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INTERNATIONAL DEVELOPMENT ASSOCIATION

PROGRAM DOCUMENT FOR A

PROPOSED CREDIT
IN THE AMOUNT OF SDR 18.1 MILLION (US$24.0 MILLION EQUIVALENT)
IN SHORTER MATURITY LOANS

AND A
PROPOSED CREDIT WITH A CATASTROPHE-DEFERRED DRAWDOWN OPTION (CAT DDO)
IN THE AMOUNT OF SDR 18.1 MILLION (US$24.0 MILLION EQUIVALENT)

TO THE

ISLAMIC REPUBLIC OF MAURITANIA

FOR THE

FISCAL MANAGEMENT AND RESILIENCE DEVELOPMENT POLICY FINANCING
WITH A CATASTROPHE DEFERRED DRAWDOWN OPTION

February 1, 2024

Macroeconomics, Trade and Investment Global Practice
Western and Central Africa Region

Public Disclosure Authorized

Islamic Republic of Mauritania

GOVERNMENT FISCAL YEAR

January 1 – December 30

CURRENCY EQUIVALENTS

(Exchange Rate Effective as of November 30, 2023)

Currency Unit: Mauritanian Ouguiya (MRU)

US$1.00=SDR 0.75

US$1.00=MRU 39.88

ABBREVIATIONS AND ACRONYMS

ABP	Annual Borrowing Plan	IPF	Investment Project Financing
BCM	Central Bank of Mauritania/*Banque Centrale de Mauritanie*	MESD	Ministry of Economy and Sustainable Development/*Ministère de l'Economie et du Développement Durable*
BoP	Balance of Payments	MTEF	Medium-term Expenditure Framework
Cat DDO	Catastrophe Deferred Drawdown Option	MTDS	Medium-Term Debt Management Strategy
CSA	Food Security Commission/*Commissariat à la Sécurité Alimentaire*	MoF	Ministry of Finance/*Ministère des Finances*
CPF	Country Partnership Framework	MRU	Mauritanian Ouguiya
DGSCGC	General Directorate for Civil Security and Crisis Management/ *Direction Générale à la Sécurité Civile et à la Gestion des Crises*	NDC	National Determined Contribution
DPF	Development Policy Financing	NPL	Non-Performing Loans
DRM	Disaster Risk Management	ONEL	Coastal Observatory/*Observatoire National de l'Environnement et du Littoral*
DSA	Debt Sustainability Analysis	PDO	Program Development Objective
DSSI	Debt Service Suspension Initiative	PFM	Public Financial Management
ECF	Extended Credit Facility	PIP	Public Investment Program
EFF	Extended Fund Facility	PPA	Performance and Policy Actions
EIA	Environmental Impact Assessment	PPG	Public and Publicly Guaranteed
EPCV	Permanent Survey of Household Living Conditions/*Enquête Permanente sur les Conditions de Vie des Ménages*	PPP	Public-private Partnership

EP&R	Emergency Preparedness and Response	PSIA	Poverty and Social Impact Assessment
EU	European Union	RSF	Resilience and Sustainability Facility
FDI	Foreign Direct Investment	SCAPP	National Strategy for Accelerated Growth and Shared Prosperity/*Stratégie de Croissance Accélérée et de Prospérité Partagée*
FRS	Fiscal Risk Statement	SDR	Special Drawing Rights
FY	Fiscal Year	SNIM	National Company of Mining Industries/*Société Nationale Industrielle et Minière*
GDP	Gross Domestic Product	SOE	State-owned Enterprise
GRS	Grievance Redress Service	US$	United States Dollars
GTA	Greater Tortue/Ahmeyim/*Grande-Tortue/Ahmeyim*	VAT	Value Added Tax
IDA	International Development Association		
IMF	International Monetary Fund		

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ISLAMIC REPUBLIC OF MAURITANIA

Fiscal Management and Resilience Development Policy Financing with a Catastrophe Deferred Drawdown Option

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SUMMARY OF PROPOSED FINANCING AND PROGRAM

BASIC INFORMATION

Project ID	Programmatic
P179263	No

Proposed Development Objective(s)

The Program Development Objective (PDO) is to strengthen the foundations for: (i) sound fiscal and debt management; and (ii) a competitive and climate-resilient economy.

