

INTEGRATED SAFEGUARDS DATA SHEET

CONCEPT STAGE

Report No.: ISDSC14801

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I. BASIC INFORMATION

A. Basic Project Data

Country:	Mauritania	Project ID:	P151058
Project Name:	Nouadhibou Eco-Seafood Cluster Project (P151058)		
Task Team Leader(s):	Alexandre Hugo Laure, Berengere P. C. Prince, Peter Kristensen		
Estimated Appraisal Date:	19-Jan-2016	Estimated Board Date:	24-Mar-2016
Managing Unit:	GTC07	Lending Instrument:	Investment Project Financing
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%)		
Financing (In USD Million)			
Total Project Cost:	9.25	Total Bank Financing:	7.75
Financing Gap:	0.00		
Financing Source			Amount
BORROWER/RECIPIENT			1.50
International Development Association (IDA)			7.75
Total			9.25
Environmental Category:	A - Full Assessment		
Is this a Repeater project?	No		

B. Project Objectives

The proposed development objective is to reduce barriers to investment and to strengthen the capacity of Nouadhibou Free Zone to deliver a competitive fishery cluster.

C. Project Description

The proposed Project contributes to the Government competitiveness program, and has an investment climate subset, to best address the proposed development objective. First, the project will support the development of a competitive fishery cluster in Nouadhibou to realize the potential of selected industries (fishery, logistics infrastructure, and logistics services) and to create stable jobs. It will also promote public-private partnership (PPP) transactions in Mauritania, in particular through the financing of commercial viability studies for Nouadhibou Free Zone (fishery cluster, airport, deep-sea port). Second, the project aims to improve investment climate and regulatory business environment in Mauritania as a whole, in particular through institutional technical assistance, public-private dialogue revamping, modernization of the legal and regulatory framework, simplification of administrative procedures and the creation of Alternative Dispute Resolution mechanisms.

Several World Bank Group instrument support may be explored to finance the proposed Project: an IDA concessional credit of US\$ 20 million and, if feasible, an IBRD loan (or guarantees) to Mauritania (an IDA-only country) of US\$ 30 million (TBD). Feasibility of IBRD enclave support depends on the prospect of commercial viability of an investment project to be identified under Component 1, including the availability of reliable FX revenue sources, which can serve as security for the IBRD lender. IDA may consider offering partial risk guarantees for private sector investment projects, only if the Bank receives a Government request for a guarantee and if such a guarantee is assessed to help the Government in attracting private financing (equity and debt).

COMPONENT 1 – Improve fishery and logistics competitiveness in the Nouadhibou Free Zone [IDA US\$ 15m + IBRD enclave]

The Market Study delivered by the WB Technical Assistance (MDTF Trade for Development TA: TF016370) identified the following bottlenecks to improve the competitiveness of Nouadhibou Free Zone:

- (i) Adequate port infrastructure, storage, logistics and services.
- (ii) Serviced land (incl. energy, water, waste treatment etc.) for upstream and downstream operations, environmental compliance and the possible creation of a specific label of quality.
- (iii) Training and business climate.

Also, several priority infrastructure projects were identified by the TA in collaboration with the West Africa Regional Fisheries Program (WARFP), which has financed the preparation of an Infrastructure Master Plan for the Fisheries in Mauritania (delivered in September 2014). Covering the entire national littoral the study highlighted the strong potential of Nouadhibou to attract new high-value investment in the fish-processing sector.

This component will finance the assessment of the commercial viability of priority infrastructure projects in support of selected industries (fish, logistics infrastructure, and logistics services) in the Nouadhibou Free Zone with the potential to catalyze the development of this area and to attract anchor investments; these are the fishery cluster, the deep-sea port and the airport. Upon positive outcomes of Project Preparation Advance (PPA) activities—which are expected in March 2015—technical feasibility studies for these projects will be launched. Capacity building and studies are currently packaged together with an IBRD enclave (aimed at supporting the development of the fishery cluster), which will require the right backing on safeguards, lands and infrastructure planning.

The Project will employ a funnel approach starting with Lending Technical Assistance, continuing with studies and concluding with discrete investment in the fishery cluster. The Project is being prepared over a period of 15 to 18 months, which is sufficient time to evaluate whether the IBRD enclave should be kept or dropped as an investment.

Based on the results of the ongoing World Bank TA on PPP (P152605)—and to ensure consistency in the strategy and activities—the project will contribute to the development of a methodology to identify and assess the bankability of infrastructure projects (based on IBRD, IFC and private investments criteria), their inclusion into the public investment cycle for the viable ones, and other related matter to financing modalities and effective implementation selected PPP projects (e.g. through mobilization of technical expertise such as legal and financial advisors). The Project will also finance an integrated PPP capacity building program.

