

**PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

Report No.: PIDA53924

Project Name	Nouadhibou Eco-Seafood Cluster Project (P151058)
Region	AFRICA
Country	Mauritania
Sector(s)	General agriculture, fishing and forestry sector (25%), Public administration- Industry and trade (15%), Ports, waterways and shipping (15%), Agro-industry, marketing, and trade (30%), Other domestic and international trade (15%)
Theme(s)	Judicial and other dispute resolution mechanisms (5%), Infrastructure services for private sector development (35%), Micro, Small and Medium Enterprise support (10%), Export development and competitiveness (25%), Trade facilitation and market access (25%)
Lending Instrument	Investment Project Financing
Project ID	P151058
Borrower(s)	MAED
Implementing Agency	Nouadhibou Free Zone Authority
Environmental Category	B-Partial Assessment
Date PID Prepared/Updated	20-Jan-2016
Date PID Approved/Disclosed	21-Jan-2016
Estimated Date of Appraisal Completion	20-Jan-2016
Estimated Date of Board Approval	24-Mar-2016
Appraisal Review Decision (from Decision Note)	

I. Project Context

Country Context

Mauritania has enjoyed solid economic growth since 2000, and particularly between 2010 and 2014. However, sharply deteriorating terms of trade since the end of 2014 have taken a toll on the economy. Following political instability with the overthrow of elected governments in 2005 and 2008, presidential elections in 2009 and 2014 resulted in governmental consistency. Mauritania's GDP has grown at the annual rate of 4.9 percent since 2000 and at 5.8 percent in the last decade, largely thanks to buoyant natural resource sectors coupled with high international prices. In the three-year period of 2012-14, the annual growth rate reached 6.0 percent, on average. However, iron ore prices have declined by over 50 percent since 2014. Consequently, the annual rate of real GDP growth is projected to markedly decelerate to 3.2 percent in 2015 from 6.4 percent in 2014.

With GDP per capita around US\$1,400 in 2013, Mauritania recently joined the group of lower middle income countries. Although the country's territory consists largely of desert, with only 0.5 percent of the land considered arable and a population of about 3.6 million, its rich natural resources – minerals, oil and fish – have been sufficient to raise the country into the middle income group.

Growth performance has been highly dependent on the external sector and, in the aftermath of the commodity price shock, macroeconomic and fiscal stabilization have become more fragile. The commodity-price boom increased Mauritania's iron-ore exports six fold in dollar value between the early 2000s and 2011. Growth was largely supported by highly strong terms of trade that allowed for a significant increase in revenues that facilitated expenditure and policy management. The present is however characterized both by less solid growth and more volatility than in the past. Remarkable fiscal reforms – especially since 2011 – have not been sufficient to prevent a rise in the country's risk of debt distress, in February 2015, from 'moderate' to 'high.'

Recent growth has contributed to achieving positive results on poverty reduction, but the sustainability of the economic growth model appears challenged. Between 2008 and 2014, absolute poverty has declined significantly based on an absolute poverty line of 220,124 MRO per person per year or 603 MRO per person per day (US\$2). On the sustainability front, intergenerational equity risks exist vis-à-vis the utilization of the country's natural capital. For instance, the waters of Mauritania's exclusive economic zone (EEZ) are rich with wild fish resources, but all cephalopods species are fully exploited, and among them, octopus, a key commercial species, is overexploited. Besides the fisheries, empirical evidence has shown that if gross national savings is adjusted for the depletion of natural capital, Mauritania's wealth was drawn down by 15 percent a year over the 2008-2010 period and this trend of negative adjusted net savings has continued.

Mauritania is a relatively open country vis-à-vis the size of its economy and development level. In 2014, the sum of exports and imports of goods and services was equivalent to 118 percent of the country's GDP. However, Mauritania's export structure remains heavily concentrated on extractive industry outputs, with no significant export of manufactured products. Other products have appeared in the country's export portfolio in the second half of the 2000's, but those are essentially crude oil (roughly US\$190 million in 2014), other mineral products (e.g. gold, copper) and some re-exports. Mauritania's economy is likely to remain dominated by the extractive industries given the wealth of its mineral and hydrocarbon resources and the small size of its population. However, it will be important to diversify the economy in order to create jobs, especially for the poor, and reduce vulnerability to the inevitable terms of trade shocks in extractive industries.

