Combined Project Information Documents / Integrated Safeguards Datasheet (PID/ISDS)

Appraisal Stage | Date Prepared/Updated: 11-May-2018 | Report No: PIDISDSA24602

BASIC INFORMATION

A. Basic Project Data

Country	Project ID	Project Name	Parent Project ID (if any)
Mauritania	P165501	Mauritania Public Sector Governance Project Additional Financing	P146804
Parent Project Name	**Region**	**Estimated Appraisal Date**	**Estimated Board Date**
Mauritania Public Sector Governance Project	AFRICA	08-May-2018	25-Jun-2018
Practice Area (Lead)	**Financing Instrument**	**Borrower(s)**	**Implementing Agency**
Governance	Investment Project Financing	Ministry of Economy and Finance	Ministry of Economy and Finance

Proposed Development Objective(s) Parent

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

Proposed Development Objective(s) Additional Financing

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

Components

Enhancing Transparency and Efficiency in Public Resource Management
Strengthening the administration of land registration and mining taxation
Project Management
Strengthening national statistical capacity, medium-term programming and annual budget processes

PROJECT 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

Environmental Assessment Category

C-Not Required

Decision

The review did authorize the team to appraise and negotiate

B. Introduction and Context

Country Context

In an era of lower commodity prices and limited fiscal space, the Government of Mauritania faces growing pressure to reinforce public sector capacity to mobilize and manage public resources transparently, in furtherance of the country's development objectives. 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) and enabled 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 GDP growth increasing from 1.4 in 2015 to 2.0 percent in 2017, the recovery remains fragile. At the same time, social cohesion is precarious and could risk derailing progress made to date. Sustaining growth and poverty reduction, whilst 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.

Sectoral and Institutional Context

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

Mobilization of revenue

Upstream, notable efforts to reform tax policies and strengthen the tax administration are underway (IMF, 2017). 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 IMF to introduce a modern corporate income tax and efforts are underway to address inefficient and 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[1]. 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'Energie et des Mines*) and the Ministry of Economy and Finance (*Ministère de l'Economie 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. **Tax auditing of existing operators in the mining sector lacks inter-ministerial coordination, as well as experienced inspectors with sector knowledge.** A 2018 assessment of the audit capacity in the mining sector highlighted: (i) 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; (ii) the absence of an institutional framework for inter-ministerial and inter-departmental coordination at the operational, monitoring and auditing level; and (iii) limited capacity of the tax administration, customs officials, and staff at the Ministry of Mines to deal with sector specific issues and to conduct effective financial and tax audits. [2]

[1] Various comparative financial models show that the effective tax rate of around 30 percent of mining profits places Mauritania amongst the countries with the lowest rate in the continent.

[2] Capacity deficits specifically include: i) a lack of valuation capacity; (ii) limited knowledge of the mining economy, international accounting standards applicable to the sector, as well as specific procedures for monitoring and controlling operators; and (iii) 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 incomplete[3]. 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 the 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.

Allocation of Public Finances

With the advent of the 2018 Organic Finance Law, existing processes for medium term-programming (medium term-expenditure frameworks) and budgeting need to be reinforced. The new law, which is currently before parliament, 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:

c) **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 statistics[4] 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 defunct National Statistics Council (*Conseil National de Statistiques*, CNS); 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.

d) **Medium-term programming tools are not aligned with annual budget processes.** Although the government introduced global and sectoral medium-term expenditure frameworks (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 weak attempts to monitor and enforce alignment between medium term programming and annual budget processes.

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

[4] e.g. national accounts, prices indices, external trade, poverty and living condition, demographic and health statistics.

Management of Public Finances

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 government financial management information systems (GFMIS) 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:

e) **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.

f) **Weak control of the parastatal sector heightens fiscal risks**[5]. 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 Financiére,* 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.

g) **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 original 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.

The AF will address these critical bottlenecks to effective and transparent fiscal management by (i) expanding the tax base and strengthening revenue mobilization capacity in the mining sector; (ii) enhancing land

[5] 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 2011-13 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.

information management and titling processes as a precursor to improving property tax mobilization; (iii) reinforcing the alignment between evidence-based policies, medium term programming and annual budgeting of resource allocations; (iv) 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 (iv) facilitating improved public access to fiscal information to enhance the transparent management of public resources.

C. Proposed Development Objective(s)

Original PDO

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

Current PDO

The proposed revision to the PDO is to enhance transparency and improve the mobilization, allocation and management of public resources.

Key Results

1. Improved public access to fiscal information
2. Transmission of the budget execution bill to the Court of Accounts within the mandated timeframe
3. Public disclosure of annual consolidated reports on the financial performance and fiscal risks of public corporations issued by the DTF
4. Alignment of MTEF previsions with annual budget previsions in 2 selected sectors
5. Urban parcels with use or ownership rights recorded in a land information system (gender disaggregated)
6. Mining companies subjected to tax audits

D. Project Description

The AF will expand upon the scope of work initially envisaged in the original project by allocating additional resources in the following areas:

h) ***Strengthen the core budget and accounting modules of the Government's financial management information systems 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 (RACHAD) and accounting financial management information systems and supporting their interfacing with other selected systems (Customs, Tax, Local Government, Central Bank Payment System, 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 system for which financial resources are not available.

i) ***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 Component 2.2 of the original project. The inclusion of the three land registration pilots was retained in the original project notwithstanding (i) a significant reduction in the project financing during project preparation; and (ii) the absence of a detailed conception of the pilot operations, which impeded an accurate cost assessment. The National Land Reform Action Plan developed by 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.

j) ***Reinforce inter-ministerial coordination and tax audit capacity in the mining sector to optimize revenue mobilization.*** On the basis of 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.

k) ***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 International Monetary Fund (IMF) to (a) enhance the capacity of the National Statistical System to produce timely and quality statistics; (b) improve macro-economic forecasting capacity and strengthen the linkages between medium term programming and annual budgeting processes; and (c) increase access to statistical and fiscal information.

