



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

Appraisal Stage | Date Prepared/Updated: 15-Aug-2017 | Report No: PIDISDSA21948



BASIC INFORMATION

A. Basic Project Data

Country Mauritania	Project ID P163563	Project Name Supporting Gas Project Negotiations and Enhancing Institutional Capacities	Parent Project ID (if any)
Region AFRICA	Estimated Appraisal Date 16-Aug-2017	Estimated Board Date 25-Sep-2017	Practice Area (Lead) Energy & Extractives
Financing Instrument Investment Project Financing	Borrower(s) Ministry of Economy and Finance	Implementing Agency Ministry of Petroleum, Energy and Mines	

Proposed Development Objective(s)

To support the government capacity to drive negotiation towards final investment decision, and lay the foundations for the gas sector’s contribution to the economy through enhanced legal and regulatory frameworks and capacity building.

Components

Capacity building and technical support for the GTA negotiations
Strengthening of the institutional and regulatory framework
Project management and coordination

Financing (in USD Million)

Financing Source	Amount
International Development Association (IDA)	20.00
Total Project Cost	20.00

Environmental Assessment Category

B - Partial Assessment

Decision

The review did authorize the preparation to continue



Other Decision (as needed)

B. Introduction and Context

Country Context

1. The Islamic Republic of Mauritania is in the Maghreb region of Western Africa at the gateway between the Sub-Saharan and Northern Africa. Cradling two distinct regional groupings, namely the Maghreb and West Africa, Mauritania borders Morocco and the remnants of Western Sahara in the north, Algeria in the northeast, Mali in the east and southeast, Senegal in the southwest, and the Atlantic Ocean to the west with a 754km coastline. Desert stretches from the northern area to the central and eastern regions, rendering only 0.5 percent of the 1,030,700 km² national territory arable. With a national population of slightly over 4.1 million, Mauritania is sparsely-populated, and 60 percent of its population is concentrated in urban areas, mostly in Nouakchott and Nouadhibou.
2. Despite being arid and mostly desert, Mauritania is a resource-rich country with mainly iron ore, copper, gold and crude oil. In the past 15 years, booming revenues from the extractives sector have sustained a robust economic growth in the country. From 2003 to 2015, real GDP growth averaged 5.5 percent a year, on par with Sub-Saharan Africa. With an annual population growth averaging 2.5 percent, GDP per capita has risen by 5.9 percent per year and stood at US\$1,371 in 2014, elevating Mauritania to a lower-middle-income country. Between 2008 and 2014, the poverty rate declined significantly from 44.5 percent to 33 percent, bringing about net gains for the bottom 40 percent of the population.
3. Mauritania's sustained growth since 2003 has been driven primarily by the rising value of its mineral exports and of oil. As a result of the dramatic rise in world commodity prices, the value of mineral exports jumped from US\$318 million in 2003 to US\$2,652 million in 2013, despite most of mining production being stagnant. Over this period, the extractives sector accounted for, on average, 25 percent of GDP, 82 percent of exports, and 23 percent of domestic budgetary revenue. The improvement in terms of trade is estimated to have brought, on average, 2.5 percent of additional national income per year. The mining boom translated into large foreign investments in the extractives sector and significant public investments. Regarding the domestic sectors, the traditional primary sectors of agriculture and fisheries have made the largest contribution to GDP growth due to their overall size, despite slower growth than the economy as a whole. In the meantime, it is worth noting that Mauritania's GDP growth rate fell from 6.1 percent to 3.0 percent between 2013 and 2015. This slowdown was driven by falling commodity prices combined with a 13 percent decline in iron ore production and an 11 percent drop in oil production in 2015, reflecting the country's heavy reliance on extractives.
4. Substantial resource-based national incomes have allowed the government to sustain its new national development model and to make significant public investments in infrastructure. To date, however, these have not contributed to encourage private sector-led economic diversification. While investments on transport and water infrastructure, as well as rural development have positively improved the country's inclusive growth trajectory, the private sector remains underdeveloped and has



little influence on driving economic diversification.