Organizations

Borrower:	ISLAMIC REPUBLIC OF MAURITANIA
Implementing Agency:	MINISTRY OF ECONOMY AND SUSTAINABLE DEVELOPMENT

PROJECT FINANCING DATA (US$, Millions)

SUMMARY

Total Financing	**48.00**

DETAILS

International Development Association (IDA)	48.00
IDA Credit	24.00
IDA Shorter Maturity Loan (SML)	24.00

INSTITUTIONAL DATA

Climate Change and Disaster Screening

This operation has been screened for short and long-term climate change and disaster risks

Overall Risk Rating

Moderate

Results

Indicator Name	Baseline [2022]	Target [2026]
Pillar 1: Strengthening the foundations for sound fiscal and debt management		
1.a. Number of Medium-term Debt Management Strategy (MTDS) and Annual Borrowing Plan (ABP) published	0	3
1.b. Percentage decrease in external debt (as a proportion of total debt) consistent with the 2024-2026 MTDS	0	3.1
2. State-owned enterprises (SOEs) accounting for at least 80 percent of the total turnover of the SOE portfolio have reported their guaranteed debt and non-guaranteed debt to the debt management entities	No	Yes
3. Number of fiscal risk statements published using the new methodology and including estimates of climate related risks and mitigation measures	1	3
4.a. Amount of taxes reported and paid by large companies using the online platform, as a percentage of total taxes declared by large firms	0	>50
4.b. Tax revenues (excluding extractive) in percentage of gross domestic product (GDP)	13.1	15.1
Pillar 2: Strengthening the foundation for a competitive and climate-resilient economy		
5. Total number of competition policy decisions taken by the Competition Council	1	3
6.a. Share of wilayas with an Emergency Regional Committee in place and operating rules approved and published	0%	100%
6.b. Data and information gathered and used in post disaster assessments are disaggregated by sex, age, and disability	No	Yes
7. Share of urban municipalities covered by planning instruments incorporating climate and disaster risk management considerations (percentage)	0	>25%
8 Share of coastal areas covered by target cartography (percentage)	0	>20%

IDA PROGRAM DOCUMENT FOR A PROPOSED CREDITS TO THE ISLAMIC REPUBLIC OF MAURITANIA

1. INTRODUCTION AND COUNTRY CONTEXT

1.1. **The proposed Development Policy Financing (DPF) operation aims to reduce Mauritania's debt vulnerabilities and strengthen the country's competitiveness and resilience to climate and disaster risks.** The DPF is financed in a total amount of US$48 million equivalent consisting of (i) an International Development Association credit in the amount of US$24 million equivalent in Shorter Maturity Loans (SML) and (ii) a US$24 million equivalent Catastrophe Deferred Drawdown Option (Cat DDO)[1]. The latter provides contingent financing in the aftermath of a natural catastrophe to help safeguard fiscal space while supporting a policy program that aims to reduce the impact of climate and disaster shocks on the most vulnerable. The Program Development Objective (PDO) is to strengthen the foundations for: (i) sound fiscal and debt management; and (ii) a competitive and climate-resilient economy.

1.2. **Mauritania's wealth of natural resources has contributed to its middle-income status, but poverty remains high with significant disparities across regions.** The latest household survey estimates the national poverty rate at 31.8 percent in 2019, with a much lower level in urban areas (17 percent) than in rural areas (46 percent).[2] This mainly reflects a narrow growth base and low human capital (Human Capital Index was 0.38 in 2020) which, combined with high vulnerability to climate-related shocks, limits the potential to stimulate and sustain job creation.

1.3. **Mauritania faces fiscal risks arising from an over reliance on extractives, a narrow revenue base, and significant spending needs.** The economy grew by 6.4 percent in 2022, while the country maintained a fiscal surplus of around 2 percent of Gross Domestic Product (GDP) over the period 2019-2021 and the risk of debt distress improved from high to moderate in the January 2023 Debt Sustainability Analysis (DSA)[3]. However, Mauritania's overreliance on the extractive sector (70 percent of total exports in 2022-latest available data) increases the country's vulnerability to commodity price movements, inducing the volatility of growth and revenues. Furthermore, Russia's invasion of Ukraine led to inflation pressures and triggered a significant increase in subsidies to protect the most vulnerable. Consequently, the fiscal balance turned negative in 2022 for the first time since 2017. In January 2023, the government increased wages and compensation for civil servants and the military at an estimated cost of 0.6 percent of GDP. These developments, combined with Mauritania's significant spending needs and presidential elections scheduled for June 22, 2024 could undermine the hard-earned fiscal sustainability without necessary reforms.

