



Project Information Document/ Identification/Concept Stage (PID)

Concept Stage | Date Prepared/Updated: 18-Dec-2017 | Report No: PIDC141897

**BASIC INFORMATION****A. Basic Project Data**

Project ID	Parent Project ID (if any)	Environmental Assessment Category	Project Name
P166307		C - Not Required	Mauritania Extractive Industries Transparency Initiative Consolidation Project
Region	Country	Date PID Prepared	Estimated Date of Approval
AFRICA	Mauritania	18-Dec-2017	
Financing Instrument	Borrower(s)	Implementing Agency	Initiation Note Review Decision
Investment Project Financing	Ministry of Economy and Finance	Mauritania EITI Committee	The review did authorize the preparation to continue

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Financing (in USD Million)**SUMMARY**

Total Project Cost	0.00
Total Financing	0.00
Financing Gap	0.00

DETAILS**B. Introduction and Context**

Country Context

Mauritania is a sparsely populated, arid, but resource-rich country, which geographically and culturally, straddles North Africa and Sub-Saharan Africa. The country consists largely of a desert, such that only 0.5 percent of the land is considered arable. Mauritania has a population of about 4.1 million people, and the density of 3.9 inhabitants per square kilometer makes it the fourth-least densely populated country in the whole of Africa. The national resource base is relatively narrow and the economy lacks diversification. Recent estimates put its mineral wealth at the top, accounting for 43 percent of total natural resource wealth,



followed by fisheries, and livestock-dominated by agro-pastoralism. According to some definitions, Mauritania ranks as the most resource-dependent economy in the world. For this reason, it was natural for Mauritania to be one of the early signatories to the EITI with publication of its first EITI report in 2007.

Mauritania has enjoyed robust economic growth over the last decade, registering an average annual growth rate of 5.5 percent from 2003 to 2015 (World Development Indicators), although this trend is being flattened due to the contraction of the commodity prices. Until 2014, the extractives industries were the engine of economic development, representing approximately 25 percent of gross domestic product (GDP), 82 percent of exports and 20-25 percent of fiscal revenues. During the 2009-2014 "commodity super-cycle", the value of mining exports doubled despite relatively stagnant production outputs. Solid minerals represent approximately 85 percent of the value from the extractives while petroleum production from the Chinguitti field makes up the remaining 15 percent. With the discovery of a number of off-shore gas and oil fields (most prominently the Greater Tortue-Ahmeyim, GTA), there are high expectations to increasing oil and gas revenues over the next five to 10 years.

Mauritania's Country Policy and Institutional Assessment (CPIA) scores in public sector management have improved, rising from 3.0 to 3.2 between 2008 and 2015 and marginally surpassing the sub-Saharan Africa average of 3.0 in 2015. Performance related to transparency, accountability and corruption is lacking behind at a level of 3.0 in 2015, although this represents an improvement from 2.5 only a few years earlier. However, according to the Worldwide Governance Indicators (WGI), perceptions with respect to all six dimensions of governance have stagnated or declined since 2006. Mauritania performed better than the regional average on many governance measures before 2006, but now lags behind the regional average on all WGI dimensions.

Mauritania ranks 142th among 176 countries on the 2016 Transparency International Corruption Perceptions Index, and the 2016 Global Competitiveness Index identifies corruption as the third most problematic factor for doing business in Mauritania. The Resource Governance Index evaluates the national governance structures to be failing at a score of 29 out of 100. The key weakness relates to revenue management due to weak budgeting processes and absence of sub-national revenue distribution. This places Mauritania 82 out of 89 resource-rich jurisdictions.

Overall, it can be concluded that Mauritania's governance performance over the past decade has been mixed with stagnating or deteriorating rankings across different surveys. These trends have been observed at a time when political stability has returned after a series of coups which occurred between 2005 and 2008, at the same time various observers indicate that the space for opposition has narrowed. This, in turn, has led to weaker demand for accountability.

