and deteriorating infrastructure, all of which combined, are impeding competitive and efficient transport services. There is a general consensus that poor quality, unreliable and costly transport have constrained economic growth, hampered delivery of social services, and slowed national integration efforts. The formulation of a holistic and coherent transport sector strategy has just started, based on already existing sub-sector strategies (land transport, maritime, and civil aviation); is yet to be approved. The Bank-financed National Transport Sector (Multimodal) Strategy Study and the European Union (EU) funded Road Management and Investment Program Study have identified numerous structural problems: institutional (lack of capacity, weak institutions and inadequate institutional arrangements) and physical (deteriorating infrastructures due to insufficient maintenance). Maritime transport and Port management functions are divided up among two ministries (Ministry of Equipment and transport, and Ministry of Maritime Economy and Fishery), resulting in a lack of coordination for the sub-sector planning and management.

**(i) Traffic growth**

4. In 1983, traffic in Nouakchott was equal to 304,000 tons, and the design was supposed to accommodate up to 900,000 tons. However, the projected traffic growth was largely underestimated, since *PANPA* reached traffic of 2.77 million tons in 2010 (including traffic linked to oil, which was not taken into account before). Over the last years, traffic at *PANPA* followed an average growth of eight percent a year. A study carried out in 2007 by the Chinese company SC TPC, funded by China concluded that, under a high growth scenario, *PANPA* may have to handle four million tons in 2015 (including 700,000 tons of cereals, 1 million tons of food, 1.4 million tons of construction materials, 300,000 tons of vehicles and spare parts and 600,000 of various freight) and eight million tons in 2025. It is worth mentioning that this study projected for a total Port traffic of 2.6 million tons in 2010, while the total Port traffic in 2010 was actually 2.77 million tons. As a result of the initial port design (three berths on a single pier), ships usually have to wait for a long time before unloading. This waiting time has been estimated to be more than half the time spent on operations, which is extremely high compared to other ports in the area and leads to demurrage fees imposed by shipping lines. The extension of *PANPA*'s capacity is therefore already overdue.

**(ii) PANPA's infrastructure constraints preclude adequate handling of its growing traffic.**

5. Container traffic growth over the last fifteen years has been particularly strong which has meant that the share of overall traffic moving by container has gone from 21 percent in 1995 to 38 percent in 2010. Furthermore, the number of TEUs handled by *PANPA* has increased from 30,000 in 2001 to 83,745 in 2010. *PANPA*'s infrastructure was not designed to efficiently handle

containers. Its two containers docks are located on a pier, over 1.5 km from the container storage area, leading to highly inefficient container handling. Modern container terminal design impose an integrated concept were storage areas are located just behind unloading areas. Furthermore, this arrangement does not allow for segregated management of the various kinds of traffic handled by PANPA (bulk including cereals for example) and there is no petroleum products terminal, which results in the city of Nouakchott being supplied through cabotage traffic from Nouhadibou at an estimated extra annual transport cost of US\$8 million. Since the opening of PANPA, no port infrastructure development plan has been carried out. Finally, current port draft is only 9 meters which not adequate for modern ships, be it post-Panama container ships, oil tankers or bulk carriers which usually require a draft of 12 meters.

**(iii) Operational inefficiencies and high costs of PANPA.**

6. Port charges are higher than anywhere else in the area (more than twice that of Dakar, both in terms of cost per ship, as well as, cost per container delivered in Nouakchott). This combination of high costs and congestion contribute to PANPA's lack of competitiveness and eventually, it has been estimated that Dakar captures annually 25 percent of PANPA traffic. Part of this high cost is directly linked to PANPA's lack of appropriate infrastructure and equipment to deal with containers, as it has been estimated that handling from the ships to the container parking area accounts for 42 to 49 percent of total container port handling cost.

