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INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT PAPER

ON A

PROPOSED ADDITIONAL GRANT AND RESTRUCTURING

IN THE AMOUNT OF SDR10.1 MILLION
(US\$14.5 MILLION EQUIVALENT)

TO

THE ISLAMIC REPUBLIC OF MAURITANIA

FOR THE PUBLIC SECTOR GOVERNANCE PROJECT

June 4, 2018

Governance Global Practice
Africa Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective Apr 30, 2018)

Currency Unit = Mauritanian
Ouguiyas (MRU)

MRU 35.45 = US\$1

US\$1 = SDR 0.69538128

FISCAL YEAR

January 1 - December 31

ABBREVIATIONS AND ACRONYMS

AF	Additional Financing
AfDB	African Development Bank
AFRISTAT	Economic and Statistical Observatory for Sub-Saharan Africa
AFRITAC	Africa Technical Assistance Centre
AGA	Autonomous Government Agency
ARMP	Procurement Regulatory Authority (<i>Autorité de Régulation des Marchés Publics</i>)
CMAP	Mauritanian Centre for Policy Analysis (<i>Le Centre Mauritanien d'Analyse des Politiques</i>)
CNS	National Statistics Council (<i>Conseil National de Statistiques</i>)
COTREF	Land Reform Technical Commission (<i>Commission Technique chargée de la Réforme Foncière</i>)
CPF	Country Partnership Framework
CPIA	Country Policy and Institutional Assessment
DA	Designated Account
DGD	General Customs Directorate (<i>Direction Générale des Douanes</i>)
DGDPE	General Directorate on Land Management and State Assets (<i>Direction General Des Domaines et du Patrimoine de l'Etat</i>)
DGERSE	General Directorate for Economic Reform and Monitoring and Evaluation (<i>Direction Générale des Etudes, Reformes et Suivi Economique</i>)
DGI	General Tax Directorate (<i>Direction Générale des Impôts</i>)
DMG	Directorate of Mines and Geology (<i>Direction des Mines et de la Géologie</i>)
DPAE	Directorate of Economic Previsions and Analysis (<i>Direction de Prévision et Analyses Economic</i>)
DTF	General Directorate for Financial Oversight (<i>Direction de la Tutelle Financiere</i>)
EPA	Public Administrative Entity (<i>Etablissements Publics Administratives</i>)
EU	European Union
FM	Financial Management
GDP	Gross Domestic Product

GFMS	Government Financial Management Information Systems
GIZ	German Agency for International Cooperation (<i>Deutsche Gesellschaft für Internationale Zusammenarbeit</i>)
GoM	Government of Mauritania
GRS	Grievance Redress Service
IDA	International Development Association
IFAC	International Federation of Accounts
IGE	General State Inspectorate (<i>Inspection Générale d'Etat</i>)
IT	Information Technology
MEF	Ministry of Economy and Finance (<i>Ministere de l'Economie et des Finances</i>)
MPEM	Ministry of Mining (<i>Ministere du Petrole, de l'Energie et des Mines</i>)
MRU	Mauritanian Ouquiyas
MTEF	Medium-Term Expenditure Framework
NSS	National Statistics System
OECD	Organisation for Economic Cooperation and Development
ONS	National Office of Statistics (<i>Office Nationale de Statistiques</i>)
PCU	Project Coordination Unit
PDO	Project Development Objective
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PRMP	Procurement Lead (<i>Personne Responsable de la Passation Des Marches</i>)
RACHAD	Electronic Expenditure Chain System (<i>Réseau Automatisé de Chaine de la Dépense</i>)
SCAPP	Growth and Shared Prosperity Strategy 2016-2022 (<i>Stratégie de Croissance Accélérée et de Prospérité Partagée</i>)
SDR	Standard Drawing Rights
TAC	Technical Advisory Committee
TEHLIL	Land Title Management System
TOR	Terms of Reference
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
WGI	Worldwide Governance Indicator

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BASIC INFORMATION – PARENT (Mauritania Public Sector Governance Project - P146804)

Country	Product Line	Team Leader(s)		
Mauritania	IBRD/IDA	Bronwyn Grieve		
Project ID	Financing Instrument	Resp CC	Req CC	Practice Area (Lead)
P146804	Investment Project Financing	GGOAW (9746)	AFCF1 (6550)	Governance

Implementing Agency: Ministry of Economy and Finance

Is this a regionally tagged project?	
No	

Bank/IFC Collaboration
No

Approval Date	Closing Date	Original Environmental Assessment Category	Current EA Category
28-Mar-2016	15-Feb-2020	Not Required (C)	Not Required (C)

<input type="checkbox"/> Situations of Urgent Need or Capacity Constraints	<input type="checkbox"/> Financial Intermediaries (FI)
<input type="checkbox"/> Series of Projects (SOP)	<input type="checkbox"/> Project-Based Guarantees

Development Objective(s)

The Project Development Objective (PDO) is to improve monitoring and transparency of selected government entities and the administration of property and mining taxation.

Ratings (from Parent ISR)



	Implementation			Latest ISR
	24-Jun-2016	27-Jan-2017	08-Jul-2017	27-Feb-2018
Progress towards achievement of PDO	S	S	S	S
Overall Implementation Progress (IP)	S	MS	S	MS
Overall Safeguards Rating				
Overall Risk	S	S	S	S

BASIC INFORMATION – ADDITIONAL FINANCING (Mauritania Public Sector Governance Project Additional Financing - P165501)

Project ID	Project Name	Additional Financing Type	Urgent Need or Capacity Constraints
P165501	Mauritania Public Sector Governance Project Additional Financing	Cost Overrun, Restructuring, Scale Up	No
Financing instrument	Product line	Approval Date	
Investment Project Financing	IBRD/IDA	25-Jun-2018	
Projected Date of Full Disbursement	Bank/IFC Collaboration		
30-Apr-2023	No		
Is this a regionally tagged project?			
No			
<input type="checkbox"/> Situations of Urgent Need or Capacity Constraints		<input type="checkbox"/> Financial Intermediaries (FI)	
<input type="checkbox"/> Series of Projects (SOP)		<input type="checkbox"/> Project-Based Guarantees	
<input type="checkbox"/> Disbursement-linked Indicators (DLIs)		<input type="checkbox"/> Contingent Emergency Response Component (CERC)	
<input type="checkbox"/> Alternative Procurement Arrangements (APA)			



Disbursement Summary (from Parent ISR)

Source of Funds	Net Commitments	Total Disbursed	Remaining Balance	Disbursed
IBRD				%
IDA	10.30	4.30	6.35	40 %
Grants				%

PROJECT FINANCING DATA – ADDITIONAL FINANCING (Mauritania Public Sector Governance Project Additional Financing - P165501)

FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	15.40
Total Financing	15.40
of which IBRD/IDA	14.50
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Development Association (IDA)	14.50
IDA Credit	14.50

Non-World Bank Group Financing

Counterpart Funding	0.90
National Government	0.90



COMPLIANCE

Policy

Does the project depart from the CPF in content or in other significant respects?

Yes No

Does the project require any other Policy waiver(s)?

Yes No

INSTITUTIONAL DATA

Practice Area (Lead)

Governance

Contributing Practice Areas

Poverty and Equity

Climate Change and Disaster Screening

This operation has been screened for short and long-term climate change and disaster risks

Gender Tag

Does the project plan to undertake any of the following?

a. Analysis to identify Project-relevant gaps between males and females, especially in light of country gaps identified through SCD and CPF

Yes

b. Specific action(s) to address the gender gaps identified in (a) and/or to improve women or men's empowerment

Yes

c. Include Indicators in results framework to monitor outcomes from actions identified in (b)

Yes

**PROJECT TEAM****Bank Staff**

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Extended Team

Name	Title	Organization	Location
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MAURITANIA

MAURITANIA PUBLIC SECTOR GOVERNANCE PROJECT ADDITIONAL FINANCING

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I. INTRODUCTION

1. **This Project Paper seeks the approval of the Executive Directors to provide an Additional Grant in the amount of SDR10.1 million (US\$14.5 million equivalent) to the Republic of Mauritania for the Mauritania Public Sector Governance Project (P146804).** The proposed Additional Financing (AF) is an IDA grant that is being processed at the formal request of the Government of Mauritania (GoM) through a letter dated February 26, 2018 to scale up and expand the scope of the parent project. To further enhance development impact, a restructuring of the original project is also proposed to revise the development objective, outcomes and closing date of the project and to consolidate project subcomponents.

2. **The AF will strengthen the development impact of the project by reinforcing support for critical priorities along the fiscal management value chain.** The proposed changes introduced under the AF will involve an expansion of the scope of the work initially envisaged by the parent project in the following key areas: (a) expanding the tax base and optimizing revenue mobilization through scaled up support for land registration pilots and reinforcing audit capacity in the mining sector, (b) strengthening statistical and macroeconomic and fiscal forecasting capacity and enhancing medium term programming and budgeting processes, and (c) enhancing the processing capacities and functionalities of the Government Financial Management Information System (GFMIS) through the modernization and interfacing of the two core budgeting and treasury accounting information systems. Limited AF will be allocated to sustaining selected activities under the existing project to accommodate the proposed extension of the project closing date. The proposed AF responds to findings of the 2017 Systematic Country Diagnostic for Mauritania.¹ All activities under the proposed AF are aligned with the Country Partnership Framework (FY19- 22), which is due to be presented to the World Bank Board of Executive Directors on July 12, 2018.

3. **The proposed AF entails project restructuring** to (a) revise the development objective to reflect the expanded scope of the project; (b) rationalize and consolidate project components, re-allocate costs across components, and introduce new activities; and (c) modify the project Results Framework to facilitate better monitoring of the development impact of existing and scaled-up activities. The AF is expected to extend the closing date of the parent project from February 15, 2020 to December 31, 2022 to allow for the successful implementation of the original and newly introduced activities.

II. BACKGROUND AND RATIONALE FOR ADDITIONAL FINANCING

A. Country Context and Development Challenges

4. **The end of the commodity super-cycle in 2015 marked an important turning point for Mauritania.** In the decade preceding 2015, the country reaped the benefits of historically high commodity prices. The super-cycle spurred solid economic growth (averaging 5.5 percent), allowing for significant government investments in infrastructure and the country's elevation to lower-middle-income status. Poverty reduction accelerated on the back of relative price changes in primary commodities that were stimulated by extractives-led growth. Between 2008 and 2014, the poverty rate dropped from 44.5

¹ World Bank. 2017. *Systematic Country Diagnostic for Mauritania*.



percent to 33.0 percent,² enabling Mauritania to register one of the best performances in poverty reduction in the region. However, the end of the super-cycle exposed the narrow, and largely temporary nature of growth and poverty reduction trends in the country. Although economic activity has slowly improved with gross domestic product (GDP) growth increasing from 1.4 in 2015 to 3.5 percent in 2017, the recovery remains fragile.³ At the same time, social cohesion is precarious and could risk derailing progress made to date.

5. In an era of lower commodity prices and limited fiscal space, the GoM faces growing pressure to reinforce public sector capacity to mobilize and manage public resources transparently, in furtherance of the country's development objectives. The establishment of formal rules-based state institutions in Mauritania has long been hampered by the influence of powerful tribal and family networks.⁴ The prevalence of informal and patrimonial systems in the public administration has served to distort incentives, influence public resource allocations, and undermine accountability for service provision. This is reflected in the country's governance indicators. Though Mauritania's Country Policy and Institutional Assessment (CPIA) scores in public sector management have improved⁵, the country lags behind lower middle-income country comparators in the region and the Sub-Saharan African average on all Worldwide Governance Indicators (WGI) dimensions⁶. Sustaining growth and poverty reduction, while consolidating social cohesion and trust in government, will require sustained efforts to develop a rules-based public administration that is capable of transparently and efficiently managing the country's finite fiscal resources.

B. Sectoral and Institutional Context

6. In recent years, Mauritania has made progress in introducing reforms to improve various dimensions of fiscal management, however implementation challenges persist.

Mobilization of Revenue

7. Upstream, notable efforts to reform tax policies and strengthen the tax administration are underway. In addition to the introduction of fiscal censuses, the expansion of taxpayer identification numbers, the introduction of transfer pricing rules and anti-abuse provisions for multi-national companies and improved tax collection measures, the authorities are working with the International Monetary Fund (IMF) to introduce a modern corporate income tax and efforts are underway to address inefficient and

² Based on the national poverty line of MRO 177,200 (MRO refers to the former currency code for the national currency, the Mauritanian Ouguiya, which was replaced on December 5, 2017 with the code MRU, when the Central Bank of Mauritania announced a re-domination of its currency at a rate of 1:10.).

³ World Bank. 2018. *Report on the Economic Situation in Mauritania*.

⁴ World Bank. 2017. *Systematic Country Diagnostic for Mauritania*.

⁵ Rising from 3.0 to 3.2 between 2008 and 15: CPIA Africa (database), available at: <http://datatopics.worldbank.org/cpia/>, Washington, DC: World Bank.

⁶ WGI database, available at: <http://info.worldbank.org/governance/wgi/index.aspx#home>, Washington, DC: World Bank. Mauritania ranks 112th among 168 countries (29th percentile) on the 2015 Transparency International Corruption Perceptions Index; Corruption Perceptions Index database, Transparency International, London, <http://www.transparency.org/research/cpi/overview>; Global Competitiveness Index database, World Economic Forum, Geneva, <http://reports.weforum.org/global-competitiveness-report-2015-2016/>.



distortionary tax exemptions. Notwithstanding these efforts, there is scope to optimize revenue streams, particularly in the technically complicated extractives sector and the socio-politically sensitive land sector.

- (a) **The extractives sector presents an important source of potential revenue, for which there remains significant scope to improve collection.** Mineral and petroleum exports together represent approximately 25 percent of government revenues. Despite its inherent volatility, revenue from the sector is expected to see modest short to medium term increases due to committed investment plans and the potential for expanding through the development of identified reserves and diversification into new commodities. Three key challenges limit the revenue potential in the sector:
 - (i) **The country lacks a unified tax code for mining operations.** This not only detracts potential investors, but it also limits the returns available to the country for mining activity.⁷ Although the Government is in the initial stages of identifying options for a unified tax code, inter-institutional coordination between the Ministry of Mining (*Ministère du Pétrole, de l'Énergie et des Mines*, MPEM) and the Ministry of Economy and Finance (*Ministère de l'Économie et des Finances*, MEF) on the drafting of texts and the negotiation of contracts is limited and ad hoc.
 - (ii) **Government systems for promoting investments are nascent.** Administrative capacity to manage and up-date recently introduced systems to provide transparent information on mineral potential (through a geo-science portal) and on mining activity (through a mining registry) are weak. The effective functioning of these systems is critical to encouraging new mining investors.
 - (iii) **The quality of tax auditing of existing operators in the mining sector is compromised by the lack of experienced inspectors with sector knowledge and limited inter-ministerial coordination.** A 2018 assessment of the audit capacity in the mining sector⁸ highlighted limited capacity of the tax administration, customs officials, and staff at the MPEM to deal with sector specific issues and to conduct effective financial and tax audits;⁹ the lack of a uniform doctrine on the interpretation of the variety of existing mining contract provisions, which creates legal uncertainty and undermines the effectiveness of controls; and the absence of an institutional framework for inter-ministerial and inter-departmental coordination at the operational, monitoring and auditing level

⁷ Various comparative financial models show that the effective tax rate of around 30 percent of mining profits places Mauritania among the countries with the lowest rate in the continent: World Bank. 2017. *Systematic Country Diagnostic for Mauritania*

⁸ World Bank. 2018. *Fiscal Management in the Mining Sector in Mauritania* (draft)

⁹ Capacity deficits specifically include (a) a lack of valuation capacity; (b) limited knowledge of the mining economy, international accounting standards applicable to the sector, and as specific procedures for monitoring and controlling operators; and (c) limited capacity of tax auditors to analyze accounting records to ensure their integrity or to develop efficient audit approaches based on sector-specific risk analysis. Despite the introduction of comprehensive reporting obligations on transfer pricing, with the passage of the *Loi de Finance 2017/18*, tax auditors also lack experience in assessing high level taxpayer transfer pricing risks to guide audit selection and they lack transfer pricing audit capacity. (World Bank, 2018).