5. Concern over the use of Mauritania's natural resource rents have prompted the Government of Mauritania to adopt a series of measures to enhance transparency, to review/develop new legislation and to improve the monitoring and enforcement capacity of relevant government entities. The World Bank has supported the Government's efforts towards enhanced transparency and improve natural resource rent management since 1999 under several projects such as the Mauritania Public Sector Governance Project (PSGP), the Mauritania Extractive Industries Transparency Initiative (EITI), and the Mining Sector Capacity Building Project (PRISM) I and II.
6. Although the country's fiscal policy has remained mostly prudent, with efforts to contain recurrent expenditures and raise non-extractive revenues, the contraction of extractives industries and increased public investment over the past few years have fueled a rapid expansion in the public debt and deteriorated fiscal balances. Between 2006 and 2013, the overall fiscal deficit remained at, or below, 3 percent of GDP, supported by extractives revenues and notable foreign grants. Tax revenues increased rapidly from an average of slightly higher than 12 percent of GDP in 2000-2011 to an average of 17.4 percent of GDP in 2012-2014. In addition, the Government set aside oil revenues in a fund which helped to finance the 2011 drought response and remained at almost US\$100 million in 2013, before falling to US\$60 million in 2015. The steady rise in investment spending over the past two years has, however, undermined the government's efforts at fiscal consolidation, as revenue growth failed to keep pace with rising public expenditures. Deficits reached 3.4 percent and 3.3 percent of GDP in 2014 and 2015, respectively. The ambitious Public Investment Program (PIP), with a 35.6 percent externally financed component (up from 21.0 percent in 2000), pushed the public debt stock to 85.4 percent of GDP by the end of 2015, a 15 percent rise since 2010. The absence of fiscal buffers and the government's recourse to bilateral loans and other less-concessional forms of external financing have worsened the debt profile and increased the vulnerability of the debt stock to exchange rate risks, leaving the country at a high risk of debt distress.
7. Years of significant economic growth and accelerated poverty reduction did not translate into commensurate levels of human development in the country. Mauritania ranks 156th out of 188 countries on the 2015 Human Development Index, and 139th out of 155 on the Gender Inequality Index (UNDP, 2015). There are also significant inequalities between urban and rural populations.

Sectoral and Institutional Context

Sector Context

8. Exploration has been conducted for a long time in Mauritania leading until 2001 to very small oil and gas discoveries. Owing to continuous promotion efforts over the past decades, the Ministry of Petroleum, Energy and Mines (MPEM, Ministère du Pétrole, de l'Énergie et des Mines) supported by the Mauritanian Hydrocarbon Company (SMHPM, Société Mauritanienne des Hydrocarbures et du Patrimoine Minier) has been able to attract a number of petroleum companies. As a result, several hydrocarbon discoveries were made offshore Mauritania, namely: Chinguetti (2001), Banda (2002), Tiof (2003), Pélican (2003), Tevet (2004), Labeidna (2005), Faucon (2005), Aigrette (2006) and Cormoran (2011).



9. A world class gas discovery was made in 2015 with Grand Tortue/Ahmeyim (GTA) ultra-deep offshore gas field which straddles the maritime boundary between Mauritania and Senegal. This discovery has the potential to transform Mauritania's economy. The Bir Allah gas discovery was made but it remains to be appraised. New prospects have been identified, including Requin and Lamantin to be drilled in 2017-18.

Government Policy

10. The Government of Mauritania elaborated the Accelerated Growth and Shared Prosperity Strategy (*Stratégie de Croissance Accélérée et de Prospérité Partagée*) which covers 2016-2030. It is based on three pillars: (i) ensuring strong, sustainable and inclusive growth; (ii) promoting human capital and access to basic services; and (iii) creating conditions to foster good governance.
11. The policy framework for the oil and gas sector is defined by the petroleum law and its decrees of application.