It is anticipated that the infrastructure portfolio of the fishery cluster will include the following projects to be evaluated during the project preparation and PPP TA (P152605):

- (i) Landing facilities, roads, buildings, energy production plant, water desalinization plant, waste water treatment facilities within the fishery cluster;
- (ii) The construction of a deep sea port with a commercial terminal for containerized activities (including transshipment) and potentially a mineral terminal for iron ore;
- (iii) The refurbishment of the existing port and the commercialization of the newly delivered extension;
- (iv) The relocation of the airport.

Mobilizing additional resources will be critical to the success of Nouadhibou Free Zone. Promotion activities will be central to the delivery of this competitiveness agenda in order to leverage public and private resources to finance investment opportunities. Specific technical assistance will be provided to the Free Zone to implement a sound investment promotion strategy and to track investors' interests.

The Project Preparation Advance (PPA) will finance the preparation of a development strategy of the fishery cluster in three phases (between January and July 2015). The preparation approach is structured in following steps:

- (i) An evaluation phase determining the “go” or “no go” depending on the industrial competitiveness assessment of Nouadhibou: based on benchmarking studies (on production costs, conditions offered to investors by the Free Zone regime etc.), demand survey and market assessment, the first phase will allow identification of bottlenecks for the development of the selected value chains and establish the project risks and critical conditions for success;
- (ii) Feasibility studies: starting from the comparative evaluation of various spatial and structural options (geographical perimeter and business entities) the study will prepare a complete technical feasibility study including a land use inventory, zoning plan, infrastructure master plan (to include ports and landing facilities, roads, energy, water and waste water) and cost estimates.
- (iii) An investment framework: The study will perform economic and financial assessments for project's interventions in order to determine the project internal rate of returns (IRR) and economic rate of return (ERR), and hence identify funding sources, amounts, risk coverage (incl. eligibility to IBRD enclave) and possible PPP schemes. It is expected that an IBRD enclave investment and private investments (some investors have already expressed interest in co-financing the cluster), can be packaged together and catalyze further investment.

(iv) Defining Bank support and a feasible financing modality for effective implementation/ execution of the Project or sub-project (enclave) and its ownership whether it is a PPP with Government funding support and/or undertaking.

It is important to keep in mind that value addition and job creation cannot be achieved by increasing the current catches. Rather, these objectives must be achieved by maximizing the value of catch being brought onshore. The Project will also finance the cost/benefit analysis of transitioning part of the “offshore industry” into a sustainable onshore industry with more local value-added, which is particularly important for local women who typically comprise a significant portion of the fish-processing workforce. Careful consideration should be paid to the net value added to the economy of industrial fishing operated by foreign boats versus increasing the volume domestically landed and processed onshore as the latter is not necessarily greater. There will be close consultation and collaboration with SOP C1 of West Africa Regional Fisheries Program (WARFP; P126773) to ensure consistency in the strategy and activities between the two projects.

COMPONENT 2 – Reduce barriers to investment [IDA US\$ 3m]

Sub-component 1: Lower Administrative Barriers to Business Operations (LABBO)

Mauritania’s business climate is extremely unfavorable for entrepreneurs as substantiated in the Doing Business Report, where it consistently belongs to the lowest-ranking economies among all countries compared. Among the problems identified are high costs and prolonged procedures to start a business (46.1 percent of income per capita and 19 days respectively), obtain construction permits (2,681 percent of income per capita and 82 days respectively) register property (4.7 percent of property value and 49 days respectively) and finally get electricity (7,404 percent of income per capita and 75 days respectively).

This sub-component will therefore focus on providing technical assistance along with needed hardware to lower administrative barriers to investment for the following business procedures on a nation-wide level:

- (i) Starting a business (time and cost): the sub-component will finance institutional strengthening of one-stop shops for business registration in Nouakchott and Nouadhibou Free Zone;
- (ii) Obtaining construction permits (time and cost) and registering a property (number of procedures): the sub-component will finance the establishment of a single contact point for obtaining construction permits in Nouakchott and Nouadhibou Free Zone; and registering a property to ease land access to investors through Nouadhibou Free Zone one-stop shop;
- (iii) Obtaining an electricity connection and water supply (time and cost): the sub-component will finance streamline access to electricity at the company SOMELEC, which is responsible for the supply of electrical power and water in Mauritania.

Subcomponent 2: Improve Investment Climate and Business Cooperation

A) Modernizing the legal framework and business law, especially in Alternative Dispute Resolution (arbitration, mediation and conciliation)

Mauritania’s investment climate suffers from weak regulations and a lack of national alternative dispute resolution mechanisms, both having a negative impact on investors’ confidence. A

Regulation Center in the Free Zone also needs to be operationalized.

Thus, the Project will aim at strengthening and modernizing institutions mandated with the resolution of commercial disputes and will revise and streamline the related national laws and procedures. The activities will focus on the development of arbitration and mediation centers in Nouakchott and Nouadhibou. It is expected that this will increase investors' protection and facilitate enforcement of contracts in Mauritania.