- (b) **Despite an increase in property taxes in recent years, significant challenges remain in regularizing land tenure arrangements and modernizing the systems for land administration.** While the authorities have initiated a process to rationalize and improve the management of land information to establish a modern cadaster, the process remains incomplete¹⁰. Given the lack of a comprehensive and consolidated system for managing land information, overlapping and conflictual claims to the same land parcels continue to present a problem for much of the territory. As part of a national process to develop a modern land reform policy, the authorities created a strategic inter-ministerial committee together with a Land Reform Technical Commission (*Commission Technique chargée de la Réforme Foncière*, COTREF) in 2016. The COTREF is currently undertaking a legal and functional review of land sector policy in the country and has launched an action plan to pilot simplified and localized processes for regularizing and registering land rights. The Government is also supporting initiatives to strengthen the capacity of the General Directorate for Land Management (*Direction General Des Domaines et du Patrimoine de l'Etat*, DGDPE) to accompany and implement the land reform policy.

Allocation of Public Finances

8. **With the advent of the 2018 Organic Finance Law, existing processes for medium-term-programming (medium term-expenditure frameworks [MTEF]) and budgeting need to be reinforced.** The new law, which was approved by the Parliament in April 2018, sets the stage for the introduction of program-based budgeting which will require administrative capacity to produce global budgetary envelopes based on reliable macro-economic estimates and to ensure that resource allocations across and within sectors are programmed over the short and medium term to align with the country's development priorities. Constraints to the effective implementation of the Finance Law include the following:

- (a) **Institutional and capacity constraints undermine the generation and analysis of statistics.** Globally the legal, regulatory and organizational framework for the National Statistical System (NSS) is sound and the National Office of Statistics (*Office National de la Statistique*, ONS) produces and publishes economic and social statistics¹¹ of satisfactory quality. However, the lack of secured funding for the NSS; difficulties in the retention of qualified statisticians; organizational and coordination challenges associated with the lack of regularity of the National Statistics Council (*Conseil National de Statistiques*, CNS) meetings; and the application of outdated or inconsistent methodologies for the production of statistics limit the timely and reliable production of national statistics. The Department for Economic Previsions (*Direction des Prévisions et de l'Analyse Economique*, DPAE) also lacks the appropriate systems and technical capacity to use national statistics for macro-economic monitoring and fiscal forecasting.

¹⁰ At present only 80 percent of the land parcels in Nouakchott are mapped electronically and land allocation documentation is still largely paper-based.

¹¹ For example, national accounts, prices indices, external trade, poverty and living condition, and demographic and health statistics.



- (b) **Medium-term programming tools are not always aligned with annual budget processes.** Although the Government introduced global and sectoral MTEFs in 2000, these programming tools have had very little influence over annual budget allocations. This is due to a combination of the limited capacity of sectoral ministries to undertake medium term programming, the failure to ensure regular updating of MTEFs and the poor attempts to monitor and enforce alignment between medium-term programming and annual budget processes.

Management of Public Finances

9. **Downstream, the management of public finances is constrained by weaknesses in fiscal reporting, debt and cash management, and budget execution.** The Government is pursuing the public financial management (PFM) reform agenda set forth in the Public Financial Management Reform Master Plan, which was most recently updated in 2017. Despite recent progress in advancing the program budgeting agenda, strengthening aspects of the GFMS and ending the backlog of financial statements to be completed and submitted to the Supreme Audit Institution (Court of Accounts), institutional capacity constraints continue to pose significant challenges:

- (a) **The existing PFM information systems that are the basis for the production of fiscal information are incomplete and fragmented.** Thus, the Government's aggregate fiscal position lacks comprehensiveness, as well as reliability, and internal controls over public spending are undermined. In such a context, the authorities are unable to rapidly generate reports on budget execution to ensure that the budget execution bill is submitted to the Court of Accounts in the required time frame.
- (b) **Inadequate control of the parastatal sector heightens fiscal risks.**¹² Efforts have been made to strengthen the state ownership function and improve internal and external controls in the sector. However, the Central Ownership Unit, the General Directorate for Financial Oversight (*Direction de la Tutelle Financière*, DTF), the General State Inspectorate (*Inspection Générale d'Etat*, IGE) and the Court of Accounts continue to experience difficulties in accessing comprehensive, up-to-date financial information on parastatals. Financial statements and reports provided by public corporations are infrequent, incomplete and, in the case of Public Administrative Entities (*Etablissements Publiques Administratives*, EPAs), not standardized. While all parastatals are subject to statutory audits, national audit standards are deficient, and audits themselves are irregular and of poor quality. The DTF does not prepare regular fiscal-risk analyses, performance assessments or portfolio reports, and it has only just started to produce consolidated information on the state's asset portfolio.

¹² Transfers to EPAs and public agencies accounted for an average of 8.8 percent of nonoil revenues over 2009 - 2015, while explicit subsidies to commercial SOEs averaged 2.3 percent. In addition to explicit subsidies, in 2011 - 2013 the Government spent roughly MRO 26.8 billion recapitalizing SOEs, including MRO 19 billion in share purchases and MRO 7.8 billion in loans and advances. The sector's average return on assets over the last three years has been negative at -0.3 percent and surveys reveal general dissatisfaction with the high cost and poor quality of the public services offered by public agencies.



- (c) **Weaknesses in the national procurement system reduce the value for money of public investments and impede effective budget execution.** Until 2017, the institutional and regulatory arrangements in place were at odds with the spirit of the progressive 2012 Procurement Code. With the support of the parent project, the Government has engaged important regulatory reforms to re-organize institutional arrangements and address the extensive use of delegated contract management by public corporations, which lacked transparency. The challenge moving forward will be to ensure the effective implementation of the new regulatory and institutional framework. This will require the creation of a cadre of certified procurement professionals, together with the development of practical systems and tools to guide procurement specialists and users.

10. The AF will address these critical bottlenecks to effective and transparent fiscal management by (a) expanding the tax base and strengthening revenue mobilization capacity in the mining sector; (b) enhancing land information management and titling processes as a precursor to improving property tax mobilization; (b) reinforcing the alignment between evidence-based policies, medium term programming and annual budgeting of resource allocations; (d) enhancing the efficient management of public resources by strengthening the fiscal management of state owned enterprises (SOEs) and autonomous government agencies (AGAs), reinforcing government PFM information systems and consolidating the public procurement system; and (e) facilitating improved public access to fiscal information to enhance the transparent management of public resources.

C. Description of the Project and its Performance

11. **The parent project was approved on March 28, 2016 and became effective on June 24, 2016.** It has a current closing date of February, 15 2020. Project financing is in the order of US\$11.6 million, consisting of an IDA grant of US\$10.3 million and counterpart financing of US\$1.3 million.

12. **The Project Development Objective (PDO) is to improve monitoring and transparency of selected government entities and the administration of property and mining taxation.** On the one hand, the project seeks to improve the transparent management and control over public resources through (a) a modernized GFMS, (b) enhanced monitoring and control of SOEs and AGAs, (c) improved accounting and auditing standards and more effective internal and external controls, and (d) an enhanced national procurement system. On the other, the project aims to help the GoM to broaden the tax base and create a more predictable and stable source of revenue for the state by (a) enhancing the capacity of the tax administration, particularly with respect to international taxation issues; (b) strengthening the administration of land registration; (c) strengthening fiscal management in the mining sector; and (d) improving the management of the mineral registry and geological data to promote investment and transparency.

Overall Project Status

13. **Progress towards the achievement of the original PDO is rated Satisfactory and overall implementation progress is rated Moderately Satisfactory.** In the 22 months since the project became effective, disbursement under the project reached 40.38 percent as of June 3, 2018 (US\$4.3 million out of US\$10.3 million). Notwithstanding challenges involved in the formulation and measurement of certain



project results indicators, two of the four project development indicators are on track to reach end targets by project close.

- (a) Mining companies subjected to tax audits: second year targets of 71 percent exceeded with 100 percent of mining companies and 60 percent of exclusive subcontractors subjected to annual tax audits in 2017.
- (b) Properties on which fees and taxes are being levied: 8 percent increase by July 2017 (on 3241 properties).

14. **The parent project has provided critical support for a multitude of priority reforms.** Complementing the IDA-financed development policy operations¹³, the project has enabled the GoM to lay the groundwork for a series of reforms to improve PFM and strengthen revenue mobilization in the country (as discussed in detail below). It has also responded effectively to the emerging demands of the authorities. It allowed for the organization of two high-level events on transparency and good governance in public investment execution and public spending in health and education. These events paved the way for accelerated implementation of critical governance reforms in health, education, and PFM; helped the country to become a pioneer of the Fisheries Global Transparency Initiative and prompted the MEF to introduce a system for better monitoring country governance indicators. At the request of the GoM, financing was also provided for technical support on cross-border oil and gas negotiations to assist the authorities in optimizing the returns expected from the sector.

Component 1: Improving Transparency and Control in Public Resource Management

15. The main implementation highlights under Component 1 of the parent project include the following:

- (a) **The project is supporting the development of an overarching strategic vision for an integrated and effective GFMIS.** To avoid perpetuating the existing ad hoc and poorly coordinated development of the various GFMIS modules, activities under subcomponent 1.1 were predicated upon, and suspended pending, the elaboration of an overarching functional assessment of the existing information systems. Despite a lengthy initial disagreement regarding the scope of the assessment, *the project has now successfully supported the Government in initiating both an overarching functional assessment of existing systems and a strategic vision for the progressive integration and modernization of the GFMIS.* Through a broadly inclusive process involving the Government and development partners, this ongoing exercise will be critical to consolidating and coordinating support for the progressive development of an integrated and effective GFMIS. The remaining activities under the subcomponent were not initiated and will be subsumed under a set of reformulated activities in the AF.
- (b) **It has contributed to strengthening public investment management processes:** The parent project envisaged support for a public investment management system. However, given that the Government introduced a new system through an alternative funding source, the

¹³ First and Second Fiscal Consolidation and Private Sector Support Development Policy Financing (P160592; P163057)



support for the system was replaced with support for the development of a regulatory and operational framework and enhanced capacity for the application of more rigorous public investment selection and execution processes.

- (c) **Project support has been instrumental in reinforcing the state's capacity to become a more informed and active owner of its SOE and public agencies portfolio.** Subcomponent 1.2 has supported the financial oversight capabilities of the DTF, through the creation of an electronic archive of historical information on the financial performance of parastatal entities, together with a fairly comprehensive database of financial data on the sector and capacity building. This has enabled the DTF to produce an annual overview of the portfolio for 2014 (annual reports for 2015-2017 are being finalized). Coordination and capacity of the internal and external oversight institutions (IGE and Court of Accounts) have also been enhanced, with the Court of Accounts producing a dedicated report on the governance of SOEs and AGAs in 2017. The first pilot performance contract between the state and the State Public Transport Company is currently under elaboration.
- (d) **The institutional arrangements needed to update the country's national accounting and auditing standards are finally in place and internal and external control capacity has been reinforced.** Despite considerable delays, the project supported the introduction of a regulatory framework to update the National Order of Accountants (*Ordre Nationale des Experts Comptables*) and establish a Committee to steer the implementation of the Report on the Observance of Standards and Codes (ROSC) recommendations. Under Subcomponent 1.3, the project has also provided risk-based audit training to the IGE, together with training for the Court of Accounts to enhance audit capacity. Project resources enabled the online publication of annual audited budget execution reports of the Court of Accounts from 2007 to 2012 and the rehabilitation of the Court of Accounts website. Assessments were also conducted of the internal inspectorates of the MEF and the Ministry of Education
- (e) **The project provided foundational support for reforms to the regulatory framework of the national procurement system.** These reforms helped to correct distortions in the implementation of the country's progressive Public Procurement Code. Ongoing technical assistance to support the design and implementation of a national public procurement training and certification scheme, together with capacity building for the newly created public procurement commissions (introduced by the regulatory reforms) are expected to further contribute to the effective application of the Procurement Code.

Component 2: Strengthening the Administration of Property Registration and Taxation and Mining Taxation

16. The principle features of project support under Component 2 are the following:

- (a) **The project has supported various initiatives to enhance the tax administration's capacity to ensure taxpayer compliance.** Support under Subcomponent 2.1 enabled the GoM to introduce a comprehensive legal and regulatory framework on transfer pricing, including comprehensive reporting obligations and a disclosure requirement to enable the authorities to address high level taxpayer transfer pricing and base erosion risks and protect the tax



base. Transfer pricing risk assessment support by the Organisation for Economic Cooperation and Development (OECD) was also provided. Taxpayer censuses in Mauritania's two principal cities, Nouakchott and Nouadhibou, and a review of property valuation and taxation are underway.

- (b) **It has assisted DGDPE to develop the foundations for effective management of land information and provided a boost to the national land reform process.** Activities under Subcomponent 2.2 have enabled the installation of a geographic mapping information system, which now integrates subdivision plans for over 80 percent of Nouakchott. They have also supported the updating and consolidation of the digital land information system - TEHLIL (including all land titles for the Tevragh Zein locality in Nouakchott) – which will strengthen the DGDPE's capacity to manage land registration and property taxation procedures. As part of the national land reform process, the project has also supported the operational installation of the COTREF, as well as the ongoing elaboration of a national land sector review, which will create the basis for the introduction of urban and rural land registration pilots.
- (c) **Limited support has been provided to enhancing fiscal management in the mining sector.** Subcomponent 2.3 is providing ongoing support to the Directorate of Mines and Geology (*Direction des Mines et de la Géologie*, DMG) and the General Tax Directorate (*Direction Générale des Impôts*, DGI) to review the fiscal and financial terms of existing mining contracts and agreements and to undertake financial modeling of mineral investment proposals and sector planning to facilitate reforms to the fiscal regime. However, there has been limited progress in enhancing inter-ministerial collaboration and supporting the actual revision of the fiscal regime to achieve standardized terms and conditions for new investors. In addition, the project has yet to successfully support capacity building and enhanced coordination around effective tax administration in the sector.
- (d) **The project has reinforced the capacity of the MPEM to manage mining industry activity and promote investment.** Through Subcomponent 2.4, support has been provided for (i) the management and modernization of the mining registry to improve tracking of operators; (ii) investment promotion activities; (iii) the ongoing development of a publicly accessible portal to disseminate geoscientific data to potential investors; and (iv) capacity-building in geoscientific data analysis to serve the mining industry as well as the general public in areas such as hydrological surveys, erosion controls, and zoning.