Petroleum Legal, Fiscal, Regulatory and Contractual Framework

12. The current legal and regulatory framework applicable to the upstream petroleum sector in Mauritania is governed by Law No. 2010-033 of June 20, 2010, as amended by Law No. 2011-044 and Law No. 2015-016, and its Decrees of application, referred to as the "Petroleum Code" of Mauritania. The midstream or downstream matters are covered by the downstream law (*Loi réglementant les activités aval du secteur des hydrocarbures*) of 2002 (Ordinance No. 2002-005) dealing with the domestic distribution and sale of hydrocarbons and petroleum products in Mauritania.
13. The fiscal framework of upstream activities is provided by the Petroleum Code, which contains, *inter alia*, specific upstream petroleum tax rules and special tax exemptions regarding upstream petroleum activities, taking precedence on the provisions of the "General Tax Code" ("Code Général des Impôts"), which applies to the upstream petroleum activities in the country as the other laws and regulations of Mauritania and the tax provisions, which may be contained in the petroleum agreements.
14. The Petroleum Code empowers the Government to enter into upstream petroleum (exploration and production) agreements, namely Exploration and Production Contract (in French named under the acronym CEP) under the production sharing contract (PSC) type.¹ The PSC scheme was introduced in Mauritania in 1981 and is therefore a type of upstream petroleum arrangement well known by the country. Ten CEPs are currently in force. Most petroleum agreements are now public in Mauritania, including those related to the GTA project.

Petroleum Institutional Framework

15. Mauritania's oil and gas sector is directly managed by the Ministry of Petroleum, Energy and Mines

¹ The Petroleum Code does not use the expression "production sharing contract" but provide for the more generic terminology of "exploration and production contracts" ("*contrat d'exploration et de production, ou CEP*"). However, the clauses in the Petroleum Code defining the content of any exploration and production contract shows that indeed it corresponds to the internationally recognized "production sharing contract (PSC)." This reason explains why for clarity the term PSC is selected in the PAD.



(MPEM, Ministère du Pétrole, de l'Énergie et des Mines), in liaison with the Ministry of Finance regarding tax issues. Its mandate is to formulate and implement government policies relevant to oil and natural gas, mines and the energy sector. Specifically, it is responsible for: i) promoting and regulating the production, import and export, transport, storage, and commercialization of hydrocarbons; and ii) encouraging exploration of new oil and gas resources. With a special regulatory mandate, the MPEM is also responsible for issuing petroleum exploration and production rights, through the signing of exploration and production contracts, commonly named Production Sharing Contracts (PSCs) related to oil and gas blocks, approved by Decree.

16. Within the MPEM, the General Department of Hydrocarbons (GDH, Direction Générale des Hydrocarbures) is responsible for the development, implementation and monitoring of the strategies related to hydrocarbons, including the development and enforcement of policies, as well as monitoring and implementation of laws and regulations. Particularly, the GDH is involved in: i) preparation of legal and regulatory frameworks for activities in the oil and gas sector; ii) participation in the contracts and agreements negotiations; iii) development and implementation of sectorial development plans; iv) promotion of investment opportunities; v) training design and delivery for oil and gas professionals; vi) dissemination of studies and data in oil and gas sector; etc.
17. The Mauritanian Hydrocarbons Company (SMH, Société Mauritanienne des Hydrocarbures) was created in April 2004 by the Decree No. 039-2004. As a public company under the supervision of the MPEM, its primary objective is to manage the state participation in the exploration, development, production, and commercialization of oil and gas resources in Mauritania. In 2014, the SMH changed its name to the Mauritania Hydrocarbons and Mining Company (SMHPM, Société Mauritanienne des Hydrocarbures et de Patrimoine Minier) according to Decree No. 2014-011, as the company expanded its mission to include oil, gas and mining exploitation. Based on the legislation and petroleum contracts, the SMHPM is responsible for collecting and commercializing the government's share of hydrocarbons following modalities determined by the MPEM.

Hydrocarbon Discoveries

18. While further exploration is expected to lead to new prospects, the main discoveries made since 2001 are described hereinafter.
19. **Chinguetti.** The extraction of oil in Mauritania started in 2006 with the development of the Chinguetti field. The field was discovered by Woodside Petroleum in 2001 and production initially planned at a capacity of 75,000 barrels per day began in 2006 via a Floating Production Storage and Offloading (FPSO) unit. In 2007, Woodside ceded – at a loss – to Petronas, all its upstream interests held in Mauritania for USD 418 million. The sale included the yet un-appraised Banda gas resources, as well as the producing Chinguetti oil field, which was developed by a Woodside led consortium of companies at an estimated cost of USD 700 million. Chinguetti was expected to produce over 50,000 Barrels of oil per day (BOPD) for a period of 20 years. It started producing in 2006 with a brief production peak of 75,000 BOPD which immediately plummeted to 15,000 BOPD in 2007, and continued to decline to 7,000 BOPD in 2013 and then to even lower levels. Chinguetti is in the process of being decommissioned this year. The rapid drop in production was due to unforeseen and un-remediable reservoir discontinuities, which



can happen in a complex lithology – such as the one found in Chinguetti, which have irregular water and gas saturations, and present permeability barriers, only allowing probabilistic reservoir assessments before production.