1.4. **Mauritania's high vulnerability to climate and disaster shocks could pose major challenges for the sustainability of growth.** Mauritania is exposed to a set of different adverse natural events such as droughts, floods, wildfires, extreme heat, and storms. Fueled by urban unplanned expansion, floods have been increasingly damaging. During the 2022 rainy season, heavy rainfall hit several parts of the country,

[1] The US$24 million equivalent Cat DDO withdrawal tranche is on blend terms ($6 million from Mauritania's PBA, $6 million from the Crisis Response Window, and another $12 million from IDA's general resources).

[2] The national poverty line is calculated using the Permanent Survey on Household Living Conditions/Enquête Permanente sur les Conditions de Vie des Ménages (EPCV)2019, and it corresponds to 201,232 Ouguiya (pre 2018 reform). The national poverty line is close to the 3.2 dollars PPP per capita per day.

[3] The latest DSA was approved by the IMF Board on December 19, 2023, but the improvement in the rating occurred in the DSA approved in January 2023. So the risk rating is unchanged from the January 2023 DSA.

causing damage and losses estimated at 2.8 percent of GDP[4]. Annual Average Losses (AAL) associated with floods are estimated at around 0.4 percent of GDP, while the country faces a 1 percent annual probability of experiencing losses that could exceed 4.2 percent of GDP. Recurrent cycles of drought and flooding in the past years have translated into food insecurity hampering poverty reduction efforts, especially in rural areas. Over 2011-2019, a rainy season one standard deviation below average reduced food consumption scores by 6.4 percent[5]. Poverty rates among small herders would have been more than 2 percentage points lower in 2019 had rainfall conditions been closer to long-term average[6]. Climate change is expected to further intensify both droughts and floods, which will compound these adverse impacts and bring unprecedented development threats if adaptation measures are not effectively implemented. By 2050, annual GDP compared to a medium-growth baseline scenario could be reduced by between 3.4 percent under an optimistic climate scenario (i.e., SSP1-1.9) and 7.2 percent under a pessimistic climate scenario (i.e., SSP3-7.0)[7].

1.5. **The DPF is structured around two pillars.** The first pillar lays the foundations for sound fiscal and debt management practices by regularly publishing a Medium-term Debt Management Strategy (MTDS) and its implementation assessment, adopting a framework for rigorous management of fiscal risks (including those related to climate shocks), and improving tax compliance and revenues by establishing a legal framework for online tax filing, increasing the Value-added Tax (VAT) rate in the telecommunication sector, and introducing a 5 percent levy on the turnover of telecommunication firms. The second pillar aims to improve competitiveness and strengthen government's capacity to manage climate and disaster risks by adopting a new competition law with the aim of diversifying the economy, adopting a unified and gender-responsive institutional framework for Emergency Preparedness and Response (EP&R), adopting a new climate-informed urban planning law, and increasing climate resilience in coastal areas by improving monitoring of coastal ecosystems and decision-making on coastal development and protection.

1.6. **The timing of this DPF and the choice of a stand-alone operation reflect a narrow window of opportunity to support critical reforms before the next presidential elections in June 2024.** Critical reform priorities need to be addressed even before the new administration puts forth its priorities. In addition, an upcoming series of analytical studies in tax revenue mobilization, a Country Economic Memorandum (CEM) and a Debt Management and Performance Assessment (DeMPA) are expected by the end of 2024. These studies are expected to inform government's new development priorities which could be supported by a new DPF series.

1.7. **Mauritania's macroeconomic policy framework is adequate for the purpose of this operation.** Despite uncertainties related to the intensified geopolitical tensions and the upcoming presidential elections, the medium-term outlook is positive. Growth is expected to be sustained, driven by a recovery

[4] *Gouvernement de la Mauritanie. 2023. Évaluation rapide post-inondations de la saison de l'hivernage 2022 en Mauritanie* (Government of Mauritania. 2023. Rapid post-flood assessment of the 2022 rainy season in Mauritania).

[5] Blanchard, P., Ishizawa, O., Humbert, T., & Van der Borght, R. 2023. Struggling with the rain: Weather variability and food insecurity forecasting in Mauritania. Policy research working paper, no. 10457. World Bank Group.

[6] Vinha, K., & Hill, R. 2022 *[document non publié]*. Mauritania and vulnerability to drought. Background paper for the Mauritania poverty assessment. World Bank.