17. **Notwithstanding the above, progress toward the achievement of project results remains uneven.** The mid-term review conducted in November 2017 highlighted, in particular (a) challenges with respect to the formulation of several project indicators and (b) the fragmentation of project resources across multiple activities, including new activities that were not included in the original scope, which were implemented in isolation of each other, thereby delaying overall implementation progress and hampering coordination across activities.



D. Rationale for the Additional Financing

18. **The proposed AF seeks to both expand upon the scope of the parent project and restructure the existing project components to enhance project impact in critical reform areas.** The AF is strongly supported by the GoM and has been developed in response to a formal government request to scale-up and consolidate the activities under the parent project. It further responds to the findings of the mid-term review that highlight the need to avoid the dispersion of project resources across multiple activities and establish clearer links between the activities financed by the project and project results. It does so by better aligning activities with targeted reform objectives and by consolidating the execution of activities under larger-scale umbrella contracts.

19. **Scaling-up existing activities.** The AF will expand upon the scope of work initially envisaged in the parent project by allocating additional resources to the following areas:

- (a) **Strengthen the core budget and accounting modules of the GFMIS in furtherance of a modern and integrated GFMIS.** The AF proposes to reinforce support for the GFMIS by focusing on modernizing the two core budgeting and accounting financial management information systems and supporting their interfacing with other selected systems (customs, tax, local government, Central Bank payment system and HR/payroll-pensions systems). This support will remain in keeping with the Government's decision to progressively modernize and integrate the various existing GFMIS, rather than introducing an entirely new integrated financial management (FM) system for which financial resources are not available.
- (b) **Scale up support for the land registration pilots to increase the number of formally registered land parcels in Mauritania.** The AF also seeks to address a financing gap associated with the introduction of urban and rural land registration pilots under Subcomponent 2.2 of the parent project. The inclusion of the three land registration pilots was included in the parent project notwithstanding the absence of a detailed conception of the pilot operations, which impeded an accurate cost assessment. The National Land Reform Action Plan developed by the COTREF in 2017 provides greater clarity on the additional resources and timing required for the effective introduction of the land registration pilots. These have been incorporated into the proposed AF.
- (c) **Reinforce inter-ministerial coordination and tax audit capacity in the mining sector to optimize revenue mobilization.** Based on a recent assessment of audit capacity in the mining sector, the AF proposes to allocate additional resources to the application of a new approach for supporting enhanced collaboration and capacity building.
- (d) **Introduce a new component to strengthen statistical capacity and improve the reliability and timeliness of macroeconomic and fiscal forecasts for better annual and multi-year budgeting.** The AF will complement support provided by the European Union (EU) and the IMF to (a) enhance the capacity of the NSS to produce timely and quality statistics, (b) improve macro-economic forecasting capacity and strengthen the links between medium-term programming and annual budgeting processes, and (c) increase access to statistical and fiscal information.



20. **Restructuring.** To reflect the expanded scope of work envisaged and rectify several shortcomings identified during the mid-term review, a restructuring of the parent project is proposed. The proposed restructuring would entail (a) adjustments to the component titles and activities originally envisaged and a re-allocation of costs across components to consolidate the focus of the project and to eliminate elements of the project that have proved extraneous to its core objectives, (b) an extension of the project closing date to December 31, 2022 to allow for the increased scope of work, and (c) a revision of the PDO and project Results Framework to facilitate a more accurate evaluation of the development impact of existing and scaled up activities and to factor in the revised closing date.

21. **The proposed AF is fully consistent with the Bank Policy on Investment Project Financing and the Operations Policy and Country Services instructions on AF.** Implementation of the parent project has consistently been rated as Satisfactory or Moderately Satisfactory, for both progress toward the achievement of the PDO and implementation progress. Alternative financing approaches to the AF, including a new stand-alone operation, were not considered appropriate. The AF modality will facilitate continuity in the coordination and management of existing activities that will be scaled up by the AF, avoiding the delays associated with preparing a new operation and bringing it to effectiveness. In the lead up to presidential and local elections planned for the second semester of 2019, it was also considered preferable to include a component on statistical capacity and evidence-based policy making and resource allocation, rather than embarking upon a more comprehensive reform of the NSS through a new operation. Finally, project coordination has consistently been rated as Satisfactory and, with slight adjustments to the coordination and monitoring and evaluation modalities currently in place, the existing project coordination unit is experienced and well-equipped to implement an expanded operation.

E. Relationship to CPF

22. **The proposed AF is in line with both the Country Partnership Framework (CPF), which is due for presentation to the World Bank Board on July 12, 2018, and the GoM's Growth and Shared Prosperity Strategy 2016-2022 (*Stratégie de Croissance Accélérée et de Prospérité Partagée, SCAPP*).** The CPF incorporates three focus areas: (a) promoting economic transition for diversified and resilient growth, (b) building human capital for inclusive growth, and (c) strengthening economic management and governance. The proposed AF represents a core feature of the CPF third focus area and will be critical to achieving its objective of strengthening fiscal management. The project is further aligned with the SCAPP's third strategic pillar on 'strengthening governance in all its dimensions'.

III. DESCRIPTION OF ADDITIONAL FINANCING

A. Project's Development Objectives and Results

23. **The proposed revision to the PDO is to enhance transparency and improve the mobilization, allocation and management of public resources.** The PDO has been revised to cater for the specific objectives resulting from the introduction of a new Component 4 designed to enhance the allocation of resources. The revised PDO also seeks to better reflect the breadth of support provided through the project to selected reforms across the fiscal management chain – from revenue mobilization, to public resource allocation and management.



24. The PDO-level indicators have been modified to facilitate the effective monitoring and evaluation of the attainment of the PDO. Table 1 summarizes the changes envisaged with respect to the PDO level indicators. Table 2 outlines the intervention logic of the AF and the links between the PDO level indicators and the PDO in the AF.

Table 1. Summary of Changes to PDO-level Indicators

PDO-Level Indicators (parent project)	Summary of Proposed Changes
Timely public disclosure of reports on SOE/AGA performance issued by the directorate in charge of monitoring SOEs/AGAs, the DTF	Reformulated to: Public disclosure of annual consolidated reports on the financial performance and fiscal risks of public corporations (<i>entreprises publics et établissements publics</i>) issued by the DTF
Coverage of internal audits in the Ministries of Health and Primary Education	Dropped
Properties on which fees and taxes are being levied	Reformulated to: Urban land parcels with use or ownership rights recorded in a land information system (gender disaggregated)
Mining companies subjected to tax audits	Retained, but already achieved.
Improved public access to fiscal information	New indicator
Transmission of the budget execution bill (<i>Projet de loi de reglement</i>) to the Court of Accounts within the mandated timeframe	New indicator
Alignment between Medium-Term Expenditure Framework estimates and annual budget estimates in 2 selected sectors	New indicators

Table 2. AF Results Chain

PDO-Level Indicator	AF Interventions	PDO Dimension
1. Improved public access to fiscal information	Support for systems and processes to enhance production and facilitate publication of information across the fiscal management chain.	Enhanced transparency in the mobilization, allocation and management of public resources
2. Transmission of the budget execution bill to the Court of Accounts within the mandated timeframe	Support to enhance the functionality of GFMIS core modules to enable the timely and automated production of reliable information on budget execution	Improved management of public resources
3. Public disclosure of annual consolidated reports on the financial performance and fiscal risks of public corporations issued by the DTF	Support to enhance DTF's financial oversight capabilities in the parastatal sector and ensure public access to information on the sector	Enhanced transparency in the management of public resources.
4. Alignment of MTEF estimates with annual budget estimates in 2 selected sectors	Support to improve the annual allocation of resources by making them evidence-based and results-focused.	Improved allocation of public resources.
5. Urban parcels with use or ownership rights recorded in a land	Support to strengthen land information systems and registration processes to facilitate accelerated	Improved mobilization of public resources.



information system (gender disaggregated)	and comprehensive administration of property taxation	
6. Mining companies subjected to tax audits (already achieved in 2017)	Support to improve tax administration mining sector audit coverage.	Improved mobilization of public resources.

25. **The changes in the Results Framework include the revision of selected PDO and intermediate level indicators** to reflect the additional AF activities and resolve formulation challenges that have become apparent during the implementation of the parent project. The targets of the indicators that will be retained from the parent project have been revised to reflect the proposed extended project closing date of December 31, 2022.

B. Loan Closing Date

26. **An extension of the project closing date to December 31, 2022.** The extension takes into account (a) the inclusion of new activities under component 4, which will require additional time for implementation, (b) the time required to introduce and ensure the effective functioning of the budget and accounting GFMIS modules, (c) the time-frame identified by the COTREF for the implementation of the land registration pilots, and (d) contingencies, including time delays expected as a result of the added complexity of the procurement processes that will be required for the larger-scale contracts envisaged under the AF.

C. Components and Cost

27. **The proposed AF will be for SDR10.1 million (US\$15.4 million equivalent) and will entail modifications to the structure of components and the allocation of existing project resources.** The AF will retain the three components of the parent project, with modifications to the component titles, as well as a consolidation of subcomponents. Component 4 will be introduced to incorporate support for improving the allocation of public resources. A detailed description of project components and activities is included in annex 1. The remaining resources that are not used to finance the activities envisaged under the AF in each component may be used to finance emerging needs submitted by the Government that align with the attainment of the PDO.

Component 1: Enhancing Transparency and Efficiency in Public Resource Management (SDR7.44 - US\$10.7 million equivalent, of which US\$5.5 million in AF)

28. The component will be renamed from ‘Improving Transparency and Control in Public Resource Management’ to ‘Enhancing Transparency and Efficiency in Public Resource Management’. The objective of this component is to support the authorities’ efforts to enhance the transparent and efficient use of public resources through (a) an updated and more integrated GFMIS, (b) increased monitoring and oversight of SOEs and AGA, and (c) a more efficient public procurement system.

Subcomponent 1.1: Enhancing the systems for transparent public financial management and reporting (US\$7.45 million, including US\$5.5 million AF)

29. The objective of this renamed subcomponent is to enhance the functionality, upgrading, and further integration of the various GFMIS in Mauritania to improve monitoring, control, and reporting on



budget execution and to facilitate access to more accurate and up-to-date fiscal data. The existing Government GFMS governance structure will be reinforced to support the implementation of activities under this subcomponent. The activities envisaged under the parent project will be replaced by the following:

- (a) Technical assistance for an in-depth assessment of current GFMS and the development of a GFMS integration master plan
- (b) Upgrading the existing system for budget preparation and execution to support the Government as it transitions to program-based budgeting following the enactment of the Organic Finance Law in 2018
- (c) Introducing a modernized accounting system in the Treasury department to replace the outdated existing system and to support the implementation of accounting standards and improve consolidated cash management and fiscal and financial reporting
- (d) Interfacing of the budget and accounting systems, as well as interfacing with other selected PFM systems (revenue systems, ASYCUDA++, tax administration, HR/payroll and pensions, Central Bank payment system)
- (e) Support to the Court of Accounts to enhance external controls over budget execution
- (f) Support to improve public investment management selection and execution processes

Subcomponent 1.2: Increasing Monitoring of SOEs and Autonomous Agencies (US\$1.90 million in re-allocated financing from parent project)

30. The objective of this subcomponent will be modified to target the improved performance and accountability of SOEs and AGAs through stronger monitoring and internal and external oversight. Subcomponent 1.3 of the parent project, which envisaged an array of support to improve auditing and accounting standards and strengthen internal and external controls, will be dropped because of delays in implementation that reflected both overly ambitious reform objectives and limited government ownership in the case of support for internal control institutions in the Ministries of Education and Health. The remaining resources from subcomponent 1.3 of the parent project will be re-allocated to this subcomponent and the activities originally envisaged will be modified to focus support for internal and external controls and the application of international auditing and accounting standards to the narrower confines of the parastatal sector. Re-allocated resources from the parent project will support the following activities:

- (a) The elaboration of a national strategy on the parastatal sector
- (b) The development of a platform for the consolidation and sharing of financial data and information on the parastatal sector between the DTF, IGE and the Court of Accounts to enhance consolidated reporting by the DTF and improve internal and external control functions



- (c) Technical assistance to the DTF to strengthen financial oversight and performance monitoring of the parastatal sector, including through the introduction of performance contracts with two SOEs
- (d) Support for the introduction of international auditing standards and a quality review scheme for the auditing of public agencies (EPAs and AGAs)
- (e) Capacity building for the IGE and Court of Accounts to enhance internal and external controls over the sector
- (f) Logistical support to enable the DTF to manage and disseminate information on-line and conduct site visits of public corporations
- (g) An assessment of the internal control function of the MEF.

(Dropped) Subcomponent 1.3: Improving Accounting and Auditing Standards and Internal and External Oversight (US\$0.47 already disbursed, with the remaining resources re-allocated)

31. This component will be dropped and resources re-allocated to Subcomponent 1.2 as indicated above. Activities originally envisaged under the subcomponent will be modified to align with the objectives of Subcomponent 1.2, while certain activities related to the creation of a single registry of company accounts and support to sectoral internal inspectorates (health and education) will be dropped.

Subcomponent 1.4: Enhancing the Public Procurement System (US\$0.93 million in reallocated financing from parent project)

32. The subcomponent will be renumbered as Subcomponent 1.3. The subcomponent will seek to enhance the public procurement system to ensure value for money and efficient execution of public investments. It will support the Procurement Regulatory Authority (*Autorité de Régulation des Marchés Publics*, ARMP) to (a) implement the new organizational and institutional arrangements recently introduced; and (b) pilot a certification program for procurement specialists. The activities included in the proposed AF are as follows:

- (a) Elaboration and dissemination of practical tools for the implementation of the procurement reform; procurement management norms and standardized technical specifications for high frequency contracts (construction of school and health clinic facilities etc.)
- (b) Introduction of an independently managed system for certifying procurement specialists
- (c) Extension of professional and in-service procurement training programs
- (d) Introduction of a complaints handling /whistleblower mechanism
- (e) Capacity-building for procurement system users (private sector operators).

Component 2: Strengthening the Administration of Land Registration and Mining Taxation (SDR6.6 - US\$9.5 million equivalent, of which US\$4.8 million in AF):



33. The objectives of this component are to (a) support the authority's efforts to broaden the tax base and enhance the effectiveness of the tax administration in the mining sector to create a more predictable and stable source of revenue for the state and (b) create the foundational institutional arrangements needed to manage land registration, as a precursor to enhancing the mobilization of property taxes. The component will be renamed from '*Strengthening the administration of land registration and taxation and mining taxation*' to '*Strengthening the administration of land registration and mining taxation*'. The four subcomponents included in the parent project will be consolidated into two subcomponents.