20. **Banda.** The Banda gas resource was discovered offshore Mauritania in 2002 by the Woodside Group. In 2011, Tullow took Petronas' lead operatorship of the Banda discovery, and conducted the screening studies needed to design a gas development project concept. Given the small size of the offshore gas resource, a gas export project concept was not an option and, instead, a gas to domestic power project development concept was adopted in line with the operator's objective. The primary rationale supporting the choice of this concept hinged on the assumption that the gas produced would power the then prosperous local mining industries, which needed electricity to further expand production with international price trends in the mining industry skyrocketing over 2011-12. In addition, the project was potentially able to boost access to affordable electricity in Mauritania as well as in Senegal and Mali in a context of high oil and gas international market price trends (also over 2011-12). Despite progress towards a Final Investment Decision (FID) between 2012 and 2014, following the dramatic drop in international oil and gas market prices starting in 2014 Tullow decided to monetize many of its gas assets, including through the sale of its gas assets in Pakistan and Bangladesh. At the same time, a spectacular drop in international mining prices resulted in the need to revise downwards mining production plans in Mauritania and elsewhere in the world. In this context, Tullow abandoned the development of the project. Since then, the State has undertaken two studies to identify options that could make the development of the project attractive to a public-private partnership, which it considers more appropriate to market conditions.

21. **Grand Tortue/Ahmeyim (GTA).** The recent gas discovery in the Grand Tortue/Ahmeyim field, situated in very deep waters straddling the country's maritime border with Senegal, represents a play-extending opportunity that could turn Mauritania into a significant natural gas and associated liquids exporter. In 2015, Kosmos (90 percent, operator) in partnership with the SMHPM (10 percent) made a discovery in the Ahmeyim-1 offshore well in southern Mauritania, close to the border with Senegal. In early 2016, Kosmos (60 percent, operator) in partnership with Timis now replaced by BP (30 percent), and PETROSEN (10 percent) reported another offshore gas discovery in Senegal in the Geumbeul-1 well located roughly five kilometers from the Ahmeyim-1 well. Both drilling operations reached the target formation at a water depth of approximately 2,700 meters and a well depth of over 5,000 meters. Moreover, both exploration wells encountered about 100 meters of net gas pay. In March 2016, the Ahmeyim-2 well, which was drilled in Mauritania, encountered 78 meters (256 feet) of net gas pay. The drilling confirmed reservoir continuity on both sides of the border. However, the appraisal program for GTA will have to be completed before a thorough assessment of the nature and size of the reservoirs can be provided along with the specifications of the gas and reservoir productivity. Late December 2016, British Petroleum (BP) signed a farm-in agreement with Kosmos Energy to acquire a 62 percent working interest, including development operatorship, of Kosmos' exploration blocks in Mauritania, and a 32.49 percent effective working interest in Kosmos' Senegal exploration blocks. BP/Kosmos are planning to drill additional wells in their blocks and adopt the project development concept in 2017 in order to reach a Final Investment Decision (FID) for GTA by the end of 2018. Given the large size of the resources and low international market price trends for LNG, the PSC holders are seeking to develop the gas resources in phases. The first phase is meant to establish both Mauritania and Senegal as gas



exporters, using a low-cost project development concept (near-shore floating LNG) which can be fast-tracked.

22. **Further Exploration.** In May 2017, the Government of Mauritania and Total signed a contract which will enable the country to further promote gas exploration and production. Total will be the operator with a 90 percent interest and SMHPM will hold 10 percent interest.