[7] Source: G5 Sahel CCDR. This impact considers the combined effects of six impact channels (rainfed crop yields, livestock yields, heat-labor productivity, human health-productivity, flooding damages, and road and bridges damages) without adaptation measures. Losses are large enough to wipe out most or all annual growth in real GDP and GDP per capita. Importantly, they are likely to underestimate the impact of climate change on GDP because not all impact channels are included, and because they do not include the magnifying effects of climate-induced increases in conflicts, ecosystem shifts, and migration.

in private consumption and Foreign Direct Investment (FDI) and the onset of gas production in 2024. The public debt trajectory is sustainable, supported by a revenue-driven fiscal consolidation, with the risk of overall and external public debt distress assessed as moderate. Monetary policy has successfully reduced inflation, and the financial sector is expected to remain stable. Mauritania is under an International Monetary Fund (IMF) three-year Extended Credit Facility (ECF) and Extended Fund Facility (EFF) Arrangements program that will help strengthen macroeconomic stability. The proposed operation is also part of the authorities' toolbox to strengthen macroeconomic stability while reducing the vulnerability to climate change.

2. MACROECONOMIC POLICY FRAMEWORK

2.1. RECENT ECONOMIC DEVELOPMENTS

2.1 **Following a significant expansion in 2022, driven by a strong extractive production and exceptional primary sector output, Mauritania's economy decelerated in 2023 [Table 1].** The economy grew by 6.4 percent in 2022 (4.1 percent per capita). The primary sector contributed to 2.7 percentage points (pp) to GDP growth, supported by a record agriculture and fisheries production, while the industrial production grew strongly reflecting a rebound in gold production that fallen sharply in 2021 due to the fire at the Tasiast gold mine. Growth was also driven by public consumption as the government increased energy subsidies and transfers to help the vulnerable cope with inflation. Higher commodity prices boosted exports which contributed 12.2 pp to GDP growth. Real GDP growth is estimated to have slightly decelerated in 2023 to 4.8 percent (2.6 percent per capita), reflecting a normalization of gold production and lower fishing output.

2.2 **Headline inflation eased in 2023 after an unprecedented surge in 2022 on the back of high food prices.** Average yearly inflation increased to 9.5 percent in 2022 driven by an increase in food, housing, and energy prices. To contain inflation, the government, and the Central Bank of Mauritania (*Banque Centrale de Mauritanie,* BCM) took several measures, including a ban on wheat re-exports in March 2022, and the distribution and subsidization of basic food products. In addition, the BCM tightened monetary policy in August 2022 by raising the policy rate by 200 basis points from 5 percent to 7 percent. As a result, credit growth slowed from a record high of 25.9 percent in May 2022 to 2.4 percent in June 2023. As of November 2023, inflation decelerated to 1.3 percent (y/y) from 12.1 percent (y/y), reaching its lowest level over the last two years. Yearly inflation averaged 6 percent in 2023.

2.3 **The current account deficit widened to 16.6 percent of GDP in 2022 driven by an increase in the trade deficit but is estimated to have narrowed in 2023.** Exports of goods increased by 6.7 pp in 2022 due to higher gold exports. This was slightly offset by lower iron ore and copper exports due to lower international prices. Imports of goods rose by 10.7 pp due to increased food and oil imports and higher capital imports in the extractive industry. The current account deficit was financed mostly by FDI in the extractive industry and donor financing. As a result of the current account deficit, foreign reserves at the central bank declined to 4.7 months of goods and services in 2022. The current account deficit is estimated to improve to 12.1 percent of GDP in 2023 driven by lower imports prices for food and oil and lower imports in the extractive industry. The BCM is moving toward a more flexible exchange rate regime that will help reduce the economy's vulnerability to external shocks, preserve foreign exchange reserves, and increase the scope for a more independent monetary policy.

2.4 **The fiscal position deteriorated significantly in 2022, but slightly improved in 2023.** The overall fiscal balance registered a deficit of 3.6 percent of GDP in 2022 compared to a surplus of 1.9 percent of GDP in 2021, partly reflecting the impact of the rising cost of living and associated mitigation measures on the budget. Expenditures increased to 28.0 percent of GDP in 2022 up from 20.8 percent of GDP in 2021 driven by stronger capital spending and higher current transfers. Total revenue and grants increased from 22.7 percent of GDP in 2021 to 24.4 percent of GDP in 2022 supported by higher dividend payments by state-owned enterprises (SOEs). Grants decreased from 2.3 percent of GDP in 2021 to 1.8 percent of GDP in 2022. Budget execution reached 94 percent of the supplemental budget; a strong improvement compared to the last two years where budget execution averaged 80 percent of the supplemental budget. The fiscal deficit is estimated to narrow to 2.3 percent of GDP in 2023 reflecting reduced transfers and subsidies and lower capital expenditures.