(Modified) Subcomponent 2.1: Strengthening the Administration of Land Registration (US 5.1 million, of which US\$4.15 million AF):

34. This restructured subcomponent will consolidate the support originally envisaged under Subcomponents 2.1 and 2.2 of the parent project. The subcomponent will focus on (a) building the foundations for managing land registration and property tax administration through the progressive development of a consolidated and updated land information system; (b) a legal and institutional land review, as well as community consultations; (c) a review of the property taxation and valuation system and processes; (d) updated taxpayer censuses in selected cities; (e) the preparation of a Land Training Master Plan; and (f) piloting tenure arrangements and property rights registration operations in selected rural and urban areas, including support to COTREF and the DGDPE for the supervision of the pilot operations and any related dissemination activities. The activities under the parent project will be retained and AF will be directed to the effective implementation of pilot land registration pilots, in Nouakchott and Zouerat, in the Senegal River Valley and in an oasis in the north. The operational expenses associated with the COTREF's engagement in identifying and accompanying the registration pilots (beyond the recruitment of technical assistance) will be financed through the national budget beyond the scope of the AF.

(Modified) Subcomponent 2.2: Broadening the tax base and strengthening fiscal management in the mining sector (US\$2.17 million, of which US\$0.65 million AF)

35. This restructured subcomponent will consolidate the support envisaged under Subcomponents 2.1, 2.2 and 2.3 of the parent project with respect to the mining sector. The subcomponent will continue to focus on (a) strengthening fiscal management in the mining sector and (b) expanding the tax base through the modernization of a transparent mining register and geo-science database, mining sector investment promotion and support to the DMG and the DGI in the areas of mineral tax policy formulation and contract negotiations. Using the remaining resources from the parent project and AF, the subcomponent will focus on the following two activities:

- (a) A dedicated technical assistance program to support fiscal management in the mining sector, based on the recently commissioned analysis of fiscal audit capacity in the sector. It will incorporate support for (i) enhancing the DGI's capabilities in analyzing mining company automated accounts and controlling transfer pricing in the sector, (ii) a formal inter-ministerial coordination arrangement to establish effective technical coordination between the various ministerial departments and institutions involved in revenue collection (DGI, the General Customs Directorate, *Direction Générale des Douanes* (DGD), DMG and so on), (iii) expertise on the revision of the fiscal regime and mining agreement documents, and (iv) capacity building of relevant departments on sector-specific themes.



- (b) Support to the DMG in administering the newly introduced modern mining registry and the geo-science portal to promote new investments and better manage existing investments.

Component 3- Project Management (SDR2.47 - US\$3.55 million equivalent, of which US\$1.50 million in AF):

36. Resources allocated to the component will be increased to reflect the expanded scope of activities under the AF; the extended closing date and improvements to the project's institutional arrangements (described below), including the nomination of a new technical committee by the Project Steering Committee to facilitate regular results monitoring.

(New Component) Component 4: Strengthening national statistical capacity, medium-term programming and annual budget processes (SDR2.26 - US\$3.25 million equivalent, including US\$2.75 million in AF):

37. The objectives of this new component are (a) to support the authorities in strengthening national statistical capacity and enhancing macro-economic and fiscal analysis as the basis for evidence-based policy making and programming and (b) to strengthen the linkages between medium-term programming and annual budgeting processes, to facilitate results-based resource allocation and improve allocative efficiency. To facilitate the provision of continuous capacity building and technical expertise to the Ministry of Finance, the Mauritanian Centre for Policy Analysis (*Le Centre Mauritanien d'Analyse des Politiques*, CMAP), will play a central role in the implementation of this new component. The CMAP is a public independent agency that was created in 2001 under the tutelage of the Ministry of Finance. It has a longstanding track record in providing analytical expertise and capacity building to the Mauritanian administration. In close collaboration with the relevant government institutions, the CMAP will be responsible for coordinating project-financed support for technical assistance, capacity-building and logistics. A convention between the Project Coordination Unit (PCU) and the CMAP will define the terms of engagement of the CMAP.

Subcomponent 4.1: Enhancing the Capacity of the National Statistical System to Produce Timely and Quality Statistics (US\$2.50 million AF)

38. The AF will support the NSS in overcoming weak human resource capacity; organizational and coordination challenges, and shortcomings in the production of reliable selected national statistics. Financing will be directed to the following:

- (a) Training. Conducting an evaluation for the introduction of a Masters Degree program in statistics at the University of Nouakchott; sending two cohorts of statisticians to renowned regional statistics schools (Abidjan, Dakar and/or Rabat) to obtain associate diplomas in statistics (or to the University of Nouakchott if considered feasible), and in-service training for NSS staff.
- (b) Technical assistance to revise the ONS decree and organizational chart to improve workflow efficiencies and to enable the ONS to attract and retain qualified statisticians and to revise the CNS regulatory texts to improve strategic planning.



- (c) Technical assistance to support the ONS in revising the methodologies for the production of reliable statistics in selected areas, including for the next Household Survey.

Subcomponent 4.2: Improving medium-term planning and budgeting (US\$0.4 million, of which US\$0.1 AF)

39. This subcomponent will strengthen the capacity of the Ministry of Finance, and in particular, the DGERSE, to produce macro-economic estimates and analysis to enhance the reliability of budget planning. It will also seek to strengthen the relevance of the budget as the main policy tool for the implementation of public policy through activities to improve budget forecasting and planning, reinforce the elaboration of MTEFs in two selected sectors (agriculture and health), and strengthen the linkages between the global and selected sectoral MTEFs with the annual budget. The activities envisaged under this subcomponent will predominantly be supported by the CMAP. They include:

- (a) Training and technical assistance to the MEF DPAE;
- (b) Systems for macroeconomic modelling and fiscal simulation, including the introduction of customized BOOST modules¹⁴ for forecasting (baseline and various scenarios) and to support a more streamlined and efficient management of MTEFs at the sectoral level; and
- (c) Technical Assistance to support the elaboration of two sectoral MTEFs (health and agriculture) and the preparation of annual sectoral budgets. The health and agriculture sectors were selected based on (i) the significance of the sectoral programs for the national development strategy and for the World Bank's existing sectoral engagement and (ii) demonstrated existing capacity in medium-term programming.

Subcomponent 4.3: Enhancing access to statistical information (US\$0.3 million, of which US\$0.1 million AF)

40. This subcomponent aims to develop a culture of transparency and informed engagement of citizens in public policy formulation and monitoring through the regular publication of budgetary information and national statistical data. The AF proposes to focus on (a) introducing a regulatory and policy framework to guarantee citizen access to selected economic, fiscal and financial information (this will be informed by an ongoing survey of state and non-state users of data); (b) on-line portals and open data-bases for the dissemination of micro-data and budget information by the MEF; and (c) communication and outreach campaigns for information end users. The CMAP will provide support to the General Directorate for Economic Reform and Monitoring (*Direction Générale des Etudes, Reformes et Suivi Economique*, DGERSE) in implementing the activities under this subcomponent.

41. **Table 3 summarizes the changes to components and cost allocations.** A more detailed overview of cost-reallocations by funding source (IDA and counterpart financing) is contained in annex 2.

¹⁴ The BOOST initiative is based around a data platform that aims to facilitate access to budget data and promote effective use for improved decision-making processes, transparency and accountability.



Table 3. Summary of Components and Cost Re-Allocations

Component	Financing Under Parent Project (US\$, millions)	Additional IDA Financing (US\$, millions)	Additional Counter-part Financing (US\$, millions)	Total Financing Amount (US\$, millions)
Component 1: Improving Transparency and Efficiency in Public Resource Management	5.20	5.50	0	10.70
Component 2 - Strengthening the Administration of Land Registration and Mining Taxation:	4.70	4.80	0	9.50
Component 3- Project Management:	1.70	1.50	0.35	3.55
[New] Component 4 – Strengthening national statistical capacity, medium-term programming and annual budget processes	-	2.70	0.55	3.25
TOTAL PROJECT COSTS:	11.60	14.50	0.90	27.00 (including 2.2 counterpart financing)

D. Implementation Arrangements

42. **The implementation arrangements under the AF, including those for FM and procurement, are expected to remain largely the same** as those undertaken in support of the original financing. However, to strengthen implementation based on the lessons learned from the parent project, some adjustments to the implementation arrangements will be made including the following:

- (a) The Project Steering Committee will nominate an ad hoc Technical Advisory Committee (TAC) which will be attached to the Project Steering Committee and which will be responsible for overseeing the substantive quality of outputs financed by the AF and reviewing progress towards project results on a regular basis.
- (b) The inclusion of the COTREF, ONS, DGERSE and CMAP as principal government beneficiaries of the AF and members of the Project Steering Committee.
- (c) The removal of representatives from the Ministries of Health and Education from the Project Steering Committee due to the dropping of parent project activities to support internal control inspectorates in these ministries.
- (d) The Manual of Procedures will be revised to address certain shortcomings identified under the parent project and to clarify the roles and responsibilities of all the government departments that are beneficiaries to the project.



IV. KEY RISKS

43. The overall risk rating of the proposed AF is assessed as Substantial.

Table 4. SORT Risks Rating Summary

Risk Category	Rating
1. Political and Governance	Substantial
2. Macro-economic	Moderate
3. Sector strategies and policies	Substantial
4. Technical Design of project	Substantial
5. Institutional Capacity for Implementation and Sustainability	Substantial
6. Fiduciary	Moderate
7. Environmental and Social	Moderate
8. Stakeholders	Substantial
9. Other	Moderate
OVERALL	SUBSTANTIAL

44. A summary of the risks, together with mitigation measures is described in the following paragraphs:

45. **Political and governance - substantial.** The political economy of fiscal management reforms in Mauritania is complex, dominated by a landscape of strong and powerful interest groups that have the potential to block important reforms to protect their interests. Based on the existing implementation of the project, there are positive signals of government commitment to reform. However, the strength of this commitment and the ability of the authorities to counter reform resistance, are subject to fluctuations, particularly in the lead up to the presidential elections in 2019. Project activities have been re-defined to focus on the implementation of reforms that have already been engaged by the government. In addition, the project will use inclusive processes to engage and empower potential reform coalitions around key reforms, notably with respect to the land registration pilots and the new procurement reforms.

46. **Macroeconomic - moderate.** External pressures remain subdued in 2018 due to the recovery of iron prices and fiscal consolidation. However, macroeconomic risks remain high due to the large public debt stock, the potential for unidentified fiscal risks to emerge from the broader public sector, and ineffectiveness of monetary policy in managing liquidity and minimizing financial-sector risks. External shocks affecting any of these variables could prevent the Government from meeting its fiscal objectives or maintaining adequate foreign exchange reserves. The DPF series has focused on supporting the Government’s fiscal consolidation and diversification efforts and as such was successful in stabilizing the economy. The World Bank has also started collaboration with the Central Bank to strengthen the country’s financial infrastructure. The IMF program is expected to be an important mitigation measure over the next three years, which will not only signal, as a pre-requisite, the Government’s commitment to limit/avoid non-concessional borrowing but would support sound monetary and exchange-rate policies for macroeconomic stability.



47. **Sector Strategies and policies - substantial.** Presidential elections in 2019, together with the potential for government reshuffling create risks of a lack of policy continuity or policy reversal that could affect the achievement of the project's objectives. To mitigate this risk, the project focuses on the implementation of policy reforms that have received broad-based consensus and support.

48. **Technical Design of the Project - substantial.** Experience from the implementation of the parent project has highlighted the challenges associated with coordinating multiple reform efforts across a range of institutional actors and fragmenting resources across a multitude of activities. To address these challenges, the proposed AF seeks to (a) consolidate the focus of several key reforms areas under the parent project, (b) reinforce mechanisms to strengthen institutional coordination, and (c) rationalize the procurement plan to limit the proliferation of small-scale activities and consolidate support through a reduced number of larger scale technical assistance contracts.

49. **Institutional Capacity for Implementation and Sustainability - substantial.** There is substantial likelihood that weak institutional capacity for implementing and sustaining the project may adversely affect the PDO. There is also a risk that capacity limitations, particularly in procurement, could result in delays in project implementation. To strengthen the capacity of the PCU to manage the implementation, the project will support the recruitment of a small subset of technical advisers to assist the PCU and beneficiary institutions in developing terms of reference (TORs) and monitoring the performance of contractors. In addition, the Technical Advisory Committee attached to the Steering Committee will facilitate regular monitoring of progress towards project results to enable just-in-time adjustments to project implementation modalities, where this is necessary. The risks of inadequate institutional capacity are particularly pronounced with respect to the support for improvements to the GFMS. In particular, the outsourcing of improvements to the GFMS could run the risk that the Government becomes reliant on an external operator. To mitigate this risk, external operators will be required to transfer source code ownership to the Government and to provide technical assistance for a period of 18 months. In light of existing challenges associated with technical leadership of the GFMS reform process, the governance framework for coordinating the GFMS process will be revised to ensure that technical PFM and functional information technology (IT) expertise within the Government are effectively mobilized. In addition, the project will finance the recruitment of an international firm to support the Government in controlling the quality of the GFMS improvements and in strategically managing the overarching integration and modernization process. There is also a risk that the technical assistance and training programs do not succeed in transferring knowledge to the national civil servants. If this risk materializes, the PDO's results indicators may be met, but the results will not be sustainable. To address this, the TOR for technical assistance will focus on capacity building, rather than substitution and the performance of firms will be assessed accordingly.

50. **Fiduciary - moderate.** Fiduciary risks have a moderate probability of having an adverse impact on the PDO. The 2014 Public Expenditure and Financial Accountability Assessment (PEFA) showed that the GoM has made progress in improving the PFM fiduciary risks associated with poor budget formulation and budget preparation processes have been reduced. However, several risks remain in terms of (a) comprehensiveness of information included in budget documentation, (b) effectiveness in collection of tax payments and custom duties, (c) effectiveness of internal audits, (d) quality and timeliness of in-year budget reports and annual financial statements, and (e) effectiveness of external audits and legislative scrutiny of the Annual Budget Law. By way of mitigation, the project will continue to support efforts to



enhance the internal and external control environment and improve the performance of the PFM system as a whole. An overview of the FM and auditing arrangements of the AF is provided in Annex 3.

51. **Environment and social - moderate.** There is a moderate likelihood that the achievement of the project objective could be affected by exogenous environmental risk factors (including those related to climate change and natural disasters) because they are not present or are not relevant to the project. There are slight social risks associated with disputes over property ownership related to the land registration and titling process. However, this is being mitigated by (a) the introduction of an inclusive consultation mechanism to accompany the process, (b) the inclusion of a contractual condition in the firm contract for the land pilots to ensure that the implementation of the land registration pilots is preceded by social assessments and mitigation plans, and (c) the incorporation of a grievance redress mechanism in the design of the land registration pilots.

52. **Stakeholders - substantial.** An analysis of the political economy of PFM reforms was undertaken during the parent project and remains relevant. Potential resistance to reform from government stakeholders remains a substantial risk. The AF seeks to reinforce coalitions for reform through the introduction of the TAC.

53. **Other – moderate.** There are a range of development partners engaged in supporting the various fiscal management reform areas supported by the proposed AF as outlined in annex 4. Upstream coordination during the preparation of the AF has been ensured, both through the World Bank's active participation in the donor technical committee on PFM and through regular bilateral consultations. To ensure that the World Bank team's supervision arrangements are adequately equipped to enable close and regular coordination with development partners and the authorities, an EU-financed Bank-Executed Trust Fund is in the process of being negotiated to complement World Bank project supervision resources. In addition, the World Bank's ongoing technical engagement in policy dialogue related to the extractives, macro-economic analysis and land reform will help to reinforce coordination with stakeholders and enhance effective coalitions for reform.