Challenges Ahead for Oil and Gas Development

23. Now that a world-scale discovery has been made offshore in Mauritania, operators are working on finalizing the appraisal of the gas resources and defining the project development concepts, as required before they can make an FID. The period separating the moment resources are discovered from the moment a decision is made on whether and how to develop them (i.e., the FID) involves critical work. Often underestimated in new producing countries, the work needed during this period is substantial and directly impacts the fiscal and non-fiscal revenues that the resource exploitation will bring to the host country. With gas discoveries come expectations of fiscal revenues and local content, and there is generally greater public interest in how to invest these revenues and train people for future industry needs rather than in how best to choose a project development concept, supplement the petroleum law and the PSC, and set-up or reinforce institutions.
24. Yet, the choice of a project development concept will irreversibly define the project's socioeconomic and fiscal impacts as well as its ability to bring more than fiscal revenues for a country. During the early screening phase, it is essential that all relevant development concepts be screened. In countries, such as Mauritania and Senegal, where the limited access to affordable electricity is one of the key binding constraints on growth, it is essential to make sure that the concepts under preliminary analysis include options for gas destined for domestic power generation. While such concepts may not always be commercially viable, there can be instances where they compete with concepts excluding gas for power generation, and access to concessional financing can make a difference. Some project development concepts come with more local content than others, and it is important to make sure they too are analyzed as needed. Such concepts are not always optimal, especially when market prices trends are low and key infrastructures underdeveloped. Yet, expectations of local content are often higher than what is feasible, and ruling out such concepts without a rationale can add substantial time and costs to project negotiations. It is therefore important for governments to proceed methodically and focus on their responsibilities on firming up an FID before widening their efforts to training people to future industry needs and managing future revenues. Once operators near an FID, based on factors that can optimize the government's fiscal revenues and other positive externalities, the timing for revenue buildups and training needs become clearer. Governments focus should then switch from supporting efforts needed to firm up the project investment decision to planning how best to manage the revenues that will be generated by the project after its development.
25. During the conceptualization phase, governments and operators must work in collaboration to finalize all agreements needed for an FID. While the greatest part of the work falls to the lead operator(s), governments must grant approval for a large number of decisions. In new producing countries, governments often need to complete the legal and regulatory framework so that it covers all critical uncertainties that could affect the feasibility of the project. For instance, if a Petroleum Law and PSC do



not specify the fiscal regime that will apply to the liquefaction of the gas, the fiscal, legal, and regulatory framework will need to be supplemented to remove this uncertainty. Governments will also be asked to review the Front End Engineering Design (FEED) of gas development concepts as well as field developments, which typically requires new capacity. Before they make an FID, private operators will also have to make sure that project financing is adequate and that all parties, including national oil corporations, can assume their share of development and production costs. In such cases, this suggests that the Government should determine its stake and secure ways to finance it ahead of time. In the development of LNG, the private operator will lead the gas marketing strategy and find buyers for the gas. However, the Government may still need to provide clearance for the gas marketing strategy and gas sale agreements in a timely manner.

26. Key landmarks that need to be achieved in the earliest stage of evaluating the discovery of Grand Tortue Ahmeyim include the following:
 - a. Ratification of an Intergovernmental Cooperation Agreement (ICA) for the development of the transnational resource, which will leverage cooperation between Mauritania and Senegal;
 - b. Adoption of a Unitization and Unit Operating Agreement (UUOA) complying with the ICA;
 - c. Approval of project development concept for Grand Tortue Ahmeyim discovery that optimizes fiscal revenues under existing PSC and other positive impacts for the country (e.g. gas for domestic power generation) while meeting investors' requirements; and
 - d. Identification of the optimal level of participation of the SMHPM in the development and liquefaction of GTA and option(s) for financing.

27. The proposed Technical Assistance (TA) will support the GoM's efforts to mobilize the capacity needed to partner with the private sector to ensure progress toward completion of these specific milestones and broader needs associated with the government's responsibility for a FID.

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

The project development objective is to support the government capacity to drive negotiation towards final investment decision, and lay the foundations for the gas sector's contribution to the economy through enhanced legal and regulatory frameworks and capacity building.

Key Results

28. Progress in achieving the PDO will be measured by the following key results indicators:
 - Development concept for Grand Tortue Ahmeyim (GTA) determined;
 - Unitization Agreement for the GTA reservoir developed;
 - Local content strategy for the hydrocarbons sector developed;
 - Institutional analysis conducted and results publicly disseminated.

