



Program Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 08-Jun-2020 | Report No: PIDC29677



BASIC INFORMATION

A. Basic Project Data

Country	Project ID	Project Name	Parent Project ID (if any)
Mauritania	P174155	Mauritania COVID-19 Emergency DPO (P174155)	
Region	Estimated Board Date	Practice Area (Lead)	Financing Instrument
AFRICA	31-Jul-2020	Macroeconomics, Trade and Investment	Development Policy Financing
Borrower(s)	Implementing Agency		
Ministère de l'économie et de l'industrie	Ministère des finances		

Proposed Development Objective(s)

The Program Development Objectives is to strengthen the response to the COVID-19 pandemic, help protect the poor and most vulnerable, and lay the foundations for recovery by supporting SMEs and improving debt transparency.

Financing (in US\$, Millions)

SUMMARY

Total Financing	70.00
------------------------	-------

DETAILS

Total World Bank Group Financing	70.00
World Bank Lending	70.00

Decision

The review did authorize the team to appraise and negotiate



B. Introduction and Context

Country Context

1. The Government of Mauritania has acted swiftly to mitigate and contain the health and economic impact of the COVID-19 pandemic. Since the first COVID-19 case on March 13, the Government has put in place unprecedented mitigation and containment measures. The authorities closed all schools and universities, stopped all commercial flights, quarantined all travelers and closed land and sea border crossing points while strengthening health surveillance systems at these points. To ensure social distancing, the Government banned all public gathering, closed restaurants and businesses (except food stores), and imposed a curfew from 6:00 pm to 6:00 am. These measures have helped contain the spread of the virus. As of June 4, 2020, 784 cases of COVID-19 were registered, 55 recovered and 31 deaths. In terms of number of detected cases per capita, Mauritania has registered 175 cases per million individuals, compared to 105 in Sub-Saharan Africa (SSA).

2. Prior to the crisis, Mauritania was experiencing macroeconomic stability and robust growth. GDP growth increased from 2.1 percent in 2018 to 5.9 percent in 2019 (2.9 percent per capita) and inflation was low at 2.6 percent in 2018-2019. A prudent fiscal policy between 2016 and 2019 helped Mauritania register a primary fiscal surplus of 3.3 percent of GDP in 2018-2019, putting the debt-to-GDP ratio on a downward path from 61.3 percent in 2018 to 57.6 percent in 2019. However, key structural challenges remained including low human capital, over-reliance on the extractive sector, and limited private sector participation. Diversifying the economy to reduce vulnerability to external shocks and addressing weaknesses in human capital were among the key challenges identified in the 2017 Systematic Country Diagnostics (SCD) and the 2020 Country Economic Memorandum (CEM).

3. As most countries in the world, the ongoing COVID-19 pandemic has significant economic, fiscal and social effects in Mauritania. The crisis affects the country through domestic and external transmission channels. On the domestic front, stringent social distancing measures are causing a sharp deceleration in economic activity, particularly in the hospitality, fishing, construction, transportation, and retail sectors, which account for almost half of GDP and employment. On the external front, the economic slowdown in Europe and China (Mauritania's main trading partners) has curtailed export demand, particularly for iron and fish. Disruptions to global supply chains have also delayed FDI inflows in the extractive sector. As a result, the economy is projected to contract by 2 percent in 2020, worsening the external position and opening a substantial financing gap of US\$323 million (4.4 percent of GDP). The IMF has provided significant financing under the Rapid Credit Facility (RCF) and the remainder is expected to be covered by concessional donor support (including this proposed operation) and the G20 Debt Service Suspension Initiative (DSSI).

Relationship to CPF

4. This DPO operation is aligned with the objectives and proposed outcomes of the FY18-FY23 CPF for Mauritania.¹ The WBG strategy in Mauritania builds on the findings of the Systemic Country Diagnostic of 2017,² which identified weak participation of the private sector, low human capital, and weak governance as a common theme across the eight binding constraints for growth and shared prosperity. This operation is anchored around the second focus area of the CPF "building human capital and inclusive growth" by increasing coverage of social safety nets and improve access to health; and the third focus area "strengthening economic governance and private sector-led growth" by facilitating access to finance to firms, ensuring sound governance mechanisms to respond to the crisis, and increasing debt transparency.



C. Proposed Development Objective(s)

The objective of the proposed emergency DPO is to strengthen the response to the COVID-19 pandemic, help protect the poor and most vulnerable, and lay the foundations for recovery by supporting SMEs and improving debt transparency.

Key Results

5. Key results expected from this DPO operation are an improved COVID-19 crisis response in health and social protection, preserved jobs and facilitated economic recovery, and improved governance and more transparent debt management. It is expected that prior actions under Pillar 1 will strengthen the Government's health institutional capacity, lower the cost and facilitate access to COVID-19 related medical products, and support the consumption of basic food items. Reforms under pillar 2 aim to mitigate the poverty impact of the crisis on the most vulnerable households by strengthening transparency and oversight of COVID-19 related spending and expanding and ensuring targeted social safety nets to the poor. Finally, measures under pillar 3 lay the foundations for recovery by facilitating access to finance for Small and Medium size Enterprises (SMEs) and improving debt transparency.

D. Project Description

6. This standalone operation strongly aligns with the Government's COVID-19 response plan while contributing to addressing the financing gap. The operation is designed to support the Government's health response to the crisis (pillar 1 of the COVID-19 response plan) and cushion the impact of the COVID-19 crisis on the most vulnerable households (pillar 2 of the plan) and lay the foundations for recovery (pillar 3 of the plan). Moreover, strengthening governance and institutions is a cross-cutting theme and is therefore considered in the design of some suggested reforms in this DPO. As such, the proposed operation can be viewed as part and parcel of the Government's COVID-19 response plan.