**(iv) Environmental issues.**

7. A study of flooding risks around Nouakchott was undertaken by the GOM in February 2004, and was updated in July 2007 under the Urban Development Project (P069095). It revealed that the building of PANPA has created serious environmental issues due to its impact on the coastal currents, sedimentation and coastal erosion. This has cause: (i) the siltation of the north side of PANPA; (ii) 500 meter erosion of the coastline over a distance of 8 kilometers south of PANPA; and (iii) erosion of the coastal sand dunes protecting parts of Nouakchott. As most of Nouakchott is below sea level, major atlantic storms and tides could flood the city. This risk is increased by the likely impact on sea level of global warming which could make Nouakchott even more prone to flooding. Moreover, if nothing is done, coastal erosion will continue moving further south towards Senegal. To reduce coastal erosion, a coastal dike and groynes were built south of PANPA. However, it was assessed that these solutions would not address or resolve the long term coastal erosion problem.

**Long term infrastructure development plans for PANPA:**

8. China has always been the main partner of GOM for the development of the Port of Nouakchott. When it became obvious that the capacities of PANPA were not sufficient, China launched a study, which also confirmed the needs of PANPA in terms of capacity extension, as well as the need of a container terminal. This resulted in offering four possible scenarios for its expansion. Two of them were abandoned since they were obviously not offering long-term solutions, so only two scenarios remained: Scenario 1 (container terminal on new quays along the shore) and Scenario 4 (container terminal on new quays perpendicular to the south shore of the current pier). China has offered to help the Mauritanian Government to implement one of these scenarios, leaving the other one as a possibility of further extension in the future.

**Relationship to the Country Assistance Strategy (CAS):**

9. The proposed project supports Pillar 1 of the Mauritania CAS for FY08-FY11 (Report No. 39532 MR) whose intent is to develop the transport sector and its economic management, which requires improving the quality of basic economic infrastructure. The operation itself was mentioned in the CAS but not explicitly in its results matrix, as the possibility of IBRD resources was not yet secured at that time. However, the CAS strongly suggested the use of IBRD enclave funding to accelerate Mauritania's transition towards a middle income country status.

**Proposed Development Objective(s):**

10. The Project Development Objective is to ensure that PANPA (Port Autonome de Nouakchott dit Port de l'Amitié - Port Authority of Nouakchott) meets its long term traffic growth in an efficient and effective manner, while effectively mitigating the negative environmental impacts generated by its activities and existing and planned infrastructure.

**II. Preliminary Description**

11. In order to deal with the issues mentioned above, the Port of Nouakchott Development Program would be based on the following strategy: (i) build a container terminal parallel to the shore through a Public Private Partnership (PPP) financially supported by the Bank, the Government of Mauritania (GOM) and the private sector; and (ii) build new docks perpendicular to the shore through Chinese intervention, more specifically aimed at oil, bulk and general cargo traffic. This would be complemented by environmental measures aimed at mitigating the consequences of both the initial port infrastructure and their extensions. China is funding the construction of new docks, while the Bank is supporting the government establishment of a PPP scheme for a new container terminal, under an IBRD enclave project while funding activities in support of the environmental action plan.

12. The Bank project will have three components, for which several financial instruments available from the World Bank Group (WBG) might be used. An IBRD enclave Credit guaranteed by GOM will constitute the core of WBG support to PANPA, however.

13. The estimated project cost is about US\$110 million broken down as follows:

- Social and environmental mitigation measures - US\$15 million, of which US\$5 million would be funded by the GOM;
- Technical assistance to GOM - US\$5 million; and
- Building of the new container terminal - US\$90 million, of which US\$55 million would be funded by private sponsors and US\$35 million by an IBRD enclave credit.

What follows is a detailed description of the proposed project activities:

**(i) Component 1: Mobilize private funding and secure private sector involvement in the container terminal management**

14. The proposed project is expected to support: (i) the concessioning of the container terminal through a PPP Build-Operate Transfer (BOT) scheme, and the supervision of its implementation, through technical assistance, using an IBRD enclave Loan; (ii) if deemed necessary by the investors, the provision of a guarantee (commercial or political guarantee) to

the private investment; and (iii) IFC Advisory Services transactional advisory mandate to secure private sector involvement. In addition, in case it is not considered as a conflict of interest, IFC investment could provide provision of equity or lending support to selected sponsor of the BOT. A provision of US\$2 million is made to support implementation of Component 2.