D. Project Description



29. The proposed technical assistance has three components: (Component A) Capacity building and technical support to the GTA project negotiations; (Component B) Strengthening of the institutional and regulatory framework; and (Component C) Project management and coordination. Details on the project components are summarized hereinafter:
30. **Component A - Capacity building and technical support for the GTA negotiations (USD 16 million).** The activities undertaken under Component A are designed to enable the Government of Mauritania to develop the institutional capacities and to acquire the third-party expertise needed to negotiate effectively a FID on the GTA. This capacity building and technical support will enable the government to ratify tens of technical, legal, fiscal, commercial and financial agreements underpinning a FID. These capacities and expertise will also be applicable for other gas prospects not yet developed, such as Lamantin and Requin.
31. **Sub-Component A.1. Institutional Analysis, Training and Capacity Building (USD 8 million).** The objective of this sub-component is to identify the needs for capacity building, develop and implement training and technical resource buildup programs.
- a. **Institutional Analysis:** This activity is intended to provide a detailed analysis of the operations, policies and internal procedures of government institutions involved in gas exploration and production and in revenue management, taking into consideration international best practices. Targeted institutions will include line ministries (Energy, Economy, Finance, Transport, Infrastructure and Environment) and the SMHPM.
- b. **Training:** This activity is intended to provide high-level training to gas policy makers (including line ministers, parliamentarians and SMHPM) and in-depth training of the staff of the SMHPM, the Project Implementation Unit (PIU), and the ministries directly involved in project negotiations and their implementation. The high-level training aims at facilitating the decision-making process on the legal provisions necessary for the finalization of the gas legal framework, the ratification of an Intergovernmental Cooperation Agreement, the adoption of an Unitisation Agreement, the validation of gas development concepts, etc. In addition to the strategic training of decision-makers, in-depth training - based on industry needs - will be offered to senior management and executives of key institutions involved in resource development and management. This in-depth training will be subdivided into two categories:
- i. The first category will provide tailored training rapidly to the teams working on the project (negotiating team, GTA project team, etc.) considering the project schedule and its specific needs;
 - ii. The second category will focus on strengthening the capacities (in terms of training as well as staffing) of the intervening institutions, including the Ministry of Environment, based on the results of the institutional diagnosis.
- c. **Recruitment of key personnel and development of a Human Resources (HR) retention policy:** This activity is intended to support the short- and mid-term efforts of the Mauritanian authorities to mobilize additional skills in petroleum engineering, development of LNG projects, gas economy, project financing, taxation and gas law. Experts will be recruited as consultants and will mainly support the MPEM and the SMHPM. In addition, this activity will develop a HR retention policy for the main governmental agencies involved in the project (in this case MPEM and SMPHM) to increase the sustainability and effectiveness of the recruitment and training strategy. The goal is to give MPEM and SMPHM the tools to keep the trained and talented state sector employees that otherwise may leave, attracted by the higher salaries of private sector companies in a nascent oil and gas sector.



- d. **Strengthening of technical resources:** This activity is aimed at enabling key institutions, in particular MPEM and SMHPM, to have the equipment, tools and facilities required for the sustainable management of the country's hydrocarbon resources (modeling platform, a document center for technical data, an integrated information and management system ERP).
32. **Sub-Component A.2. Technical Support for Effective Negotiation of the GTA Agreements (USD 8 million).** The objective of this sub-component is to support the efforts of the Mauritanian authorities to engage rapidly and constructively with the Senegalese authorities and the holders of the exploration and production contracts (the PSC-holders) to guarantee the sustainable development and production of its gas resources. This support will be extended to other gas prospects if future appraisal confirms the potential. This subcomponent includes the following activities:
- a. **Reservoir engineering:** Provide the Mauritanian negotiation team with independent third party expertise needed to validate the operator's estimates as well as the methodology used for the delineation of GTA and the estimation of transnational gas resources that will be the object of an Intergovernmental Cooperation Agreement (ICA) and an Unitisation Agreement.
 - b. **Project development and construction engineering:** Assist MPEM in validating the field development plan and engineering studies related to the production and liquefaction of the gas submitted by the operator.
 - c. **Legal:** Assist the Mauritanian authorities in finalizing the necessary agreements to move towards GTA's FID, including the ICA and the GTA Unitisation Agreement, operational agreements, marketing agreements and financial agreements.
 - d. **Financial:** Support government efforts to assess the fiscal impacts of various LNG development concepts, finalize project financing, identify the optimal share of the national company in gas and LNG developments and how to finance it.
 - e. **Marketing:** Assist the Mauritanian negotiation team in validating the commercialization agreements for GTA and in identifying viable options for gas to domestic power generation.
33. **Component B – Strengthening of the institutional and regulatory framework (USD 3 million).** The objective of this component is to assist the Government of Mauritania in updating its policy and strategy for the development of the gas sector. The specific activities to be implemented under this component are:
- a. **Policy, Strategy and Action Plan for the Gas Sector:** This activity aims to support the efforts of the Government of Mauritania in updating its gas policy once the concept for the development of GTA and its implementation schedule are adopted. In this context, options for managing the gas sector (both upstream and downstream) and for determining the use of future gas production (gas for power, refining, petrochemicals and other uses) may be considered. The gas revenue management policy will be reviewed and updated as needed. This component will take into account all gas resources in the country.
 - b. **Master Plan:** All work required to develop or update the sectorial policy and strategy, or to ensure its implementation, will be funded under this activity. This includes the development of a master plan that will help articulate how offshore gas development could benefit domestic power generation and local industries. The Master Plan will be developed after the GTA Pre-FEED (front end engineering design) study is approved by