7. The proposed operation is articulated around three mutually reinforcing pillars that balance the need to address critical emergency COVID-19 related issues with putting in place elements of a medium-term framework for improving resilience:

- **Pillar 1 supports reforms to protect lives.** This includes policy measures to strengthen institutional capacity of the health sector, facilitating access to COVID-19 related medical products to help contain the spread of the virus and lowering the cost of basic food products.
- **Pillar 2 supports reforms to protect livelihoods.** This includes policy measures to ensure accountable and transparent management of COVID-19 emergency spending and to cushion the impact of the crisis on the most vulnerable households by expanding the coverage of targeted cash transfers.
- **Pillar 3 supports reforms to protect the future.** This includes policy measures to lay the foundations for recovery by facilitating access to finance for Small and Medium size Enterprises (SMEs) and improving debt transparency.

¹ Mauritania Country Partnership Framework, World Bank, Report No. 125012-MR.

² Mauritania Systemic Country Diagnostic 2017, World Bank, Report No. P116630-MR.



E. Implementation

Institutional and Implementation Arrangements

8. A negotiation committee will be responsible for managing this DPO. Following the division of the previously known MEF in August 2019, the day-to-day coordination, program monitoring and evaluation, and the measurement of specific outcome indicators will be the responsibility of the negotiation committee headed by the Ministry of Economy and Industry (MEI) and co-chaired by the Ministry of Finance (MF). The negotiation committee will verify the completion of all DPO prior actions with participating ministries, departments, and agencies. The MEI has experience in coordinating and implementing DPOs, demonstrated by its successful execution of the previous World Bank operations in the past. The Government will review the status of the reform program, and the team will closely coordinate with the Government and the IMF to ensure that the macroeconomic policy framework remains adequate.

F. Poverty and Social Impacts, and Environmental, Forests, and Other Natural Resource Aspects

Poverty and Social Impacts

9. The policy actions supported under the proposed operation are expected to mitigate the negative impact of COVID19 on the poor and most vulnerable groups. Reforms under pillar 1 are expected to improve access, quality and affordability of health services and reduce the cost of basic food products frequently consumed by the poor. Reforms under pillar 2 are expected to strengthen governance and increase transparency of COVID-19 related expenditures and expand targeted cash transfers to the vulnerable households which will be most hit by the crisis. Finally, the creation of a Credit Guarantee Fund and the publication of a statistical debt bulletin under pillar 3 will mitigate the impact of the crisis on the viability of SMEs and increase governance of public debt, thereby supporting economic recovery and debt sustainability in the long term. These interventions are likely to reduce the negative health and income shocks with a particular focus on poor and vulnerable households and help SMEs weather through the crisis.

Environmental, Forests, and Other Natural Resource Aspects

10. Although none of the measures supported by the proposed operation is expected to have any significant negative impact on the environment, the adoption of the One Health approach is expected to have a positive impact and improve resilience to the consequences of climate change. Climate change affects a large number of sectors in Mauritania and is a key challenge to development. This means that integrated approaches and intersectoral collaboration are essential to face such challenges. In addition to its expected benefits to human and animal health, the One Health approach is expected protect the environment from climate change and therefore may significantly contribute to food security with emphasis on animal source foods, extensive livestock systems, particularly ruminant livestock, and environmental sanitation.

The use of the social registry and existing tools as part of the prior action related to the adaptive social protection system will also support climate change adaptation. About 96 percent of the poor and vulnerable households being targeted for support through the Social Registry experience food insecurity, which in rural areas is largely related to the drought and accompanying lean season. The cash and in-kind transfers financed through the Government's response will assist these households in meeting their immediate consumption needs, which separate to the COVID-19 crisis have



been impacted by shifts in the climate.

G. Risks and Mitigation

11. The overall risk rating for this DPO is substantial. This reflects a range of political and governance, macroeconomic, implementation capacity, and fiduciary, social and other risks, all of which could compromise the success of the proposed operation. While the Government has committed to the DPO supported reforms, the effectiveness of this commitment and the Government's ability to manage political and institutional pressures are not assured. To mitigate these risks, the measures supported by the DPO have been carefully selected to focus on areas which are the subject of ongoing TA projects by the World Bank and other development partners. The macroeconomic risk is deemed high due to the uncertain nature of the depth and duration of the COVID-19 pandemic. The continued and successful implementation of the IMF program is expected to be an important macroeconomic mitigation measure. The environmental and social risks are rated as substantial. The rating is based on potential social risks that could arise from the social protection activities. Other risks are linked to the weakness of the health system are high. The Government's strong focus on the Health Preparedness and Response Plan in the health sector and the strong coordination with health partners is a mitigating factor.

CONTACT POINT

World Bank

Samer Naji Matta, Cristina Navarrete Moreno, Matthieu Boris Lefebvre
Economist

Borrower/Client/Recipient

Ministère de l'économie et de l'industrie
Mohamed Salem Ould Nany
Directeur Général Direction Générale des Investissements Pub
msalemnany@gmail.com

Implementing Agencies

Ministère des finances
Moctar El Mouna
Directeur General de la Direction des Réformes et des prévis
elmouna.mo@gmail.com



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):	Samer Naji Matta, Cristina Navarrete Moreno, Matthieu Boris Lefebvre
----------------------	--

Approved By

Country Director:	Nathan M. Belete	27-May-2020
-------------------	------------------	-------------