**(ii) Component 2:** Support the optimized investment program for the long term development of PANPA

15. Preparatory studies have already been carried out using the Technical Assistance, the Project Preparation Advance (PPA) and the Urban Development Project. As a matter of fact, studies related to the Port development master plan, technical and financial review of Port operations, financial modeling of Port operations and environmental plan to protect Nouakchott littoral against coastal erosion and flooding, have already been completed. An IBRD enclave loan could be used to fund: (i) part of the container terminal infrastructure if viability of a full private sector option is not secured (US\$35 million); (ii) support to GOM and PANPA to supervise the investments implementation (US\$1.5 million); and (iii) ensure that investments are complemented by appropriate facilitation measures to support efficiency (US\$1.5 million).

**(iii) Component 3:** Mitigation of negative environmental impacts of existing and planned port infrastructure

16. The project would support the implementation of safeguards measures as identified by the existing study on Nouakchott flooding prevention and by the Environmental Impact Assessment, including a solid environmental monitoring and evaluation tool for PANPA and restoration of coastal water transit, through: (i) investment in environmental protection and possibly sediment transit restoration; (ii) capacity building of all stakeholders to efficiently monitor environmental impacts. Preliminary estimate of the Environmental Mitigation Plan (EMP) is about US\$15 million. Though the port infrastructure extension is not expected to increase the intensity of already existing coastal erosion, it is foreseen to generate significant cargo volume growth and, thus, raise further pollution, safety and security risks. Under Mauritania's national legislation, and as a requirement of World Bank financing, this impact must be the subject to an Environmental Assessment (EA), both to improve the design of the proposed infrastructure and to guide the execution of construction activities and future port operations. The EIA will review and proposed mitigation measures for the impact of the port expansion program on coastal transport of sediments, as well as include a review of:

- The regulatory framework covering environmental management at PANPA (national and international);
- The status of current operations with regard to this regulatory framework;
- Existing sources of contamination;
- Further perturbation of the hydro-sedimentary system by new structures and dredging;
- Environmental and social impact of construction activities and erosion;
- Disposal of dredge material during construction and future operations;
- Management of solid, liquid and gaseous waste from shipping and land-based sources in future operations; and

- Management of oil spills and other hazards during future operations (establishment of a response plan, since the PANPA is in an ecologically sensitive area, where thousands of fishermen are dependent on marine catches for their livelihood).

17. A study was been launched in June 2011 to design an appropriate structure between the Ministries of Environment, Fishing and Transport, in charge of monitoring the implementation of the Environmental and Social Action Plan (ESAP) or any future Environmental Action Plan.

### **III. Safeguard Policies that might apply {Same as in last approved ISDS}**

Safeguard Policies Triggered by the Project	Yes	No	TBD
<a href="#">Environmental Assessment (OP/BP 4.01)</a>	X		
Natural Habitats ( <a href="#">OP/BP 4.04</a> )		X	
Pest Management ( <a href="#">OP 4.09</a> )		X	
Physical Cultural Resources (OP/BP 4.11)		X	
Involuntary Resettlement ( <a href="#">OP/BP 4.12</a> )			X
Indigenous Peoples ( <a href="#">OP/BP 4.10</a> )		X	
Forests ( <a href="#">OP/BP 4.36</a> )		X	
Safety of Dams ( <a href="#">OP/BP 4.37</a> )		X	
Projects in Disputed Areas ( <a href="#">OP/BP 7.60</a> )*		X	
Projects on International Waterways ( <a href="#">OP/BP 7.50</a> )		X	

### **IV. Tentative financing**

Source:	(\$m.)
Borrower/Recipient	5.00
IBRD	50.00
IDA	55.00
Others (Private Partner)	
	Total
	110.00

### **V. Contact point**

#### **World Bank**

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\* By supporting the proposed project, the Bank does not intend to prejudice the final determination of the parties' claims on the disputed areas

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