Table 1: Contributions to GDP Growth (supply and demand)

	2020	2021	2022	E2023	P2024	P2025	P2026
		(Demand side)					
GDP	**-0.4**	**0.7**	**6.4**	**4.8**	**5.1**	**5.5**	**4.5**
Consumption	-0.1	5.8	5.7	5.0	4.0	3.7	3.5
Private cons	0.6	2.0	1.7	1.9	1.8	1.7	1.7
Public cons	-0.7	3.8	4.0	3.1	2.2	2.0	1.8
Investment	3.5	-2.7	-1.4	4.0	3.6	3.4	3.3
Private inv	2.5	-2.9	-1.5	3.0	2.1	2.0	2.0
Public inv	1.1	0.2	0.2	1.0	1.5	1.4	1.3
Net exports	-3.8	-2.3	2.0	-4.2	-2.5	-1.6	-2.3
Exports	-3.6	-4.5	12.2	3.0	3.2	3.6	3.0
Imports	0.3	-2.2	10.2	7.2	5.7	5.2	5.3
		(Supply side)					
GDP	**-0.4**	**0.7**	**6.4**	**4.8**	**5.1**	**5.5**	**4.5**
Agriculture	-0.2	-0.5	2.7	0.8	0.8	0.8	0.8
Industry	0.4	-2.0	1.5	1.1	1.3	1.5	0.9
Services	-2.0	2.2	3.9	3.0	3.1	3.2	3.2
Net taxes	1.5	1.1	-1.8	-0.1	-0.1	0.0	-0.4

Source: National Authorities and World Bank and IMF estimates and projections as of end November 2023
. Statistical discrepancy is excluded on the demand side. Remaining discrepancies between sums and totals shown reflect rounding.

2.5 **The debt to GDP ratio declined in 2022 and is estimated to follow the same trend in 2023.** The total public debt to GDP ratio declined to 47.3 percent in 2022 and is expected to reach 46.9 percent in 2023 thanks to strong nominal GDP growth. Mauritania's public debt is mostly concessional. Interest payments on public debt represented 3.4 percent of total revenues in 2022. However, as 86 percent of the public debt is denominated in foreign currency, the vulnerability of debt to exchange rate risks remains high. Mauritania reached a final agreement with the State of Kuwait in 2021 regarding the restructuring of a long-standing passive debt estimated at 12.4 percent of GDP at end-2020. In 2022, a US$300 million loan from the Kingdom of Saudi Arabia was successfully renegotiated from non-concessional to concessional terms, which significantly reduced the present value of the loan and associated debt service, as the repayment period was extended to 20 years and the interest rate reduced to 1 percent. These negotiations, together with GDP rebasing, led to the improvement of the country's debt sustainability assessment in the January 2023 DSA, from high to moderate risk of debt distress.

Table 2: Key Macroeconomic Indicators (2019-2026)

	2020	2021	2022	E2023	P2024	P2025	P2026
Real Economy	annual change unless otherwise indicated						
Real GDP growth	-0.4	0.7	6.4	4.8	5.1	5.5	4.5
Per Capita GDP (current US$)	1,835.8	1,998.0	2,066	2,165	2,323	2,470	2,538
GDP deflator	6.4	7.5	2.2	3.3	1	2	2
CPI Inflation	2.4	3.6	9.5	6.0	3.0	2.0	2.0
Iron Price (US$/dmt)	108.1	158.2	120.7	101.5	95.7	90.0	90.0
Gold Prices (US$/ troy oz)	1,770	1,800	1820.0	1923.0	1978.0	2072.0	2137.0
Oil Price (US$/bbl)	41.8	69.4	96.4	80.5	79.9	76.2	72.7
Fiscal Accounts	Percent of GDP, unless otherwise indicated						
Expenditures	18.5	20.8	28.0	25.5	25.6	24.4	23.6
Revenues	20.7	22.7	24.4	23.2	24.1	23.1	23.4
Primary Budget Balance	3.1	2.7	-2.8	-1.6	-0.8	-0.6	0.5
Overall Balance	2.2	1.9	-3.6	-2.3	-1.5	-1.3	-0.2
Public Debt*	56.5	52.4	47.3	46.9	46.7	45.9	45.5
domestic	7.4	6.6	6.0	6.2	6.1	4.7	4.5
external	49.1	45.8	41.3	40.7	40.8	41.6	41.4
Balance of Payment	Percent of GDP, unless otherwise indicated						
Current Account Balance	-6.6	-8.5	-16.6	-12.1	-7.7	-7.4	-6.7
Imports of goods	-33.4	-38.5	-49.1	-39.9	-37.3	-36.9	-36.4
Exports of goods	30.1	32.2	38.9	34.2	35.4	36.3	36.0
Foreign Direct Investment	10.8	11.5	14.3	6.4	3.9	2.4	2.3
Gross Reserves (million US$, eop)	1542	2347	1877	1989	1692	1812	1825
in months of goods imports	6.4	7.9	4.7	5.7	4.7	4.6	4.5
Memorandum items							
GDP (nominal, billion MRU)	307.2	332.6	361.7	389.3	428.8	468.4	487.0
GDP (nominal, million US$)	8,258	9,216	9,799	10,243	10,661	11,323	11,846

Source: National Authorities and World Bank and IMF estimates and projections as of end November 2023
. *Including renegotiated Kuwait passive debt starting 2021.