V. APPRAISAL SUMMARY

A. Economic and Financial Analysis

54. **Quantifying the direct and indirect economic and financial benefits of PFM interventions accurately is very difficult.** Financial and cost-benefit analyses can only capture the most direct and quantifiable benefits, such as those emanating from a stronger tax system and increased revenues. Other interventions, such as an improved budgeting process and procurement reforms can increase the efficiency of public spending, not only leading to savings but also to more targeted and relevant activities and investments that, in turn, have higher rates of return. Yet measuring these indirect benefits is challenging.

55. **Direct quantifiable benefits from this project can be observed at the level of property tax reforms, transfer pricing rules, and parastatal reforms.** In demonstrating the viability of the AF, a financial analysis of just a few quantifiable benefits was undertaken against the AF costs:



- **Property taxes.** Tax revenues and fees from an improved property tax system are estimated to increase by 20 percent. This translates into approximately MRO 696 million, (US\$2.2 million) in nominal terms, assuming 5 percent inflation and 5 percent annual increase in taxes and fees collected.
- **Transfer pricing.** International and regional experience suggests that effective transfer pricing rules and anti-abuse provisions can reduce tax base erosion through profit shifting by multinational enterprises. In 2013, the 10 most profitable companies accounted for 55 percent of income tax, with mining companies accounting for around 28 percent of total income tax collected and telecommunication firms for 23 percent. As such, the introduction of comprehensive transfer pricing documentation and disclosure requirements as well as an effective interest deduction rule will have important revenue collection benefits, particularly from income taxes. Given that most multinational enterprises in Mauritania are in extractives and telecom, tax revenues are expected to increase by around 0.6 percent of GDP.¹⁵
- **Expenditure and Treasury management reforms for EPAs and public agencies.** Strengthening financial control over parastatals will be essential to effectively managing fiscal risks. Reforms proposed will bring tighter controls over EPA's and public agencies' operational and investment spending. It will also bring closer monitoring that enables policymakers to ensure that public subsidies and transfers deliver adequate value for money. This will not only standardize financial reporting and boost transparency, but will prevent expenditures from exceeding budget ceilings, reduce the risk of arrears accumulation and contingent liabilities, and eliminate carry-forwards. The reforms are expected to bring 1 percent of GDP in budgetary savings from a decline in extra-budgetary spending and carry-forwards.

56. **Indirect benefits include more efficient and effective delivery of public services through better fiduciary and quality controls. Many examples can be cited:**

- Use of more robust public investment appraisal techniques supported under the project for large **land reforms and modernizing the property registry.** Land ownership is one of the major constraints for sustainable and inclusive growth in Mauritania (World Bank SCD, 2016). An improved property registry system and secure property titles could not only have important implications on social cohesion but also increase the value of property and provide the ability of property owners to use such property as collateral for loans.
- **Modernizing the mineral registry.** Investment in modernizing the mineral registry and building a more responsive service for prospective investors is expected to lead to increased foreign direct investment and additional fees and taxes.
- **Automating budgeting and accounting FM systems.** Automating the expenditure and control chain will boost its integration and effectiveness. This will limit human interference in the processing of expenditure transactions as in-built control measures are set up in the

¹⁵ Refer to Mauritania Second Fiscal Consolidation and Private Sector Support DPO, The World Bank, December 2017.



systems; robust audit trails will be established in the areas of revenue and expenditure accounting processes to minimize the potential for leakages; and costs of financing Government budget deficits, by way of overdraft interest, will be contained as cash management becomes more efficient and timely, and establishment of expenditure commitments is linked to the cash availability potential rather than only to the approved budget appropriation.

- **Enhancing Central Government oversight over SOEs.** This will support the better management and control of fiscal risks that such entities and other autonomous public agencies can bring to bear on the Government budget. Moreover, performance agreements with SOEs and public agencies will include targets for reduced costs and/or increased quality or reach of services.
- **Public investment management.** With the public investments, allocative efficiency of public spending will be improved along with the impact of public investment on growth.¹⁶ This is also expected to help mitigate the impact of public investment on public debt.
- **Improving statistics and macroeconomic analysis capacity.** Building capacity for data production and analysis is expected to have a positive impact on allocative efficiency and growth due to better informed policy making. This also boosts transparency and allows for more citizen engagement in policy discussions.

57. **Rationale for public sector financing.** The proposed project design aims to strengthen core PFM systems that are required to improve public sector efficiency, value for money, increased returns to public investments, and improved management of overall fiscal risks. It also seeks to improve the GoM's bargaining power with mining investors in negotiations, oversight, and enforcement, boosts control over its public corporations, and builds more trust with the public through improved collection and dissemination of key economic data and macro-poverty analysis. These reforms are not characterized as bankable commercial projects and hence private sector financing is not suitable. Therefore, to provide such public services, there is no alternative to public sector financing for strengthening core institutions and building the capacity of government agencies to undertake PFM and resource mobilization reforms. For example, in the mining sector, investment in institutional and organizational structures and skills development of staff is indispensable if national authorities are to compensate for the asymmetric information between investors and public regulators. In budget preparation and execution, boosting analytical capacity, Treasury management, SOE monitoring, and new audit requirements are instrumental to making better informed policy choices and engaging a modern fiscal management function to ensure that Mauritania is able to respond to shocks and has the needed fiscal space for development spending.

58. **World Bank value added.** The comparative advantage of the World Bank compared to other development partners (and the private sector) is its ability to accompany all stages of the fiscal management value chain. Consequently, the value addition of the World Bank's engagement is found in the balanced and multidimensional sector support, which targets all aspects of sector governance in the

¹⁶ One indicator of public investment spending efficiency is the average incremental capital-output ratio which in Mauritania is estimated at 10.4, far above the benchmark ratio of 3.0 for the best-performing countries. Reforms from the project will thus increase such efficiency.



interest of promoting poverty reduction and shared prosperity. Moreover, the complementarity of this project with ongoing development policy operations and analytical reports targeting topics of fiscal consolidation and macroeconomic management provides the government with a variety of tools to execute a large and complex reform agenda. This renders the World Bank as a trusted partner in reforms and leverages its unique position to rally stakeholders around one reform agenda.

B. Technical

59. **The design of the proposed AF builds on the lessons derived from the implementation of the parent project, together with earlier public sector operations in Mauritania.** The risks associated with the fragmentation of effort across institutional actors and reforms areas needs to be balanced with ensuring that critical bottlenecks are addressed in the fiscal management value chain to enable the attainment of tangible results. The proposed AF seeks to both harness reform momentum evident during the implementation of the parent project, while dropping or shifting the support approach for reform areas that have lagged. Coordination between institutional actors is both critical and challenging. The proposed AF's inclusion of a leading state institution on policy reform will help to resolve inter-departmental differences and resistance to reform.

60. **Technically, the proposed AF is grounded in detailed analytical work and many of the reforms supported by the project seek to draw upon regional and/or international standards and good practice.** This is the case for support to improve the auditing and accounting standards. Improving reporting on SOEs clearly links with the OECD standards on corporate governance of SOEs. Likewise, the tax reforms currently underway are aimed at modernizing the Mauritanian tax administration and bringing national practices in line with international standards, including on mining taxation. The limited support to improved land taxation also aims to support the development of a national cadastre and land registration pilots that corresponds to international good practice, including practices related to social safeguards and consultation mechanisms, and an emphasis on protecting and promoting the property rights of women and vulnerable groups.

61. **Ongoing and planned support by other partners have been considered in the design of the proposed AF and mechanisms are being developed to ensure further coordination.** Through the PFM development coordination committee and project preparation consultations, the EU, the African Development Bank (AfDB), the French Development Agency, the IMF and the German Agency for International Cooperation (*Deutsche Gesellschaft für Internationale Zusammenarbeit*, GIZ) have all been actively engaged in ensuring complementarities between the project's support and ongoing or planned support provided by other partners. The EU-financed World Bank Executed Trust Fund, under discussion, will support continued efforts to align support in areas such as: the GFMIS, SOE reform, support for internal and external controls, land reform and mining tax administration. An overview of donor support relevant to the project is outlined in annex 4.

C. Financial Management

62. **The FM implementation arrangements under the AF remains the same as those in place for the parent project.** The PCU of the original financing will be in charge of the overall FM of the project. The FM arrangements for the AF will be based on the existing arrangements in place under the ongoing project.



63. **The overall FM performance of the parent project was rated as Moderately Satisfactory** further to the supervision undertaken in March 2018 and the FM risk was assessed as Moderate: (a) the accounting system operates satisfactorily, and staffing has remained adequate to handle additional activities; (b) the interim un-audited financial reports for the on-going project have been submitted with acceptable quality and (c) auditors have issued an unqualified opinion on the 2016 financial statements of the project. However, improvement points related to budget timely approval and monitoring, and internal control were identified: (a) the PCU should ensure a satisfactory budget monitoring and timely submission of annual work plan and budget, and (b) internal auditor' report should be improved to strengthen the internal control.

64. **The conclusion of the FM assessment is that the FM arrangements of the MEF are adequate to meet the requirements of the World Bank Policy / Directive on Investment Project Financing.** The overall conclusion of the assessment is that the overall FM risk rating for the AF is Moderate. The FM arrangements do meet IDA's minimum requirements under World Bank Policy and Directive for Investment Project Financing effective in 2017.

D. Procurement

65. **An evaluation of the procurement capacity of the PCU was conducted in April 2018.** The PCU has both a procurement specialist and a procurement assistant in place. The assessment concluded that the team in place has the necessary capacity to execute procurement processes under the AF. A Manual of Procedures, describing procurement procedures is in place. However, the manual, together with the institutional arrangements for project procurement will need to be updated to reflect recent changes to the national regulatory framework within three months of project effectiveness.

66. **The conclusion of the procurement assessment is that the residual risk rating is Moderate.** Mitigating measures proposed include: (a) the designation of a lead procurement person (*personnes responsable de passation des marches*) for the project; (b) the creation of an Internal Procurement Commission for procurement estimated to be less than 1.5 million MRU (approximately US\$42,000); (c) training of the Coordinator, the Procurement Specialist and the Procurement Assistant on the New Procurement Policy for Investment Projects, as this AF is subject to the World Bank's new Procurement Framework; and (d) update of the administrative and financial procedure and procurement manual of the project.

67. **New Procurement Policy.** All procurement processes engaged using AF and parent project financing on or after the date of approval of the AF will be subject to the World Bank Procurement Regulations for IPF Borrowers dated July 2016 and revised in November 2017. This is reflected in the Financing Agreement of the AF, as well as in an amendment to the Financing Agreement of the parent project. With the support of the World Bank, the PCU has prepared a Project Procurement Strategy for Development, together with an 18-month Procurement Plan. The Project Procurement Strategy for Development sets out the institutional arrangements currently in place in Mauritania and identifies a series of actions that will need to be taken to ensure that the project procurement arrangements are aligned with the new policy.



E. Social (including Safeguards)

68. Most of the components in the restructured project do not entail any social risks. The only possible exception are the land registration pilots, given the sensitive and often contested nature of land rights in Mauritania. As there has not been any changes in the overall design and scope of the pilots, the project remains classified as Category C. To mitigate against any negative impacts, such as access restrictions because of the land registration activities, the pilots will be selected with a view to avoiding contested areas. In addition, social assessments will be conducted for each of the pilot areas with the inclusion of a contractual condition in the contract of the international firm responsible for supporting the pilots to ensure the prior completion of the social assessments, and any mitigation measures. This approach is expected to embed a strong risk management dimension into the operation to facilitate the adoption of participatory and inclusive processes to land registration.

F. Environment (including Safeguards)

69. **The AF project has been classified as environmental Category C.** The project consists of technical assistance activities as well as the provision and installation of IT equipment. It will not finance civil works and there will be no design or feasibility studies of future infrastructure. There are, therefore, no foreseen negative impacts on the physical environment and no environmental work is required. However, under Component 2, Subcomponent 2.2, the following activities will take into consideration national environmental laws (for example, sectoral guidelines) as well as the principles of environmental sustainability promoted by the World Bank: (a) training of staff at the MPEM and the Mauritanian Geological Agency (*Office Mauritanien de Recherches Géologiques*, OMRG) in geological data analysis and modeling and (b) promotion of investments in the mining sector. For investment promotion in the mining sector, the project continues to support the Mines Inspection and Control System which monitors operations and reports on measures and policies to safeguard the environment and local populations. The overall environmental safeguards risk rating is Low.

G. Other Safeguard Policies (if applicable)

70. No additional safeguard policies are triggered by this operation.

VI. WORLD BANK GRIEVANCE REDRESS

Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>. For information on how to submit complaints to the World Bank Inspection Panel, please visit



www.inspectionpanel.org

VII. SUMMARY TABLE OF CHANGES

	Changed	Not Changed
Change in Project's Development Objectives	✓	
Change in Results Framework	✓	
Change in Components and Cost	✓	
Change in Loan Closing Date(s)	✓	
Reallocation between Disbursement Categories	✓	
Change in Disbursements Arrangements	✓	
Change in Legal Covenants	✓	
Change in Procurement	✓	
Change in Implementing Agency		✓
Cancellations Proposed		✓
Change in Safeguard Policies Triggered		✓
Change of EA category		✓
Change in Financial Management		✓
Change in APA Reliance		✓
Other Change(s)		✓

VIII. DETAILED CHANGE(S)

PROJECT DEVELOPMENT OBJECTIVE

Current PDO

The Project Development Objective (PDO) is to improve monitoring and transparency of selected government entities and the administration of property and mining taxation.