The key constraint to diversification is the poor quality of the business and investment environment. A limited number of economic players are in control of large businesses in trade and commerce as well as in the banking sector, and have import monopolies. New independent firms have trouble competing with these large groups or obtaining credit from banks, while lucrative import monopolies discourage efforts to develop local suppliers. The country's rich natural subsoil and fish resources attract investors, but even there these difficulties apply. Beyond these sectors it is a real challenge to do business in Mauritania, especially for newcomers. Due also to the lack of critical physical and institutional infrastructure, the private sector of Mauritania remains underdeveloped.

Overall Mauritania's economy is not sufficiently competitive to reap its full growth potential and to

improve private sector productivity. While Mauritania is amongst Top 10 reformers of the Doing Business Report 2016, it still ranked 168 out of 189 economies (vs. 176 in the 2015 report) and, in the Global Competitiveness Report 2014-15, it ranked 141 out of 144 countries.

The special economic zone, “Nouadhibou Free Zone” established in Nouadhibou in 2013 represents an opportunity for Mauritania to demonstrate how appropriate policies, institutional arrangements and physical infrastructure can promote inclusive and sustainable growth. Mauritania’s updated investment code states that the purpose of special economic zones is to encourage entrepreneurship and job creation, promote greater business activity in the interior of the country, and facilitate technology transfers, innovation and competitiveness. The Nouadhibou Free Zone is in its formative stage and provides a unique opportunity to address poor business and investment climate and other known issues observed in other special economic zones.

Nouadhibou Free Zone is suitably situated for the development of a well-functioning seafood cluster because of the rich fish resources in and near Nouadhibou, its proximity to potential export markets of its products and one single administration (free zone authority) acting on behalf of the government. The Eco-Seafood Cluster is an institutional initiative within the Nouadhibou Free Zone, that helps the Nouadhibou Free Zone Authority engage the private sector and civil society to design and operate an economic cluster that is environmentally, economically and socially sustainable. The general vision of the Eco-Seafood Cluster is to integrate the objective of sustainable management of fish resources in the development of a competitive post-harvest seafood industry. In order to achieve it and overcome potential socio-political difficulties, the cluster must engage and elicit collaboration from all stakeholders, each with clear rights, roles, and responsibilities in the cluster. The project is designed to support the process of the establishment and operation of the sustainable Eco-Seafood Cluster.

Mauritania's Exclusive Economic Zone (EEZ) is ranked among the most productive fishing waters in the world. Nouadhibou is the country’s main fisheries center, accounting for 80 percent of the value of all fish caught nation-wide. In addition to its natural deep sea port that facilitates landing for fishing boats, the city is ideally located for external trade. The North-South road corridor from Morocco that passes at PK55 in Nouadhibou offers a potential for increasing exports of fresh seafood products of Nouadhibou to Southern European markets. It also has the potential to grow into an attractive export route for other Mauritanian products to neighboring countries such as Senegal and Mali.

Sectoral and institutional Context

Mauritania is not traditionally a fishing nation, which may help explain the relatively limited pressure on its fish stocks compared to the stocks of neighboring countries such as Senegal. However, the national fleet is expanding and the country’s riches have attracted foreign fishing fleets from near (Senegal) and far (Europe and Asia), posing increasing fishing pressure on the stocks. Octopus is the main demersal species commercially exploited in Mauritania and currently the catch is 17 percent above the biologically sustainable level. While the exploitation of some other key commercial fish species (hake and shrimps) is within the sustainable level, most of the small pelagic stocks shared between different coastal states of the region (i.e. Morocco, Mauritania, Senegal, The Gambia, Guinea Bissau) are biologically fully exploited. The project in Mauritania within the West Africa Regional Fisheries Program (WARFP) was approved by the Board in March 2015, and aims to assist Mauritania with improving the governance and management of the

fisheries sector towards restoring depressed fish stocks and generating greater values in the fish sectors, with emphasis on engaging the poor and the vulnerable in fishing communities in the process (see Annex 6).

In Mauritania, the fisheries sector has substantial macroeconomic importance. The fishing sector accounts for about 3-5 percent of its GDP. In 2011, the estimated value of primary production was US\$179 million in marine artisanal fishing and US\$563 million in marine industrial fishing (US \$742 million in total). Mauritania's fisheries sector is almost entirely export-oriented, with 90 percent of production being exported. Fish exports are therefore an important factor for foreign exchange earnings, having accounted for 20-27 percent of total exports in value (excluding oil) during the period of 2008-11. The fisheries sector accounts for 25 percent of government revenue, 40 percent of all revenues in foreign currencies, earned through both export of high-value products (octopus in particular) and foreign access agreements with the EU and other nations. The sector employs 53,000 people, of which 60 percent are related to the artisanal fishing segment and 26 percent is indirect employment; approximately 30 percent of the jobs are occupied by women.