2.6 **The financial sector soundness improved in 2022 and the first half of 2023.** Overall capital adequacy ratio was high at 18 percent in December 2022, above the minimum capital adequacy ratio of 10 percent, and improved over the first six months of 2023 to 19.4 percent. The liquidity coverage ratio (LCR) for the sector was 140 at the end of 2022, 40 points above the regulatory minimum and increased to 148.9 in June 2023. After reaching 24.7 percent in May 2022, the highest since 2018, due to the exceptional monetary expansion in 2021, credit growth decelerated to 12 percent in December 2022, and slowed to 2.4 percent in June 2023. This has been accompanied by an improvement of non-performing loans (NPL) to 19.1 percent in December 2022 as result of write-offs of fully provisioned NPLs. NPLs were better provisioned at 65.4 percent in December 2022. The level of NPLs and their provisioning slightly deteriorated in June 2023 to 19.5 percent and 61 percent, respectively.

Table 3: Key Fiscal Indicators and Financing table (2020-2026)

Fiscal (% of GDP)	2020	2021	2022	2023	2024	2025	2026
Total Revenues	**20.7**	**22.7**	**24.4**	**23.2**	**24.1**	**23.1**	**23.4**
Revenues excluding extractives and Grants	16.8	16.2	17.8	18.7	19.0	19.2	19.6
Tax Revenues (excl. extractives)	11.2	11.7	13.1	14.1	14.4	14.7	15.1
Income and corporate tax	4.3	4.1	4.9	5.2	5.3	5.3	5.4
Tax on goods and services	5.0	5.2	5.4	5.8	5.9	6.0	6.1
Tax on trade	1.9	2.3	2.7	2.9	3.0	3.2	3.4
Other taxes	0.1	0.1	0.1	0.2	0.2	0.2	0.2
Non-tax revenues	5.7	4.5	4.7	4.6	4.6	4.5	4.5
Extractive Revenues	1.8	4.2	4.8	2.7	3.2	2.7	2.6
Grants	2.0	2.3	1.8	1.8	1.9	1.2	1.2
Total Expenditure	**18.5**	**20.8**	**28.0**	**25.5**	**25.6**	**24.4**	**23.6**
Recurrent Expenditures	11.9	13.1	16.8	16.3	15.4	14.9	14.4
Wage Bill	5.4	5.6	5.9	6.2	6.0	6.0	5.9
Goods and Services	2.4	2.8	3.4	3.2	3.1	3.3	3.3
Transfers and Subsidies	2.1	2.7	5.7	4.6	4.2	3.4	3.2
Interest Payments	0.9	0.8	0.8	0.7	0.7	0.7	0.7
external (before DSSI)	0.7	0.6	0.6	0.5	0.5	0.5	0.5
domestic	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Others	1.0	1.2	1.0	1.6	1.4	1.5	1.3
Capital Expenditure	6.6	7.8	11.3	9.2	10.2	9.5	9.2
through external resources	1.7	1.6	2.8	2.1	3.5	2.5	2.5
through domestic resources	4.9	6.2	8.5	7.1	6.7	7.0	6.7
Restructuring & net lending	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0
Primary balance	**3.1**	**2.7**	**-2.8**	**-1.6**	**-0.8**	**-0.6**	**0.5**
Fiscal balance	**2.2**	**1.9**	**-3.6**	**-2.3**	**-1.5**	**-1.3**	**-0.2**
Financing sources	**-2.2**	**-1.9**	**3.6**	**2.3**	**1.5**	**1.3**	**0.2**
Domestic	-4.1	-1.0	4.9	3.7	2.2	1.7	0.9
O/w Treasury	-6.4	-3.8	3.9	3.2	1.7	1.3	0.5
External	1.9	-0.9	-1.3	-1.4	-0.7	-0.4	-0.7
O/w World Bank	0.8	0.3	0.3	0.3	0.2	0.0	0.0
O/w IMF	2.1	0.2	0.0	0.0	0.6	0.6	0.3

Source: National Authorities and World Bank and IMF estimates and projections as of end November 2023. DSSI stands for Debt Service Suspension Initiative.