the Government. It will among other things include a gas-to-power development strategy and an assessment of the social and environmental risks associated with the project development concept, as well as the readiness of Mauritanian safeguards designed to mitigate these risks adequately.

- c. **Local Content Strategy:** All work required to develop the local content strategy for the hydrocarbons sector will be funded through this activity. This will include a diagnosis of industries that exist or could be developed upstream or downstream of the GTA project with the goal of helping the Government determine an adequate level of local content. A strategy and an implementation plan will also be developed to clarify how domestic investors could gradually win service, supply and works contracts associated with the gas development projects. This local content strategy will also develop a monitoring and evaluation framework that will measure progress on the participation of women (workers and business owners) in the hydrocarbons sector workforce, particularly those associated with the gas projects.
 - d. **Strategy for the Involvement of Stakeholders in the Gas Sector:** The main objective of this activity is to mobilize international expertise from third parties with a view to developing a communications strategy and an information campaign aimed at engaging all the relevant actors in the sector in an efficient and sustainable way on issues relating to the gas development projects at GTA. This activity will consist of an assessment of the existing communications and institutional options/mechanisms for communication, information and engagement of key target audiences in public bodies, including the MPEM and the SMHPM. In addition, it will finance a communications strategy and a stakeholder engagement campaign.
34. **Component C - Project management and coordination (USD 1 million).** The proposed component will help develop the capacity of the PIU-MPEM to manage all project activities financed under the World Bank TA. This PIU will be staffed and trained to be sustainable since it will be in charge of the similar projects in the future. More specifically, it will support the costs associated with the recruitment of a procurement specialist, an accountant, an administrative and financial director, and other instrumental staff as needed, to build the PIU-MPEM's procurement, financial management, monitoring and evaluation, as well as safeguards management capacities in a sustainable manner.

E. Implementation

Institutional and Implementation Arrangements

35. The implementation and coordination of the technical assistance project will be performed by a Project Implementation Unit (PIU) anchored within the MPEM's Hydrocarbons Directorate. This unit (PIU-MPEM) will implement and coordinate all oil and gas technical assistance projects which will be granted to the Government of Mauritania from now on (including this proposed World Bank technical assistance). In this way, the capacity of this PIU is expected to increase overtime which would in turn contribute to the overall institutional capacity in the gas sector in a sustainable manner. PIU-MPEM will carry out all planned activities financed under this technical assistance as well as day-to-day coordination and management, under the authority of MPEM's Hydrocarbons Directorate. PIU-MPEM will also benefit from the support of SMHPM, which will provide ad-hoc support from a procurement specialist, an administrative and financial director, an accountant, legal and technical experts, and an environmental specialist.

36. SMHPM will support the PIU-MPEM until this PIU is fully and adequately staffed with the recruitment



of the following staff which will be financed through this technical assistance: (i) an internal auditor and a seasoned chief accountant to ensure financial management and reporting requirements; (ii) a procurement specialist to ensure that all activities financed by the project are executed following World Bank rules that apply to Borrowers; and (iii) an assistant to provide administrative assistance to the whole team. In addition, the PIU will be strengthened either by an environmental specialist that will provide follow-up based on the findings and recommendations of the E&S risk assessment to be carried out as part of the preparation of the Master Plan. Before the PIU can operate without ad-hoc support from the SMHPM, the approval from the MPEM as well as non-objection from the World Bank will be required. The setup of the PIU is an opportunity to build the Hydrocarbons Department of the MPEM. Both through the temporary arrangements which will rely on SMHPM and through long-term arrangements, the administrative (financial management and procurement), as well as the technical capacity of the MPEM will be strengthened.