Globally, if effective fisheries reforms were implemented around the world, annual net revenue from marine fisheries could be improved from the current US\$3 billion to the estimated maximum of US\$86 billion sustainably. In Africa, comprehensive fisheries reform would increase its marine fisheries net revenue from US\$0.2 billion in 2012 to US\$10.6 billion per year sustainably.

The introduction of fisheries reform in Mauritania, promoted via the recently approved WARFP project, is designed to help realize potential of its fish resources. As in many other countries, fisheries in Mauritania is characterized by excessive fishing activity, thereby degrading the biological base of fish stocks over time and eroding the profit base with excessive fishing costs. The root cause of the excess fishing effort is the weak governance of the fisheries sector, which essentially encourages individual fishers to fish as much and as fast as possible before others do. Thus, introduction of institutional arrangements that align individual fisher incentives to limit the aggregate fishing effort to an optimal level is prerequisite for achieving the potential benefits that the rich natural asset offers the country.

Mauritania's octopus fishery alone could generate US\$300 million in additional annual net revenue sustainably. According to the bioeconomic models used in the economic analysis (Annex 5), this would require that the aggregate fishing effort is reduced by 54 percent and the stock recovers to the optimal sustainable level.

Revenues from fish resources can also be increased by improving post-harvest handling. While effectively implementing the reform to coordinate individual fishing activities and reduce aggregate fishing costs is the utmost priority, the sector can also benefit from investing in activities to address the revenue side. Most importantly, post-harvest handling of catches can be improved to reduce spoilage. Although data are not available specifically for Mauritania, globally about 30 percent of fish production is spoiled in value chain due to improper handling. In addition, diversification of seafood products can be pursued. While Nouadhibou's main fish products are frozen whole octopus exported to Europe and Japan, export of fresh filleted fin fish to Southern Europe will likely command high value if conditions are met, including stability of raw material supply, sanitary and other quality of the products, and transport and other infrastructure.

Development of post-harvest sector must be pursued in tandem with the reform in the fishing

sector. Without an appropriate management regime for coordinating individual fishing activities to regulate aggregate fishing effort, investments aimed at facilitating development of the post-harvest sector can lead to further increase in fishing activities and further degradation of the resource. In such a case, the post-harvest sector would not be able to secure stable, long-term supply of raw material. On the other hand, the governance of the post-harvest sector needs to be adequately strong in order to prevent businesses from exploiting the fish resources in a short run to relocate to another place when the resources are depleted. That is, sustainability of the post-harvest sector depends on the sustainability of fish resources, while sustainability of the resources depends on responsible post-harvest sector.

The Eco-Seafood Cluster in Nouadhibou Free Zone aims to develop a sustainable fisheries value chain by leveraging synergies between fishing and post-harvest sectors. The existing project of WARFP in Mauritania (see Annex 6 for more detail on the WARFP) supports the transition from a fisheries management system based on short-term licenses to one based on long-term fishing rights (e.g. fishing quotas for the industrial segment in the octopus fishery) that help align fisher incentives to prevent biological and economic overfishing (i.e. degradation of resource base and profit base, respectively). This project (also implemented as a part of the WARFP program) supports the development of the seafood cluster on shore, which uses the raw material supplied by the fish harvesting sector. Therefore, close coordination between the two WARFP projects in Mauritania will create synergies in view of the program objective to support countries to maintain or increase targeted fish stocks and the benefits that they can provide to West Africa, with a priority on benefits for poverty reduction and food security. In particular, responsible post-harvest businesses promoted via the Eco-Seafood Cluster will adopt a long-term vision that introduces mechanisms to align business objectives with sustainable sourcing of raw material through contractual arrangements with fishers. Engagement of responsible private sector actors is the only way to promote good fisheries management practices at scale.