Proposed New PDO

The revised Project Development Objective (PDO) is to enhance transparency and improve the mobilization, allocation and management of public resources

RESULTS FRAMEWORK

Project Development Objective Indicators

Improved public access to fiscal information Unit of Measure: Number Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	3.00	3.00	6.00	New
Date	31-Dec-2014	20-Apr-2018	31-Dec-2022	
Transmission of the budget execution bill (Projet de loi de reglement) for the preceding year to the Court of Accounts within the mandated timeframe Unit of Measure: Text Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	After 31 December N+1	On or before 31 December	On or before 31 December	New
Date	30-Jun-2016	20-Apr-2018	31-Dec-2022	
Public disclosure of annual consolidated reports on the financial performance and fiscal risks of public corporations (entreprises publics et établissements publics) issued by the DTF Unit of Measure: Number Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	1.00	6.00	Revised
Date	30-Nov-2015	03-Nov-2017	31-Dec-2022	
Alignment between Medium-Term Expenditure Framework estimates and Annual Budget estimates in two selected sectors Unit of Measure: Text Indicator Type: Custom				



	Baseline	Actual (Current)	End Target	Action
Value	No alignment	No alignment	0.05	New
Date	20-Apr-2018	30-Apr-2018	31-Dec-2022	
Urban land parcels with use or ownership rights recorded in a land information system (gender disaggregated) Unit of Measure: Number Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	35,000.00	35,000.00	75,000.00	New
Date	20-Apr-2018	20-Apr-2018	31-Dec-2022	
Mine companies subjected to tax audits Unit of Measure: Percentage Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	61.00	71.00	71.00	Revised
Date	30-Mar-2018	20-Apr-2018	31-Dec-2022	
Coverage of internal audits in Ministry Education Unit of Measure: Text Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.10	--	0.02	Marked for Deletion
Date	30-Nov-2015	04-Nov-2016	30-Jun-2020	
Number of properties on which fees and taxes are being levied (Number) Unit of Measure: Text Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	3,000.00	3,241.00	0.20	Marked for Deletion
Date	30-Nov-2015	03-Nov-2017	30-Jun-2020	

Intermediate Indicators

Core Budget and Treasury Accounting Management Information Systems upgraded, integrated and interfaced



with other principal financial management information systems Unit of Measure: Yes/No Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	No	No	Yes	Revised
Date	30-Jun-2016	20-Apr-2018	31-Dec-2021	
Performance agreements elaborated, signed between the State and SOEs and monitored. Unit of Measure: Number Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	2.00	Revised
Date	30-Nov-2015	20-Apr-2018	30-Dec-2022	
Share of Procurement Committee Leads (Personnes Responsables des Marches publics - PRMPs) certified through procurement certification scheme (Percentage) Unit of Measure: Percentage Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	40.00	Revised
Date	30-Nov-2015	20-Apr-2018	30-Dec-2022	
Mining sector tax audits are conducted in accordance with a risk-based annual action plan Unit of Measure: Percentage Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	0.80	New
Date	30-Mar-2018		30-Jun-2020	
Qualified statisticians employed by the National Statistics System Unit of Measure: Number Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	15.00	15.00	25.00	New
Date	20-Apr-2018	20-Apr-2018	01-Jul-2021	



User satisfaction on availability of publicly accessible budget information Unit of Measure: Percentage Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	25.00	25.00	50.00	Revised
Date	30-Apr-2018	30-Apr-2018	28-Apr-2023	
Share of auditors certified according to new certification scheme Unit of Measure: Percentage Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	50.00	Marked for Deletion
Date	30-Nov-2015	03-Nov-2017	30-Jun-2020	
Audits related to Base Erosion and Profit Shifting by DGI Unit of Measure: Text Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	None	None	Transfer pricing audit/verification	Marked for Deletion
Date	30-Nov-2015	03-Nov-2017	30-Jun-2020	
Formal properties titled/registered in pilot areas Unit of Measure: Number Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	4,000.00	Marked for Deletion
Date	30-Nov-2015	03-Nov-2017	30-Jun-2020	
Percentage of Mineral Exploration Permits which are submitted for approval to the Council of Ministers within 75 days Unit of Measure: Text Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	TBA	0.80	Marked for Deletion



Date	30-Nov-2015	03-Nov-2017	30-Jun-2020
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COMPONENTS

Current Component Name	Current Cost (US\$, millions)	Action	Proposed Component Name	Proposed Cost (US\$, millions)
Improving Transparency and Control in Public Resource Management	5,200,000.00	Revised	Enhancing Transparency and Efficiency in Public Resource Management	10,700,000.00
Strengthening the Administration of Property Registration and Taxation and Mining Taxation	4,700,000.00	Revised	Strengthening the administration of land registration and mining taxation	9,500,000.00
Project Management	1,700,000.00	Revised	Project Management	3,550,000.00
	0.00	New	Strengthening national statistical capacity, medium-term programming and annual budget processes	3,250,000.00
TOTAL	11,600,000.00			27,000,000.00

LOAN CLOSING DATE(S)

Ln/Cr/Tf	Status	Original Closing	Current Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
IDA-D1030	Effective	15-Feb-2020	15-Feb-2020	31-Dec-2022	30-Apr-2023

REALLOCATION BETWEEN DISBURSEMENT CATEGORIES

Current Allocation	Actuals + Committed	Proposed Allocation	Financing % (Type Total)	
			Current	Proposed

IDA-D1030-001 | Currency: XDR

iLap Category Sequence No: 1 Current Expenditure Category: GOOD, NCS, CONSULT, OP COST, TR

6,000,000.00	1,865,510.70	6,000,000.00	100.00	100.00
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iLap Category Sequence No: 2		Current Expenditure Category: GD/NCS/CS/OP COST/TR PART 1(3)(i)		
550,000.00	0.00	550,000.00	100.00	100.00
iLap Category Sequence No: 3		Current Expenditure Category: PPF REFINANCING		
950,000.00	484,040.30	950,000.00		
Total	7,500,000.00	2,349,551.00	7,500,000.00	

DISBURSEMENT ARRANGEMENTS

Change in Disbursement Arrangements
Yes

Expected Disbursements (in US\$, millions)

Fiscal Year	2016	2017	2018	2019	2020	2021	2022	2023
Annual	0.04	0.54	0.83	1.17	2.71	2.79	3.40	3.03
Cumulative	0.04	0.57	1.41	2.58	5.28	8.07	11.47	14.50

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Latest ISR Rating	Current Rating
Political and Governance	● Substantial	● Substantial
Macroeconomic	● Moderate	● Moderate
Sector Strategies and Policies	● Substantial	● Substantial
Technical Design of Project or Program	● Moderate	● Substantial
Institutional Capacity for Implementation and Sustainability	● High	● Substantial
Fiduciary	● Moderate	● Moderate
Environment and Social	● Low	● Moderate
Stakeholders	● Moderate	● Substantial
Other	● Low	● Moderate
Overall	● Substantial	● Substantial

**LEGAL COVENANTS – Mauritania Public Sector Governance Project (P146804)**

Loan/Credit/TF	Description	Status	Action
IDA-D1030	Finance Agreement :FM Software Description :The Recipient shall, within six (6) months of the Effective Date, install and at all times during Project implementation maintain, a financial management software for the Project Implementation Unit (PIU) within the Ministry of Economy and Finance (MEF). Due Date :01-Dec-2016	After delay complied with	No Change
IDA-D1030	Finance Agreement :Internal Audit Review Description :The Recipient shall, within six (6) months of the Effectiveness Date, carry out an in-depth review of the internal audit function of the Ministry of Economy and Finance (MEF). Due Date :01-Dec-2016	Expected soon	No Change
IDA-D1030	Finance Agreement :Project Steering Committee Description :The Recipient shall, within one month of the Effective Date, establish, and thereafter maintain a steering committee with a mandate, composition and resources acceptable to the Association for the purpose of providing strategic guidance and oversight of the Project (Project Steering Committee). Due Date :01-Aug-2016	After delay complied with	No Change
IDA-D1030	Finance Agreement :Separate Treasury Account Description :Open a separate treasury account or an account in a commercial bank acceptable to the Association (Project Account) and maintain said account open for a period of not less than eight (8) months after the implementation of the project, for the exclusive purpose of depositing funds provided by the Recipient for the financing of the Project (“Counterpart Funding”). Due Date :01-Sep-2016	Complied with	No Change
IDA-D1030	Finance Agreement :Deposit to the	After delay	No Change



	Project Account Description :The Recipient shall, not later than two (2) months after the Effective Date, deposit the sum of three hundred and twenty five thousand United States Dollars (US\$325,000) equivalent in the Project Account. Due Date :01-Sep-2016	complied with	
IDA-D1030	Finance Agreement :Deposit to the Project Account Description :The Recipient shall thereafter, not later than September 1 in each of the remaining three years of Project implementation, deposit the sum of three hundred and twenty five thousand (US\$325,000) equivalent in the Project Account. Frequency :Yearly	Partially complied with	No Change
IDA-D1030	The Recipient shall maintain a Project implementation unit (PIU) within the MEF, until the completion of the Project, with personnel, funding and terms of reference acceptable to the Association, to be responsible for: overall financial management, technical coordination, and support for implementation of activities under the Project according to the terms outlined in the Project Manual.	Not yet due	New

LEGAL COVENANTS – Mauritania Public Sector Governance Project Additional Financing (P165501)

Sections and Description

Financing Agreement: Section IA Institutional Arrangements. Description: The Recipient shall establish and maintain a Technical Advisory Committee, until the completion of the Project, with a mandate, composition and resources acceptable to the Association, to facilitate regular monitoring of progress towards Project results in order to enable certain adjustments to Project implementation modalities to be made, as needed.

Financing Agreement: Section IC Project Manual. Description:The Recipient shall, no later than three (3) months after the Effective Date, update the Project Manual, in form and substance satisfactory to the Association.

Financing Agreement: Section IB Counterpart Funding. Description:The Recipient shall: (a) designate an amount up to 900,000 Dollars over the life of the Project for Parts C and D of the Project; (b) designate the amount representing the Recipient’s counterpart contribution for said Parts of the Project in the annual national budget consistent with the AWP&B; and (c) ensure that such designated amounts shall be used exclusively for the purposes of defraying the cost of expenditures incurred for the execution of the Project, and not otherwise financed out of the proceeds of the Financing.



Conditions



VIII. RESULTS FRAMEWORK AND MONITORING

Results Framework
COUNTRY : Mauritania
Mauritania Public Sector Governance Project Additional Financing

Project Development Objectives

The revised Project Development Objective (PDO) is to enhance transparency and improve the mobilization, allocation and management of public resources

Project Development Objective Indicators

Action	Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source / Methodology	Responsibility for Data Collection
New	Name: Improved public access to fiscal information		Number	3.00	6.00	Annual	Baseline: 2014 PEFA (updated for 2018 PEFA) Government websites on public finance cross-checked against PEFA yearly self-	MEF



							evaluation; 2022 PEFA	
Description: Number of fiscal information elements publicly available in the required timeframe (as defined by the PEFA 2016 methodology).								
New	Name: Transmission of the budget execution bill (Projet de loi de reglement) for the preceding year to the Court of Accounts within the mandated timeframe	Text	After 31 December N+1	On or before 31 December	Annual		Letter of transmission from Treasury to the President of the Court of Accounts	MEF
Description: Draft budget execution law for year N must be submitted no later than 31 December N+1								
Revised	Name: Public disclosure of annual consolidated reports on the financial performance and fiscal risks of public corporations (entreprises publics et établissements publics) issued by the DTF	Number	0.00	6.00	Annual		Annual Budget Law; DTF Website	DTF



Description: Annual consolidated reports on public corporations (Societes nationales, EPAs et EPICs) published on the DTF website and annexed to the budget proposal. Salient features of the SOE Annual reports include a complete overview of SOE net performance during the previous year, include net profit/loss, dividends paid, subsidies received, taxes paid, arrears and outstanding debt including contingent liabilities. Reports should be issued no later than one year after the period reported on.

New	Name: Alignment between Medium-Term Expenditure Framework estimates and Annual Budget estimates in two selected sectors	Text	No alignment	0.05	Annual	Sectoral MTEF; Budget Law; report by MEF	MEF
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Description: Indicator measures the difference between budget estimates outlined in selected sectoral MTEFs and annual budget.

New	Name: Urban land parcels with use or ownership rights recorded in a land information system (gender disaggregated)	Number	35,000.00	75,000.00	Annual	Land information system	DGDPE
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Description: Number of properties for which a formal tenure title (intermediate or definitive) has been issued and is incorporated into a land database.

Revised	Name: Mine companies subjected to tax audits	Percentage	61.00	71.00	Annual	Direction des Grandes Entreprises (DGE)	DGI
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Description: Measured by the percentage of mining companies (operators and their exclusive sub-contractors) which are subjected to tax audits during the year as a share of active mining companies covered by the department of large taxpayers in the same year).



Intermediate Results Indicators

Action	Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source / Methodology	Responsibility for Data Collection
Revised	Name: Core Budget and Treasury Accounting Management Information Systems upgraded, integrated and interfaced with other principal financial management information systems		Yes/No	No	Yes	Annual from 2020	Independent technical verification audit	MEF
Description: Independent technical verification of audit of the functionality of software applications and system								
Revised	Name: Performance agreements elaborated, signed between the State and SOEs and monitored.		Number	0.00	2.00	Annual	Performance contracts; annual DTF/line ministry evaluation report	DTF
Description: Features of the performance agreements would include targets on operational performance, financial sustainability, enhanced autonomy, levels of competitiveness, transparency, accountability and efficiency, management and board remuneration – in line with good international practice and standard corporate indicators.								
Revised	Name: Share of Procurement Committee Leads (Personnes		Percentage	0.00	40.00	Annual	Annual ARMP report	ARMP



	Responsables des Marchés publics - PRMPs) certified through procurement certification scheme (Percentage)							
Description: Indicator measures proportion of certified leads (PRMPs) over total number of procurement committee leads for sectoral and EPA procurement committees (CPMP) (197)								
No Change	Name: Tax census in 3 largest cities (properties and businesses)		Text	None	Rosso	DGI	DGI	Annually
Description: Measuring the increased amount of fiscal data on businesses (turnover, staff, plants/equipment etc) and properties (size, value, use) in the three main cities through tax census. The first year will be used to prepare the methodology								
New	Name: Mining sector tax audits are conducted in accordance with a risk-based annual action plan		Percentage	0.00	0.80	Annual	Direction des Grandes Entreprises (DGE)	DGE
Description:								
No Change	Name: Geological database system accessible to the public on-site and on-line		Text	No	Registry and geo-data are on-line	MPEM	MPEM website	Annually
Description: This indicator verifies if (i) a modernized mining registry system is consistent with the updated legislation; (ii) basic license information is accessible to the public; (iii) geo-science data is clearly recorded and accessible in electronic format								



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New	Name: Qualified statisticians employed by the National Statistics System		Number	15.00	25.00	Annual from 2020	ONS data	ONS
Description: Increase in the number of qualified statisticians (associate diploma or above) to personnel employed by the National Statistical System								
Revised	Name: User satisfaction on availability of publicly accessible budget information		Percentage	25.00	50.00	Bi-annual	Bi-annual survey	DGERSE
Description: Aggregate response of users based on bi-annual survey								



Target Values

Project Development Objective Indicators

Action	Indicator Name	Baseline	YR1	YR2	YR3	YR4	YR5	YR6	End Target
New	Improved public access to fiscal information	3.00	3.00	3.00	3.00	4.00	4.00	6.00	6.00
New	Transmission of the budget execution bill (Projet de loi de reglement) for the preceding year to the Court of Accounts within the mandated timeframe	After 31 December N+1	After 31 December	After 31 December	On or before 31 December	On or before 31 December	On or before 31 December	On or before 31 December	On or before 31 December
Revised	Public disclosure of annual consolidated reports on the financial performance and fiscal risks of public corporations (entreprises publics et établissements publics) issued by the DTF	0.00	0.00	1.00	1.00	4.00	5.00	6.00	6.00
New	Alignment between Medium-Term Expenditure Framework estimates and Annual Budget estimates in two	No alignment	No alignment	No alignment	No alignment	No more than 15% percent divergence in	No more than 10% percent divergence in previsions	No more than 5% percent divergence in	0.05



	selected sectors						previsions		previsions	
New	Urban land parcels with use or ownership rights recorded in a land information system (gender disaggregated)	35,000.00	35,000.00	35,000.00	35,000.00		40,000.00	50,000.00	75,000.00	75,000.00
Revised	Mine companies subjected to tax audits	61.00		63.00	65.00		67.00	67.00	67.00	71.00

Intermediate Results Indicators

Action	Indicator Name	Baseline	YR1	YR2	YR3	YR4	YR5	YR6	YR7	YR8	YR9	End Target
Revised	Core Budget and Treasury Accounting Management Information Systems upgraded, integrated and interfaced with other principal financial management information systems	No	N	N	N	N	N	Y	Y			Y
Revised	Performance agreements	0.00	0.00	0.00	0.00	1.00	1.00	2.00	2.00			2.00



	elaborated, signed between the State and SOEs and monitored.											
Revised	Share of Procurement Committee Leads (Personnes Responsables des Marches publics - PRMPs) certified through procurement certification scheme (Percentage)	0.00	0.00	0.00	0.00	20.00	30.00	40.00	40.00			40.00
No Change	Tax census in 3 largest cities (properties and businesses)	None	Prepare methodology	Nouakchott	Nouadhibou							Rosso
New	Mining sector tax audits are conducted in accordance with a risk-based annual action plan	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.60	0.70	0.80	0.80
No Change	Geological database system accessible to the public on-site	No	No	Registry is on-line	Registry and geo-data are							Registry and geo-data are



	and on-line				on-line							on-line
New	Qualified statisticians employed by the National Statistics System	15.00	15.00	15.00	15.00	20.00	25.00	25.00	25.00			25.00
Revised	User satisfaction on availability of publicly accessible budget information	25.00			25.00		35.00		50.00			50.00



ANNEX 1: DETAILED DESCRIPTION OF PROJECT ACTIVITIES

1. **Component 1: Improving Transparency and Control in Public Resource Management (SDR10.1 - US\$10.7 million equivalent, including, US\$5.55 million AF):** The component will be renamed 'Enhancing Transparency and Efficiency in Public Resource Management'. The objective of this component is to support the authorities' efforts to enhance the transparent and efficient use of public resources through an updated and more integrated GFMS, increased monitoring and oversight of SOEs and AGAs and a more efficient public procurement system.