Restructuring: To reflect the expanded scope of work envisaged and rectify several shortcomings identified during the mid-term review, a restructuring of the original 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 31 December 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.

Component 1: 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 (i) an updated and more integrated GFMIS; (ii) increased monitoring and oversight of SOEs and AGAs; and (iii) a more efficient public procurement system.

Component 2 - Strengthening the Administration of Land Registration and Mining Taxation: The objectives of this component are to (i) 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 (ii) create the foundational institutional arrangements needed to manage land registration, as a precursor to enhancing the mobilization of property taxes. The four sub-components included in the original project will be consolidated into two sub-components.

Component 3- Project Management: 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, including the introduction of a new technical committee to facilitate regular results monitoring.

[New Component] Component 4 – Strengthening national statistical capacity, medium-term programming and annual budget processes: The objectives of this new component are (i) 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 (ii) 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.

E. Implementation

The implementation arrangements under the AF, including those for financial management 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 original project, some adjustments to the implementation arrangements will be made including:

a) The introduction of a technical advisory committee (TAC) attached to the Project Steering Committee. The TAC will be comprised of technical focal points in the project beneficiary institutions. The TAC will be responsible for overseeing the substantive quality of outputs financed by the AF and reviewing progress towards project results on a regular basis. A convention will be signed between the PCU and the CMAP, to facilitate the CMAP's engagement in leading this committee. The AF will support the provision of ad hoc specialist consultants to assist the TAC, where necessary.
b) The inclusion of the COTREF, the ONS, the DGERSE and the CMAP as a 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

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F. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)

The project will not finance any investment in physical structures or buildings. It is expected that hardware investments will focus on IT systems upgrades and development.

G. Environmental and Social Safeguards Specialists on the Team

Gernot Brodnig, Social Safeguards Specialist
Nicolas Kotschoubey, Environmental Safeguards Specialist

SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	No	
Performance Standards for Private Sector Activities OP/BP 4.03	No	
Natural Habitats OP/BP 4.04	No	
Forests OP/BP 4.36	No	
Pest Management OP 4.09	No	
Physical Cultural Resources OP/BP 4.11	No	
Indigenous Peoples OP/BP 4.10	No	
Involuntary Resettlement OP/BP 4.12	No	
Safety of Dams OP/BP 4.37	No	
Projects on International Waterways OP/BP 7.50	No	
Projects in Disputed Areas OP/BP 7.60	No	

KEY SAFEGUARD POLICY ISSUES AND THEIR MANAGEMENT

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:

The project consists of technical assistance activities. There will be no design or feasibilities studies of future infrastructure. Since the project does not have a physical footprint, there are no foreseen negative impacts on the physical and social environments. The social impacts of the project are expected to be positive as it will improve access to both information on public sector budgets and expenses, and provide opportunities for engaging with the authorities in the budget process. It also aims to improve public services through strengthened internal controls and through performance agreements with parastatal agencies, as measured by a public service perceptions survey.

To mitigate social risks during the preparation of the national cadaster, the project will emphasize participatory decision-making, beneficiary feedback mechanisms and entry points for citizen engagement. The beneficiary feedback will include specific grievance redress mechanisms, designed to support the piloting of the property register and national cadaster. A specialist agency will be contracted to help GoM manage stakeholder consultations and gather feedback from citizens during the preparation of the national cadaster.

Under component 2, sub-component 2.4, the following activities: (i) Training of staff at MPEM and the national geological agency (Office Mauritanien de Recherches Géologiques, OMRG) in geological data analysis and modeling, and (ii) Promotion of the mining sector, will take into consideration national environmental laws (e.g., sectorial guidelines) as well as the principles of environmental sustainability promoted by the World Bank. While the training of staff in geological analysis and modeling could include modules on environmental sustainability; the promotion of the mining sector should aim to bring awareness to sector-related environmental issues and to promote best practices for environmental sustainability.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:
Not applicable.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.
Not applicable.

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.
Not applicable.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.
Not applicable.

B. Disclosure Requirements (N.B. The sections below appear only if corresponding safeguard policy is triggered)

C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting) (N.B. The sections below appear only if corresponding safeguard policy is triggered)

CONTACT POINT

World Bank

Bronwyn Grieve
Sr Public Sector Mgmt. Spec.

El Hadramy Oubeid
Public Sector Specialist

Borrower/Client/Recipient

Ministry of Economy and Finance
Abass Sylla
Directeur Général des Investissements Publics et de la Coopé
aysylla@yahoo.fr

Implementing Agencies

Ministry of Economy and Finance
Samory Soueidatt
Project Coordinator
pgsp@pgsp.mr

FOR MORE INFORMATION CONTACT

The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 473-1000
Web: http://www.worldbank.org/projects

APPROVAL

Task Team Leader(s):	Bronwyn Grieve El Hadramy Oubeid

Approved By

Safeguards Advisor:	Maman-Sani Issa	10-May-2018
Practice Manager/Manager:	Alexandre Arrobbio	10-May-2018
Country Director:	Laurent Msellati	13-May-2018