B) Implementing an ambitious reform agenda through a platform for public-private dialogue (PPD)

The private sector plays a crucial role in Mauritania as it contributes to 36% of the country's GDP, which explains why the Government considers this sector as one of its main priorities. One of the key obstacles that need to be addressed is the lack of appropriate and efficient Public-Private Dialogue (PPD) platforms. PPD frameworks were actually established in early 2000s; however, none of them are still active and need to be revamped. Moreover, there is little coordination among the main private sector organizations like the National Employers Union of Mauritania (UNPM), the Young Entrepreneurs Leaders Association (CDJ), the Women Traders Association (UMAFEC), and the Chamber of Commerce of Mauritania, and limited issues driven advocacy from these stakeholders.

Therefore, a PPD platform will be set up, as it was adopted during a workshop in May 2014 by all stakeholders from the public and the private sector. In fact, several private sector organizations already pledged to drive the process forward. In doing so, the Project will contribute to revamp PPD and sustain competitive industries dialogue.

The objective will be to establish a strong track record of competitive industries efforts with a well-developed and functioning PPD at three levels, each focused on a specific issue:

- (i) On the national level: Public-Private Partnerships;
- (ii) On the local level: the Nouadhibou Free Zone;
- (iii) On the industry level: the fishery sector.

Additional reforms will be designed as an outcome of a Public Private-Dialogue process.

COMPONENT 3 – Project Coordination Unit [IDA US\$ 2m]

A team will be recruited to support the coordination of activities and the fiduciary function required for the Project to be successfully executed. The Project Preparation Advance will proceed to the recruitment of following staff: Liaison Officer, Procurement Specialist, Financial Management Specialist, Accountant, Safeguard Specialists and M&E Specialist.

2. Key Risks and Issues

Environment and social risks: There is a high likelihood that exogenous environmental and social risks could adversely affect the achievement of the operation's objectives and the sustainability of results. The proximity of Banc d'Arguin National Park, which is listed as a World Heritage Site by UNESCO, to the project's operations poses various challenges. In addition, there is the possibility of involuntary resettlement of people and businesses within the designated Free Zone territory in

Nouadhibou.

Other risk (financing viability): There is a high risk associated with the financial viability of the Project, either as a public project or private project, due to limited public and IDA resources. During the project preparation, the team will explore the possible scope and modality of a project which would best leverage IDA resources and attract enclave support and/or private capital.

D. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

The project interventions will mainly focus in Nouadhibou Bay within the boundaries of Nouadhibou Free Zone. The exact location of infrastructure development will be known by July 2015.

E. Borrowers Institutional Capacity for Safeguard Policies

The Nouadhibou Free Zone Authority has been operating for 15 months only and has not developed strong institutional capacities and knowledge yet. Moreover, it does not have a proven track record in dealing with environmental and social safeguard issues and policies.

F. Environmental and Social Safeguards Specialists on the Team

Melissa C. Landes (GEN07)

Salamata Bal (GSU01)

II. SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	<p>This policy is triggered due to potential negative environmental and social impacts that might occur under activities to be financed under Component 1.</p> <p>Under Component 1(Nouadhibou Competitive Fishery Cluster), the project will finance feasibility studies and critical support infrastructure for the Fishery Cluster.</p> <p>To comply with the policy, the borrower will prepare (1) an Environmental Impact Assessment (EIA) for the proposed infrastructure at the Nouadhibou Competitive Fishery Cluster, and (2) ToRs of the ESIA for the planned infrastructure (deep-sea port and the airport) for which the project is financing feasibility studies.</p>
Natural Habitats OP/BP 4.04	TBD	<p>This policy may be triggered given that the project activities will finance infrastructure feasibility studies and their construction in Nouadhibou Bay at proximity of Banc d'Arguin National Park (a UNESCO World Heritage Site).</p> <p>If the environmental assessment indicates that the project would significantly convert or degrade natural habitats, the project will include mitigation</p>

		measures acceptable to the Bank. Such mitigation measures include, as appropriate, minimizing habitat loss (e.g., strategic habitat retention and post-development restoration) and establishing and maintaining an ecologically similar protected area. The mitigation measures will be included in the ESIA.
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	Yes	This policy is triggered given that the project activities, particularly for the Fishery Cluster, may require involuntary resettlements of population and businesses. The borrower will prepare a resettlement plan or a resettlement policy framework.
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	

III. SAFEGUARD PREPARATION PLAN

A. Tentative target date for preparing the PAD Stage ISDS: 30-Sep-2015

B. Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing¹ should be specified in the PAD-stage ISDS:

The project-level EIA as well as ToRs for the ESIA's for the deep-sea port and the airport will be prepared, disclosed, consulted upon and finalized prior to appraisal.

IV. APPROVALS

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Approved By:		
Safeguards Advisor:	Name: Johanna van Tilburg (SA)	Date: 21-Jan-2016
Practice Manager/ Manager:	Name: Jean Michel Noel Marchat (PMGR)	Date: 21-Jan-2016

¹ Reminder: The Bank's Disclosure Policy requires that safeguard-related documents be disclosed before appraisal (i) at the InfoShop and (ii) in country, at publicly accessible locations and in a form and language that are accessible to potentially affected persons.