2.2. MACROECONOMIC OUTLOOK AND DEBT SUSTAINABILITY

2.7 **Economic growth is projected to average 5 percent in 2024-2026 (2.7 percent per capita) with the onset of gas production from the Greater Tortue/Ahmeyim (*Grande-Tortue/Ahmeyim*, GTA)**

offshore gas field in mid-2024. Beyond extractives, growth will be supported by the recovery of consumption and private investment as prices return to pre-crisis levels, higher exports, and public investment. Structural reforms are focused on better road and digital infrastructure, business climate (including a new investment code), human capital and resilience to shocks. Technical assistance in public investment efficiency, including through the 2023 IMF's C-PIMA [Climate-Public Investment Management Assessment], alongside domestic reforms to incentivize faster execution are likely to boost efficiency. This operation supports measures such as the adoption of a new competition law, an emergency preparedness and response framework, and a new urban and construction law that will help sustain medium to long term growth. Prices are projected to further decelerate and return to pre-crisis levels to stabilize around 2 percent in 2026.

2.8 **The current account deficit is projected to narrow to 6.7 percent of GDP by 2026, reflecting increased exports of extractives and lower imports of capital goods.** Imports of capital goods will decline as the development phase of the GTA offshore gas field wraps up. The coming to stream of hydrocarbon exports and increases in mining production will boost exports. FDI, related to the extractive industry, and concessional borrowing will continue to be key sources of financing (Table 4). Thus, reserves are expected to remain around 4.6 months of imports of goods over the outlook period.

Table 4: Balance-of-Payments Financing Requirements and Sources (2018 – 2025)

in Million US$	2019	2020	2021	E2022	P2023	P2024	P2025	P2026
Financing Requirements	**1023**	**637**	**601**	**1,936**	**1,593**	**1,264**	**1,148**	**1,137**
Current Account Deficit	831	576	783	1,629	1,275	920	790	796
External Public Debt Amortization	211	151	168	307	318	344	358	341
Errors and Omissions	-19	-91	-350	81	0	0	0	0
Financing Sources	**1,023**	**637**	**601**	**1,936**	**1,593**	**1,264**	**1,148**	**1,137**
FDI and portfolio investments (net)	884	928	1,062	1,402	675	450	301	299
Capital Grants	0	97	94	213	280	232	184	173
Long term disbursements (excl. IMF)	316	287	314	263	353	378	414	363
of which: World Bank	95	161	157	132	162	161	173	179
Other sources (*)	-27	-517	17	-334	311	127	217	238
Change in reserves (- means accumulation)	-217	-407	-805	470	-56	5	-62	10
SNIM medium- and long-term loans	-64	-60	-204	13	71	73	79	86
Drawdown of oil account (- means accumulation)	85	-3	-49	-36	-6	-6	-34	-38
DSSI	0	130	148	-55	-77	-81	-37	-37
IMF	46	182	24	0	43	86	86	43

Source: National Authorities and World Bank and IMF estimates and projections as of end November 2023. (*) Includes SNIM disbursement, commercial banks, and exceptional financing.