Against this backdrop, Mauritania's continued commitment to EITI is of high strategic importance. On one hand, the importance of oil, gas and mineral industries is expected only to increase over the next five to 10 years with the development of the GTA fields and other off-shore fields. At the same time, governance and improved public financial management are recognized as fundamental preconditions for the national



development strategy (Strategie de Croissance Acceleree et la Prosperite Partagee, SCAPP) covering 2016 to 2030.

Sectoral and Institutional Context

Traditionally, iron ore has been the main commodity of the Mauritanian mining sector. The state-owned Société Nationale Industrielle et Minière (SNIM) commenced iron ore mining in the early 1960's and continues to be the dominant player in the industry. SNIM's annual production stands at around 15 million tons with sufficient reserves for more than 100 years at current production rates. SNIM enjoyed a virtual monopoly in the mining sector until the late 1990s when the Mining Law saw a comprehensive revision which attracted the interest of international mining companies. The more investor-friendly environment combined with a resumption of global commodity prices in early 2000s saw an influx of exploration companies which confirmed the presence of a wide range of minerals in Mauritania besides the well-known iron ore deposits. Currently, gold and copper extraction add to the iron ore exports. Further diversification of the industry can be expected in light of the increasing number of investors which have received exploration permits for a wide array of minerals, including phosphates, quartz, gold, iron ore and others. The number of active permits have more than doubled from less than 200 before 2010 to around 400 permits today.

At the same time, a new class of operators has emerged over the past three to four years since artisanal and small-scale (ASM) operators have rapidly increased the extraction of construction materials as well as alluvial and shallow gold deposits. It is inherently difficult to quantify the value of ASM outputs, but it is estimated that ASM gold mining alone employs some 10,000 workers with the same or higher numbers engaged in construction materials.

The discovery of a cluster of off-shore gas and oil fields straddling both sides of the border between Senegal and Mauritania has raised expectations of a more successful oil and gas production than what has been realized from the Chinguetti oil field. Chinguetti commenced operation in 2006 but reached peak production of 75,000 barrels per day for only a few months before declining to 1/10 of that capacity in 2008. Chinguetti is expected to close operations in 2018/19. On the other hand, on-going off-shore exploration activities continue to deliver positive results. The GTA complex is by far the most promising discovery, but if developed, this investment and its infrastructure could unlock other nearby fields which have weaker economics in their own right. Notwithstanding, a number of caveats need to be considered: (a) lead time for off-shore development would allow commercial operation in 2023 at the earliest, (b) discoveries are made at ultra-deepwater levels of up to 5,000 meters and will have high requirements of both finance and technical knowledge, and (c) the lack of a regional gas infrastructure adds to the complexity of development.

In summary, the continued diversification of the extractive industries in Mauritania amplifies the relevance of EITI so as to strengthen transparency and accountability of production, exports and government revenue management. Mauritania has already made great strides towards transparency in the extractive industries. In 2012, Mauritania was declared in compliance with the EITI requirement. However, with the introduction of the more rigorous EITI Standard in 2016, Mauritania took one step down from full compliance to "Meaningful



Progress” at the revalidation in early 2017. This means that the National EITI Committee has a deadline of September 8, 2018, to complete a total of 12 corrective actions. These actions relate to (a) the internal governance structure of the multi-stakeholder group (MSG), (b) Comprehensiveness and reliability of revenue collection, in particular related to State audit procedures, (c) disclosure of license and contract details, and (d) sub-national and quasi-fiscal expenditures.