Development of sustainable fishing sector and competitive post-harvest sector is consistent with the new fisheries policy strategy for 2015-2019 adopted by the Government in February 2015. The new strategy emphasizes the sustainability of the fishing sector, while it stresses their vision for generating greater revenues and creating jobs in the post-harvest sector. However, the strategy does not explicitly recognize the critical interactions between the fishing and post-harvest sectors or point out the potential to leverage synergies between the two sectors for the seafood cluster development. Through the proposed project, together with the broader WARFP, the World Bank Group is in a position to effectively and meaningfully inform the Government and support successful implementation of the strategy in the entire fisheries and seafood value chain.

II. Proposed Development Objectives

The objective of the proposed project is to support the development of a seafood cluster in Nouadhibou that promotes sustainable management of fisheries and generates value for the communities. As stated in Paragraph 9, the cluster will integrate the objective of sustainable management of fish resources in the development of a competitive seafood value chain that originates in Nouadhibou, to ensure explicit consideration of biological sustainability of fish resources. Specifically, landed fish in Nouadhibou should originate from sustainably managed fisheries such that total catches do not exceed what can be harvested without compromising stock regeneration. To this end, the authority of the ANZF have to collaborate with the fisheries administration to monitor fish landings in Nouadhibou and to assist the full implementation of the new sector management paradigm (especially fisheries management plans, of which the octopus

management plan, already developed and adopted by decree, and other management plans such as the ones for small pelagic and shrimp fisheries). Sustainability also pertains to post-harvest processing whereby the choice of processing technology minimizes pollution, in particular of air and water. The cluster will house the following segments: harvesting, landing, processing, and wholesale distribution. Target fisheries value chains will be identified through careful examination of the viability of the entire value chain, including the state of fish stocks and the economic viability in the harvesting sector and investment readiness and market opportunities in the post-harvest sector. The value the proposed Project aims at generating is both monetary and non-monetary. It entails, among other things, the increase of net revenue for the local population, the benefit of improved socioeconomic status of the poor and the vulnerable, as well as benefits of a healthy aquatic environment. Achieving the project objective will enable the fishing and seafood sector to sustainably contribute to reduction of extreme poverty and promotion of shared prosperity in Mauritania, where the sector has substantial potentials.

III. Project Description

Component Name

Planning, reorganizing and promoting a sustainable seafood cluster in Nouadhibou

Comments (optional)

The first component will build the capacity of the Nouadhibou Free Zone Authority and stakeholders to plan/ design, reorganize and promote the cluster so that the objective of sustainable management of fish resources is well integrated in the development of a competitive seafood value chain that originates in Nouadhibou. Component 1 consists of the following two subcomponents, which together will uplift industry norms and catalyze responsible investments: the first subcomponent will foster a public-private dialogue to help design and implement a sustainable seafood cluster strategy; while the second will promote investment opportunities in a way it attracts responsible investors.

Component Name

Increasing the value of products produced at and marketed from the seafood cluster with the participation of local actors in Nouadhibou

Comments (optional)

The second component aims at increasing the value of products produced at and marketed from the seafood cluster and increasing the participation of local population in the activities of the cluster. Activities implemented under this component are expected to result in an increase of investments (in particular in trade logistics), productivity growth and rise of exports in the fresh fish segment. Component 2 has two subcomponents which together will catalyze investments and grow exports volume and value of target seafood products: the first subcomponent aims at improving fish landing and export capacity as well as facilitating trade; and the second will better integrate local small-scale suppliers and vulnerable groups into target seafood value chains.

IV. Financing (in USD Million)

Total Project Cost:	9.25	Total Bank Financing:	7.75
Financing Gap:	0.00		
For Loans/Credits/Others			Amount
BORROWER/RECIPIENT			1.50
International Development Association (IDA)			7.75

Total	9.25
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V. Implementation

Nouadhibou Free Zone Authority (ANZF) is the implementing agency for all components of the project. This public institution was created in July 2013 and is fully operational; and it is assisted with the appropriate fiduciary capacity in Nouadhibou.

A steering committee chaired by the Free Zone Authority, and co-chaired by MAED and MPEM will comprise of 8 members which are the institutions benefiting from the proposed project. Representatives will be nominated by the ANZF, MAED, MPEM, private sector (artisanal and industrial segments to be represented) and civil society.

A Project Coordination Unit (PCU) is embedded in the Nouadhibou Free Zone Authority to support the fiduciary aspects in implementing all Project's activities. The key staff of the PCU includes a Coordinator, a Procurement Specialist, a Financial Management Specialist, an Accountant, an Environmental Specialist and a Monitoring and Evaluation Officer.

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
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

Comments (optional)

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