- 37. To ensure smooth project implementation, a Project Manual will be developed to articulate how the operations planned under the proposed project will be undertaken by PIU-MPEM. In particular, the Manual will outline implementation arrangements, project costs and parallel arrangements, disbursement, financial management, procurement arrangements, E&S safeguards arrangements, internal controls, etc.

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

Not applicable.

G. Environmental and Social Safeguards Specialists on the Team

Hocine Chalal, Environmental Safeguards Specialist
Fatou Fall, Social Safeguards Specialist

SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	An assessment will be commissioned of the readiness of the Mauritanian safeguards' related regulatory framework to deal with current oil and gas development projects. Terms of reference will be prepared and disclosed as soon as possible, which will delineate the environmental and social safeguards mitigating and regulatory measures as



well as the capacity building measures that will be built in the technical assistance package for Mauritania. The project precedes the preparation of feasibility and environmental and social studies, and final investments decisions are not anticipated to take place in the short- to medium-term. Therefore, the objective of this contribution is to ensure that the government is well equipped to negotiate, manage and implement the projects that will come out of this technical assistance operation.

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 proposed TA precedes the preparation of feasibility and environmental and social studies, and final investments decisions are not anticipated to take place in the short to medium term. Thus, the TA does not pose environmental and social safeguards related risks to the communities or to the country at large.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:

The goal of the proposed TA is to support the government to reach Final Investment Decisions on gas development projects, therefore, it does have eventual implications for addressing the environmental and social impacts related to future gas development.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.

To take preventive measures, the Terms of Reference (ToR) for the Master Plan for Gas Development will ensure that the plan addresses broad environmental and social risks in the sector. Once the Master Plan is developed, the Government plans to prepare a Strategic Environmental and Social Assessment on the gas sector in Mauritania.



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.

To prepare the country, especially MPEM and SMHPM, for future gas development projects, an assessment will also be commissioned to examine the readiness of the Mauritanian safeguards related the regulatory framework applicable to gas development projects. Based on this assessment capacity strengthening (in terms of training as well as staffing) of the relevant entities including at the Ministry (in charge) of Environment level will be implemented. Budget will be allocated from an unallocated budget line to ensure resources are available for these capacity strengthening measures.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

At this stage, the World Bank team will ensure quality supervision of the Master Plan financed under the project and stands ready to change the risk rating from B to A of the project in the unlikely event a FID is prepared during the life of the TA.

B. Disclosure Requirements

Environmental Assessment/Audit/Management Plan/Other

Date of receipt by the Bank	Date of submission for disclosure	For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors
05-Mar-2018	26-Mar-2018	

"In country" Disclosure

Mauritania
09-Apr-2018

Comments

The detailed ToRs of the E & S assessment will be disclosed by that date latest. it is not possible to finalize there ToRs before some clarity on the overall approach is clarifier through early technical and institutional assessments.

C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting)

OP/BP/GP 4.01 - Environment Assessment

Does the project require a stand-alone EA (including EMP) report?

No

The World Bank Policy on Disclosure of Information



Have relevant safeguard policies documents been sent to the World Bank for disclosure?

No

Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?

No

All Safeguard Policies

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?

Yes

Have costs related to safeguard policy measures been included in the project cost?

No

Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?

No

Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?

Yes

CONTACT POINT

World Bank

Ilhem Salamon
Senior Oil and Gas Specialist

Susana Moreira
Oil and Gas Specialist

Borrower/Client/Recipient

Ministry of Economy and Finance

Implementing Agencies



Ministry of Petroleum, Energy and Mines
Moustapha Bechir
Director General for Hydrocarbons
mobechir@yahoo.fr

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):	Ilhem Salamon Susana Moreira
----------------------	---------------------------------

Approved By

Safeguards Advisor:	Maman-Sani Issa	15-Aug-2017
Practice Manager/Manager:	Silvana Tordo	15-Aug-2017
Country Director:		