2. **Subcomponent 1.1 Enhancing the Transparent Management of, and Reporting on Public Resources** will be renamed 'Enhancing the systems for transparent public financial management and reporting' (US\$7.4 million, including US\$5.5 million AF). The objective of this subcomponent will remain unchanged and will seek to enhance the functionality, upgrading, and further integration of the various GFMS in Mauritania to improve monitoring, control, and reporting on budget execution and to facilitate access to more accurate and up-to-date fiscal data. On the basis of the functional review of the existing government PFM information systems and the elaboration of a GFMS strategy, which are being supported by the parent project, the AF will focus on the following activities (which may be adjusted based on the conclusions of the strategy:

- (a) Technical assistance for an in-depth assessment of current GFMS and the development of a GFMS integration master plan.
- (b) Upgrading the existing system for budget preparation and execution to support the Government as it transitions to program-based budgeting following the enactment of the Organic Finance Law in 2018.
- (c) Introducing a modernized accounting system in the Treasury department to replace the existing system and to support the implementation of accounting standards and improve cash management and fiscal and financial reporting.
- (d) Interfacing of the budget and accounting systems, as well as interfacing with other selected PFM systems (Revenue Systems, ASYCUDA++, Tax Administration, HR/Payroll and Pensions, Central Bank payment system).
- (e) Support to the Court of Accounts to enhance external controls over budget execution.
- (f) Support to improve public investment management selection and execution processes.

3. **The Remaining resources from the original subcomponent will be re-allocated to complement the AF and activities that have yet to be implemented under the parent project will be dropped.** The specific activities to be financed are as follows:

- Technical assistance to develop TORs and bidding documentation for system improvements;



- A services contract to conduct an in-house technical and functional update and consolidation of budget preparation and execution modules. To reduce the Government's reliance on external operators, the contract will require the operator to relinquish ownership of the source codes;
- A turn-key services contract for the acquisition and implementation of a new Treasury system (for accounting and cash management) as well as its interfacing with other applications including the services of the implementation partner, establishment of a primary data center, communication and change management support, training of technical and functional specialists and systems end-users and hardware (computers, printers, networks and accessories and their maintenance over two years).
- A quality assurance consultancy firm to strengthen the due diligence capacity of the Government's technical and functional staff to verify the 'delivered' related to the 'deliverables' of the implementation partner.
- A training program and logistical support for the Court of Accounts in controlling budget execution.
- Training in Public Investment Management processes.

4. **The existing Government GFMS governance structure will be reinforced** to include the DGERSE, as well as PFM focal points from each of the directorates of the MEF. Several other development agencies are involved in supporting various IT systems (including the AfDB: Central Bank payment system; EU: temporary upgrading of Beit Al Mal to facilitate business continuity before the system is replaced; GIZ: local government financing systems). The AF has been developed in close coordination with these partners. To facilitate continued coordination and ensure complementarities and effective alignment in the timing of respective donor-financed deliverables, a World Bank-Executed Trust Fund financed by the EU is currently under preparation.

5. **Subcomponent 1.2 Increasing Monitoring of SOEs and Autonomous Agencies (US\$1.9 million in re-allocated funds from the parent project)**. The objective of this subcomponent will be modified to target the improved performance and accountability of SOEs and AGAs through stronger monitoring and internal and external oversight. Remaining resources originally allocated to subcomponent 1.3 for improving accounting and auditing standards and internal and external oversight will be re-allocated to this subcomponent. The activities under subcomponent 1.3 of the parent project will be modified to focus support for internal and external controls and the application of international auditing and accounting standards in the parastatal sector. Re-allocated resources from the parent project will support the following activities:

- The development of a platform for the consolidation and sharing of financial data and information on the parastatal sector between the DTF, IGE and the Court of Accounts to enhance consolidated reporting by the DTF and improve internal and external control functions



- Technical assistance to the DTF for (a) the production of quarterly fiscal risk reports; (b) the production of annual consolidated financial reports on the parastatal sector; (c) a payroll audit of Administrative Public Agencies (EPAs); (d) the standardization of annual reporting by EPAs; (e) the elaboration, monitoring and evaluation of two performance contracts; and (f) the implementation of the recently adopted decree on the delegation of authority to AGAs for the execution of public investment contracts
- Technical assistance to support the DTF and the national accounting body to (a) adopt, disseminate and promote International Standards on Auditing and the Code of Ethics of the International Federation of Accountants (IFAC), and (b) move toward IFAC compliance in the auditing of EPAs and AGAs through the establishment of audit quality review schemes
- Training of the IGE and Court of Accounts to support the production of targeted reports on corporate governance and other relevant thematic studies related to the parastatal sector
- Logistical support to enable the DTF to manage and disseminate information on-line and conduct site visits.

6. ***(Dropped) Subcomponent 1.3: Improving Accounting and Auditing Standards and Internal and External Oversight (US\$0.47 already disbursed)***. This component will be dropped and resources re-allocated to Subcomponent 1.2 as indicated above. This component originally envisaged an array of activities to support internal and external controls and to enhance auditing and accounting standards. Limited implementation progress under the parent project reflected both over- ambitious reform objectives and limited government engagement for reform. Given this, the remaining resources from the subcomponent that have not already been disbursed will be reallocated to subcomponent 1.2 of the AF. Activities originally envisaged under the subcomponent will be modified to focus on the application of international auditing and accounting standards in the parastatal sector and strengthened internal and external controls over SOEs and AGAs. Certain activities related to the creation of a single registry of company accounts and support to sectoral internal inspectorates (health and education) will be dropped due to the limited momentum for reform.

7. ***Sub-Component 1.4: Enhancing the Public Procurement System (US\$0.93 million in relocated funds from parent project)***. The subcomponent will be renumbered as Subcomponent 1.3. Based upon the significant regulatory reforms that were initiated by the parent project and that were enacted in 2017, remaining resources for this subcomponent will be allocated to further support the ARMP in implementing the new organizational and institutional arrangements introduced and piloting a certification program. The seven framework contracts originally envisaged under the project will be dropped due to broader implementation challenges that could not feasibly be tackled through the project. The activities included in the proposed AF are as follows:

- Elaboration and dissemination of practical tools for the implementation of the procurement reform
- Study on the application of procurement management norms



- Elaboration of standardized technical specifications for high frequency contracts (construction of school and health clinic facilities and so on)
- Recruitment of an independent international firm to define certification criteria and issue procurement certifications.
- Extension of professional and in-service training programs
- Introduction of a complaints handling/whistleblower mechanism
- Capacity building for procurement system users (private sector operators)

8. Component 2 - Strengthening the Administration of Land Registration and Taxation and Mining Taxation (SDR6.6 - US\$9.50 million equivalent, including US\$4.8 million AF): The component will be renamed to *'Strengthening the administration of land registration and mining taxation'*. The objective of this component is to support the authority's efforts to broaden the tax base and enhance the effectiveness of the tax administration in the mining sector to create a more predictable and stable source of revenue for the state, while creating the foundational institutional arrangements needed to manage land registration, as a precursor to enhancing the mobilization of property taxes. The four subcomponents included in the parent project will be consolidated into two subcomponents.

9. (Modified) Subcomponent 2.1 Strengthening the Administration of Land Registration: (US\$5.10 million, including US\$4.15 million AF): This restructured subcomponent will consolidate the support originally envisaged under components 2.1 and 2.2 of the parent project. The subcomponent will focus on (a) building the foundations for managing land registration and property tax administration through the progressive development of a consolidated and updated land information system; and (b) piloting tenure arrangements and property rights registration operations in selected rural and urban areas. The activities under the parent project will be retained and AF will be directed to the effective implementation of pilot land registration pilots, in Nouakchott and Zouerat, in the Senegal River Valley and in an oasis in the north. Specific activities supported by the proposed AF are as follows:

- Logistical support and equipment for the management and updating of the land information system by the DGDPE.
- Capacity building of DGDPE personnel on registration, surveying, titling, and so on.
- **Pilot operations in urban areas.** A property rights registration operation will be conducted with the aim of issuing 40,000 official land documents in 16 neighborhoods of Nouakchott and Zouerat through an updated land information system. The AF will also provide the support to the DGDPE to monitor the recording of subsequent land transactions.
- **Pilot operations in rural areas.** These pilots will be conducted in 3 locations that are representative of the socio-cultural diversity in Mauritania (two in the Senegal River Valley and one in an oasis in the Atar region). Support for the pilots will include (i) a systematic mapping of customary land use rights and of formal property rights; (ii) the development of



a local land use and allocation mapping and (iii) the establishment of participatory land charts.

- Support to the COTREF and the DGDPE for the supervision of the pilot operations and any related dissemination activities and for the preparation of a Land Training Master Plan.

10. The implementation arrangements of the land activities will be predominantly outsourced through one tender process to a qualified service provider that will provide the technical assistance needed to support the COTREF's existing Operational Unit (*Cellule d'Appui Opérationnel de la COTREF*) in implementing the pilot operations and to strengthen the capacities of the DGDPE. A separate tender process will be initiated for the recruitment of a firm to provide policy and monitoring and evaluation support to the COTREF.

11. **(Modified) Subcomponent 2.2: Broadening the tax base and strengthening fiscal management in the mining sector (US\$2.16 million, including US\$0.65 million AF):** This restructured subcomponent will consolidate the support envisaged under components 2.1, 2.2 and 2.3 of the parent project with respect to the mining sector. The subcomponent will continue to focus on (i) expanding the tax base through the modernization of a transparent mining register and geo-science database, mining sector investment promotion and support to the DMG and the DGI in the areas of mineral tax policy formulation and contract negotiations and (ii) strengthening fiscal management in the mining sector. Using the remaining resources from the parent project and additional financing, the subcomponent will focus on the following two activities:

- (a) **Fiscal Management.** A dedicated technical assistance program to support fiscal management in the mining sector. The program has been designed on the basis of a recently commissioned analysis of fiscal audit capacity in the sector. The technical assistance will incorporate the following:
- The design of and operational support for a formal inter-ministerial coordination arrangement to establish effective technical coordination between the various ministerial departments and institutions involved in revenue collection (DGI, the General Customs Directorate, *Direction Générale des Douanes* (DGD), DMG, and so on). Support will be provided to design the institutional framework, formalize mandates and work plans, prepare tax administration manuals and procedures and establish doctrines for the interpretation of existing fiscal rules.
 - Legal expertise to consolidate existing analytical work regarding the modification of the fiscal regime and to support the drafting and revision of legal and regulatory texts (including the Mining Code) and mining agreement documents.
 - In coordination with other development partners working on the sector, the design and implementation of a capacity building program that will focus both upstream on the mining economy, principles of fiscal policymaking, financial modelling and negotiations of mining agreements, and downstream on accounting standards applicable to the sector and financial and fiscal audit practices of the various departments.



- An 18- month technical assistance operation to support the DGI in controlling transfer pricing in the sector.
- The provision of tools (hardware and software) and training to strengthen the DGI's capacity in the analysis of the accounts of mining companies.

- (b) ***Mining Registry and Geo-scientific data dissemination.*** To sustain the advances under the parent project in establishing a modern mining registry and consolidating and publishing geo-scientific data to promote new investments and manage existing investments, the proposed AF will support the DGM with additional technical assistance and capacity building to manage both the registry and the geo-scientific data portal.

12. ***Component 3: Project Management (SDR2.47 - US\$3.55 million equivalent, including US\$1.5 million AF)***: This component will provide project management support to the project implementation unit (PIU) to facilitate regular project evaluations, procurement and safeguard reviews and financial reporting and auditing in project implementation. Resources allocated to the component will be increased to reflect the expanded scope of activities under the AF; and the extended closing date and improvements to the project's institutional arrangements, including technical assistance for the quality control of large scale firm contracts.

13. ***(New Component) Component 4: Strengthening national statistical capacity, medium-term programming and annual budget processes (SDR2.46 - US\$3.25 million equivalent, including US\$2.7 million AF)*** The objectives of this new component are (a) to support the authorities in strengthening national statistical capacity and enhancing macro-economic and fiscal analysis as the basis for evidence-based policy making and programming; and (b) to strengthen the linkages between medium term programming and annual budgeting processes, in the lead up to the introduction of program-based budgeting. To facilitate the provision of continuous capacity building and technical expertise to the Ministry of Finance, the CMAP will play a central role in the implementation of this new component. The CMAP is a public independent agency that was created in 2001 under the tutelage of the Ministry of Finance. It has a longstanding track record in providing analytical expertise and capacity building to the Mauritanian administration. In close collaboration with the relevant government institutions, the CMAP will be responsible for coordinating project-financed support for technical assistance, capacity-building and logistics. A convention between the PCU and the CMAP will define the terms of engagement of the CMAP.