Relationship to CPF

A Country Partnership Framework (CPF) for fiscal years 2019-22 is in the early stages of drafting, while the previous Country Partnership Strategy FY 2014-17 has been extended by one year. EITI is an explicit part of the current CPS under the Pillar 2: Economic Governance and Service Delivery with the objective of improving inter-ministerial coordination of fiscal management of the extractives revenue. It is also expected that the extractive industries will play an important role in the up-coming CPF. A Strategic Country Diagnostic (SCD) has already been completed in which the extractive industries has been allocated its own thematic note. The SCD summarizes the role of the extractives by recommending that *“Moving forward, the Government will need to focus on harnessing recent oil and gas discoveries and seizing the immediate and politically feasible opportunities to optimize extractive revenue generation”* (para 47). Moreover, *“The in-depth analysis of the preceding priority constraints identifies a panoply of targeted institutional and governance reforms, including those related to extractive revenue mobilization, that are critical to developing the foundations for an inclusive governance environment”* (para 84). Sustained EITI implementation will obviously be a critical part of extractive revenue management. Given the expanded role of the EITI 2016 Standards and the corrective actions related to permit and contract management which Mauritania must address in order to re-gain full EITI compliance, the proposed EITI support will also contribute to a more inclusive governance environment.

C. Project Development Objective(s)

Proposed Development Objective(s)

The Project Development Objective (PDO) is to support the National EITI Committee in making satisfactory progress of implementing the Extractive Industries Transparency Initiative. This will be achieved through support to administration of the national EITI Committee and automated publication of revenue data and sector statistics from the oil, gas and mining industries.

Key Results

Progress in achieving the PDO will be measured by the following key results indicators:

1. Satisfactory progress of Mauritania in EITI implementation;
2. Sustain or increase the percentage of sales and revenue declarations by private companies in the EITI reconciliation exercise;
3. Percentage of revenue declarations which are automatically published through the EITI websites;



4. Improved public perception of the EITI process and data disclosure;
5. Development of a long-term financial strategy for EITI implementation.

D. Preliminary Description

Activities/Components

The national EITI Committee has approved a Work Plan for the three years 2017 to 2019. It is expected that this three-year Work Plan will be updated in early 2018 in line with the existing structure. The Work Plan contains eight objectives which can be grouped under the following themes: (a) sustainable administration and capacity building of the national EITI process, (b) expansion of the scope of EITI reporting, (c) effective communication and awareness-building among stakeholders and the wider public. The proposed grant intends to support specific components under each of the three themes.

Automated reporting of production and revenue data will be an essential activity of the proposed grant. The EITI Committee intends to move from annual data compilation and reporting exercises to an automated reporting system by which operators and government representatives will generate automatic data logs of payment transfers. GIZ is already assessing the feasibility of developing a Data Warehouse and portal for compilation of essential revenue data and sector statistics. This activity is expected to require extensive technical assistance on the **input side** to re-engineer and consolidate existing declaration templates as well as the **output side** in terms of accessible web portal design and model reports. The outputs are expected to be (i) standardized EITI reporting templates as well as (ii) a “proto-type” EITI Reconciliation Report for 2018.

Strategic communication and awareness-raising will form the second pillar of the grant support. This component will cover various dimensions of communication including (i) **impact/perception surveys** to understand the impacts of EITI implementation to date in terms of increased awareness of the extractive industries among stakeholders from local community representatives to media and political representatives; (ii) **modernization of communication tool-kits** such as the EITI web-site, printed hand-outs as well as other audio-visual tools which can benefit the illiterate parts of the population; (iii) support to **information campaigns and outreach events** to ensure that report findings and sector debate are widely disseminated across the country, especially in communities which are affected by mining but isolated from urban centers.

EITI Secretariat business planning will be an important third grant component which is intended to address the challenge of the financial viability of the National EITI Committee and the EITI Secretariat even after the closure of the current grant financing. Consultancy services, in combination with self-assessments, will assess the long-term staffing needs and the resulting budget estimates for continued EITI reporting, dissemination and stakeholder participation. It is the objective to identify potential financing sources which can be sustained in the absence of continued donor contributions. Financial independence of the MSG and the Secretariat will depend on securing a stable cash flow from domestic or government revenue.



SAFEGUARDS

E. Safeguard Policies that Might Apply

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

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Borrower : Ministry of Economy and Finance

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