14. ***Subcomponent 4.1: Enhancing the capacity of the National Statistical System to produce timely and quality statistics (US\$2.60 million, of which US\$2.55 million AF)***: The AF will support the NSS in overcoming weak human resource capacity; organizational and coordination challenges; and shortcomings in the production of reliable selected national statistics. Financing will be directed to the following:

- (a) Increasing the proportion of professional staff mapped to the NSS (ONS and sectors) with formal degrees or on-the-job training in areas related to statistics. At present the ONS suffers from a dearth of qualified professionals and by the end of 2018, the remaining staff with an



associate diploma in statistics will have retired. The situation is even worse for sectors, with many departments having no statistician. The AF will support sending two cohorts of 20 statisticians to renowned regional statistics schools (Abidjan, Dakar, Rabat) to obtain associate diplomas in statistics, or, if considered feasible, to be trained at the University of Nouakchott. It will also build upon a soon-to-be-completed in-service training program supported by the Economic and Statistical Observatory for Sub-Saharan Africa (AFRISTAT) and the Africa Technical Assistance Centre (AFRITAC)), to expand the provision of training modules to staff at the ONS (in areas such as sampling techniques, survey design, poverty analysis with Stata, and the 2008 system of national accounts). For long term capacity building, the AF will support a study to evaluate the possibility to introduce a Masters Degree program in statistics at the University of Nouakchott. The study will assess the selection process of students, the curricula (including content and the hourly volume), the number and level of qualification of teachers, the teaching material available (computer equipment, software, internet access, and library), etc.

- (b) Technical assistance to revise the ONS decree and organizational chart to improve workflow efficiencies and to enable the ONS to attract and retain qualified statisticians by improving the conditions and career prospects for personnel. Technical assistance will also be provided to improve strategic planning through an overhaul of the texts organizing the CNS. The CNS last met in 2010 and has proved poorly placed to influence the coordination and strategic management of national statistics.
- (c) Technical assistance to support the ONS in revising the methodologies for the production of reliable statistics in selected areas. Support will be provided to (i) develop an electronic platform for the sharing of enterprise statistics between the Department of Taxation, DPAE and ONS; (ii) enhance coordination between the ONS, the Central Bank and Customs to resolve difference in external trade statistics through the creation of a tripartite external trade committee; (iii) develop and test a new methodology for a livestock census, particularly examining the possibility to merge the agricultural and livestock censuses; and (iv) support the authorities in putting in place and testing the new methodology envisaged for the next Household Survey, (which will be financed by the GoM in 2019) in line with the more recent international standards on poverty measurement and support an experiment to revise and calibrate the former poverty numbers. The AF will also build capacity in designing and conducting household surveys and conducting a poverty analysis.

15. **Subcomponent 4.2: Improving medium-term planning and budgeting (US\$0.4 million, including US\$0.1 million AF):** This subcomponent will strengthen the capacity of the Ministry of Finance to produce macro-economic estimates and analysis to enhance the reliability of budget planning. It will also seek to strengthen the relevance of the budget as the main policy tool for the implementation of public policy through activities to improve budget forecasting and planning, reinforce the elaboration of MTEFs in two selected sectors (agriculture and health) and strengthen the linkages between the global and selected sectoral MTEFs with the annual budget. The activities supported by the component are as follows:

- Training and technical assistance to the DPAE.



- Systems for macroeconomic modelling and fiscal simulation, including the introduction of customized BOOST modules for forecasting (baseline and various scenarios) and to support a more streamlined and efficient management of MTEFs at the sectoral level.
- Technical Assistance to support the elaboration of two sectoral MTEFs and the preparation of annual sectoral budgets.

16. The activities envisaged under this subcomponent will predominantly be supported by the CMAP, through a convention arrangement and project support for the recruitment of consultants to be managed by the CMAP.

17. ***Subcomponent 4.3: Enhancing access to statistical information (US\$0.3 million, including US\$0.1 AF)***: This subcomponent aims to develop a culture of transparency and informed engagement of citizens in public policy formulation and monitoring through the regular publication of budgetary information and national statistical data. The AF proposes to focus on (a) introducing a regulatory and policy framework to guarantee citizen access to selected economic, fiscal and financial information (this will be informed by an ongoing survey of state and non-state users of data), (b) on-line portals and open data bases for the dissemination of micro-data and budget information by the MEF, and (c) communication and outreach campaigns for information end-users. The CMAP will provide support to the DGERSE in implementing the activities under this subcomponent.



ANNEX 2: OVERVIEW OF COMPONENT FINANCING AND DISBURSEMENT STATUS

Project components	Original IDA Allocation (US\$ millions)	Original GoM Allocation (US\$ millions)	Additional IDA Financing (US\$ millions)	Additional GoM Financing (US\$ millions)	Total Financing (US\$ millions)	Committed, Disbursed or Planned in 2018 (US\$ millions)
Component 1: Enhancing Transparency and Efficiency in Public Resource Management	4.50	0.70	5.50	0	10.700	2.740
- Subcomponent 1.1: Enhancing the systems for transparent public financial management and reporting	1.70	0.40	5.50	0	7.450	1.100
- Subcomponent 1.2: Increasing Monitoring of SOEs and Autonomous Agencies.	1.08	0.10	0	0	1.903 (re-allocated from parent project)	0.680
- <i>(Dropped) Subcomponent 1.3: Auditing and Accounting Standards and Internal and External Oversight</i>	<i>1.15</i>	<i>0.10</i>	<i>0</i>	<i>0</i>	<i>0.470 (already disbursed)</i>	<i>0.470</i>
- Subcomponent 1.3: Enhancing the Public Procurement System	0.57	0.10	0	0	0.930 (re-allocated from parent project)	0.490
Component 2: Strengthening the Administration of Land Registration and Mining Taxation:	4.40	0.30	4.80	0	9.500	3.370
- [Revised] Subcomponent 2.1: Strengthening the Administration of Land Registration	0.80	0.05	4.15	0	5.090	0.660
- <i>[Merged] Subcomponent 2.2: National Cadastre</i>	<i>1.15</i>	<i>0.1</i>	<i>0</i>	<i>0</i>	<i>1.007 (already disbursed)</i>	<i>1.007</i>

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- [Revised] Subcomponent 2.3: Broadening the Tax Base and Strengthening Fiscal Management in the Mining Sector	1.20	0.05	0.65	0	2.167	0.472
- [Merged] Subcomponent 2.4: Enhancing Management of the Mineral Registry and Geoscientific Data	1.20	0.10	0	0	1.230 (already disbursed)	1.230
Component 3: Project Management	1.40	0.30	1.50	0.35	3.550	1.400
[New Component] Component 4: Strengthening national statistical capacity, medium-term programming and annual budget processes			2.70	0.55	3.250	0
- [New] Subcomponent 4.1: Enhancing the capacity of the National Statistical System to produce timely and quality statistics			2.50	0.05	2.550	
- Subcomponent 4.2 : Improving medium-term planning and budgeting			0.10	0.30	0.400	
- Subcomponent 4.3 : Enhancing access to financial information			0.10	0.20	0.300	
	Original IDA Allocation 10.30	Original GoM Allocation 1.30	Additional IDA Financing 14.50	Additional GoM Financing 0.90	PROJECT TOTAL 27	TOTAL COMMITTED, DISBURSED OR PLANNED FOR 2018 7.51



ANNEX 3: FINANCIAL MANAGEMENT AND AUDITING ARRANGEMENTS

Introduction

1. The project is designed as an AF to the ongoing Mauritania Public Sector Governance Project (P146804). The original PDO is to improve monitoring and transparency of selected government entities and the administration of property and mining taxation. The revised PDO is to enhance transparency and efficiency in the mobilization, allocation and management of public resources. The AF will support these objectives by (a) strengthening the institutional foundations to expand the tax base and increase revenue mobilization in the land and mining sectors; (b) reinforcing the alignment between evidence-based policies, medium term programming and annual budgeting of resource allocations; (c) enhancing the efficient management of public resources by strengthening the fiscal management of SOEs and autonomous agencies, reinforcing government PFM information systems and enhancing the public procurement system; and (d) facilitating improved public access to micro-data and fiscal information to enhance the transparent management of public resources.

FM Assessment

2. The FM implementation arrangements under the AF remains the same as those undertaken in support of the original financing.

3. The PIU of the parent financing will be in charge of the overall FM of the Project. The FM arrangements for the AF will be based on the existing arrangements in place under the ongoing project. The overall FM performance of the parent project was rated as Moderately Satisfactory further to the supervision undertaken on March 2018 and the FM risk was assessed as Moderate: (a) the accounting system operates satisfactorily, and staffing has remained adequate to handle additional activities; (b) the interim un-audited financial reports for the on-going project have been submitted with acceptable quality and (c) auditors have issued an unqualified opinion on the 2016 financial statements of the project. However, improvement points related to budget timely approval and monitoring, and internal control were identified: (a) the PIU should ensure a satisfactory budget monitoring and timely submission of annual work plan and budget, (b) internal auditor' report should be improved to strengthen the internal control.

4. **Conclusion of the FM assessment.** The overall conclusion of the assessment is that the overall FM risk rating for the AF is Moderate. The FM arrangements do meet IDA's minimum requirements under World Bank Policy and Directive for Investment Project Financing effective in 2017.

FINANCIAL MANAGEMENT AND DISBURSEMENTS ARRANGEMENTS

5. The following are the financial management arrangements for the project

- (a) **External audit.** The TOR of the parent project will be expanded to include the AF activities. Consolidated Audited Financial Statements (parentproject and AF) will be submitted to IDA within six months after year-end. The external auditor will issue an opinion on the audited project consolidated Financial Statements and in compliance with IFAC and a specific opinion



on additional activities will be required. The external auditors will prepare a Management Letter offering observations and comments, and providing recommendations for improvements in accounting records, systems, controls and compliance with the Financial Agreement.

- (b) **Internal control arrangements.** The existing manual of administrative financial and accounting procedures is adequate for AF activities. It clearly defines FM procedures, operations documentation and controls process. The PIU' internal auditor will be required to include the AF activities in his audit plan and to improve reports quality.
- (c) **Accounting arrangements.** The current accounting standards in use in Mauritania for ongoing World Bank-financed projects will be applicable. Project accounts will be maintained on an accrual basis, supported with appropriate records and procedures to track commitments and to safeguard assets. Consolidated financial statements will be prepared by the project. The PIU has an adequate computerized accounting system to take into account AF activities.
- (d) **Reporting and Monitoring.** The un-audited Interim Financial Report format of the ongoing project has been included in the AF. It will comprise sources and uses of funds according to project expenditures classification, a comparison of budgeted and actual project expenditures (commitments and disbursements) to date and for the quarter. The PIU will submit the financial reports to the World Bank within 45 days following the end of each calendar quarter. The PIU will produce the project's annual financial statements, which will include the AF and will comply with World Bank requirements.
- (e) **Budgeting arrangements.** The project will prepare and submit an annual budget based on agreed annual work program and annual Procurement Plan on time. Annual draft budgets will be submitted to the World Bank's non-objection before adoption and implementation no later than November 15 every year. The budget will be adopted by the Program Steering Committee before the beginning of the year and its execution will be monitored on a quarterly basis. The budgeting calendar, process and monitoring will be clearly defined in the Administrative and Accounting Manual of Procedures.

Disbursement Arrangements and Flow of Funds

- (a) **Disbursement arrangements.** Disbursement for the project will follow the existing disbursement arrangements for the parent Project. Disbursements under the parent Project are transactions-based. Direct Payment method will apply as appropriate.
- (b) **Banking Arrangements.** A segregated Designated Account (DA) for the project will be opened in the Central Bank of Mauritania and a Project Account in local currency will be opened in a commercial Bank in Nouakchott on terms and conditions acceptable to the World Bank. The DA will be used for all eligible expenditures financed by the credit and consistent with the specific terms and conditions of the Financing Agreement. The Disbursement and Financial Information Letter provides details of the disbursement



methods, required documentation, DA ceiling and minimum application size.

ANNEX 4: OVERVIEW OF DEVELOPMENT PARTNER SUPPORT

Axe	GoM PFM REFORM PLAN	Development Partners
1	RELIABLE AND EFFECTIVE BUDGETING PROCESSES BASED ON PUBLIC POLICIES	
1.1	Operationalise the Macro-economic framework	World Bank/ United Nations Development Program (UNDP) / French Development Agency
1.2	Introduction of Budget Programs	EU
1.3	Multi-year Budgeting	EU/World Bank/AfDB/UNDP
1.4	Legal and Regulatory Framework	EU/GIZ
2.	ENHANCED EXHAUSITIVITY AND TRANSPARENCY OF THE STATE BUDGET	
2.1	Improve the classification and contents of the Budget	UNDP
2.2	Decentralization and Local Finances	World Bank/GIZ
2.3	Improve the performance and monitoring of the SOE sector	World Bank
2.4	Communication and publication of fiscal information	EU/World Bank
3	REINFORCED REVENUE MOBILIZATION AND BUDGET PREDICTABILITY	
3.1	Mobilization of taxation	World Bank /EU/GIZ/IMF/French Development Agency
3.2	Mobilization of customs revenue	French Development Agency/IMF
3.3	Mobilization of property taxes and stamp duties	World Bank
3.4	Consolidation of Cash Management	EU/World Bank
3.5	Budgetary regulation and control commitments management	
3.6	External Debt and Mobilization of External Financing	World Bank/IMF
3.7	Procurement	World Bank/AfDB/GIZ/EU
4	IMPROVED QUALITY OF ACCOUNTING AND FINANCIAL REPORTING	
4.1.	Introduction of Asset Accounting	EU
4.2.	Improve accounting and reporting systems	EU/World Bank/UNDP/GIZ
5	ENHANCED INTERNAL AND EXTERNAL CONTROLS	
5.1	Internal Controls	
5.2	General Inspectorate of Finances	
5.3	General State Inspectorate	World Bank
5.4	Introduction of internal audits	
5.5	Court of Accounts	World Bank
5.6	Parliament	UNDP
6	GFMIS	
6.1	Integrated systems (including with Central Bank)	WB/EU/GIZ/AfDB
6.2	Training, monitoring, steering	EU/World Bank/UNDP



ANNEX 5 : PROJECT MANAGEMENT EXPENDITURES UNDER COMPONENT 3

	Monthly US\$	Annual US\$	Total US\$
PCU Consultants			
Project Coordinator	5,650	67,800	271,200
Project Adjoint Coordination	4,500	54,000	216,000
Procurement Specialist	2,350	28,200	112,800
Monitoring and Evaluation Specialist	2,350	28,200	112,800
RAF – Financial Officer	2,350	28,200	112,800
Accountant	1,500	18,000	72,000
Procurement Assistant	1,500	18,000	72,000
Assistant to the Project Coordinator	1,150	13,800	55,200
Assistant to the Financial Officer	1,000	12,000	48,000
Administrative Staff (3)	2,880	34,560	138,240
Annual audit costs		8,000	32,000
Subtotal			1,243,040
Operating Expenses			
Water / Electricity	300	3,600	14,400
Office Supplies	400	4,800	19,200
Fuel	150	1,800	7,200
Vehicle Insurance		100	400
Office Lease	1,300	15,600	62,400
Publication costs	200	2,400	9,600
Repairs	150	1,800	7,200
Maintenance and vehicle repairs	250	3,000	12,000
Communication	500	6,000	24,000
Maintenance of communication equipment	1,200	14,400	57,600
Other	1,000	12,000	48,000
Employer Contributions	250	3,000	12,000
Health insurance		20,000	80,000
Subtotal			354,000
Consultants / Convention with CEMAP for technical monitoring of the Project			350,000
Total			1,947,040