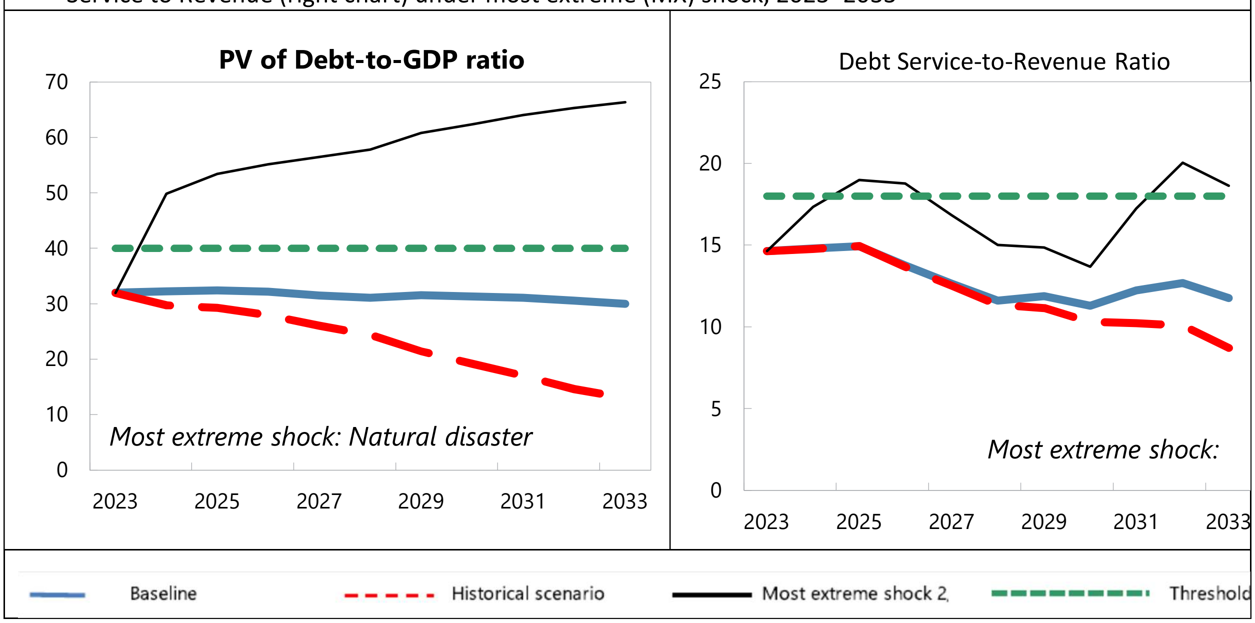
2.9 **The fiscal position is expected to improve in the medium term.** The fiscal deficit is projected to narrow to 0.2 percent of GDP by 2026 and will be financed through a mix of concessional financing and the drawdown of treasury reserves. The fiscal consolidation will be supported by higher revenue mobilization and the reduction of current spending.

2.10 **Revenues are projected to increase supported by tax policy and administration reforms and the beginning of gas production.** The projected growth in revenues reflects fiscal measures approved in the

2023 and 2024 budget laws. These include (i) the electronic filing and payment of taxes; (ii) the increase of the VAT rate for the telecommunications sector from 16 percent to 18 percent (MRU 0.1 billion (0.03 percent of GDP)); (iii) the introduction of a special levy on the telecommunications sector of 5 percent of the turnover (MRU 0.3 billion (0.08 percent of GDP)), supported by this operation; and (iv) the removal of the custom duty exemptions for imports of consumer goods into the Nouadhibou Free Zone (MRU 0.4 billion (0.1 percent of GDP)). The beginning of hydrocarbon production is expected to generate additional annual revenues estimated at 0.5 percent of GDP.

2.11 **On the expenditure side, the reduction of current spending will allow the ramp up of public investment.** Current expenditures are projected to decrease over the medium term driven by lower transfers and subsidies due to the normalization of commodity prices compared to 2022, but also because of the reform of fossil fuel pricing. The objectives of the reform are (i) to adjust the price structure automatically to international prices; (ii) phase out price subsidies; and (iii) introduce a price smoothing mechanism. The created fiscal space will allow elevated public investments, but will require rigorous and transparent appraisal, selection, and approval of investment projects, and an efficient public procurement.

Figure 1: Indicators of Public and Publicly Guaranteed (PPG) external debt to GDP (left chart) and Debt Service to Revenue (right chart) under most extreme (MX) shock, 2023–2033



Source: IMF-World Bank joint DSA, December 2023.

2.12 **Mauritania's risk of external debt distress is moderate, with some space to absorb shocks.** Under the baseline scenario, none of the four debt burden indicators breaches their indicative thresholds but all four breach the thresholds under the most extreme shock scenarios. External debt is sustainable based on this assessment and supported by a significant cash buffer held at the treasury estimated at 3.5 percent of GDP at end-2023. Mauritania is assessed as having a medium debt-carrying capacity, in line with the previous DSA. This assessment is subject to downside risks. Further delays in the start of gas exploitation from GTA, as well as adverse price fluctuations in commodity markets, could lower fiscal revenue, increase external financing needs, and worsen the medium-term debt profile. Security concerns in the Sahel, a more protracted Russia's invasion of Ukraine, and conflict in the Middle East present additional risks through their respective impacts on economic stability and food prices.

2.13 **The government is committed to strengthening debt management and enhance debt transparency.** As part of the FY23 Sustainable Development Finance Policy (SDPF), the government successfully implemented three Performance and Policy Actions (PPAs) that will strengthen fiscal sustainability and debt management through (i) the publication of a comprehensive annual debt bulletin including detailed information on the stock and terms of the debt of the largest SOE, the *Société Nationale Industrielle et Minière de Mauritanie* (SNIM)[8]; (ii) a Medium-term Expenditure Framework (MTEF) anchored on the non-extractive primary deficit target agreed under the IMF program (2023-2026), and providing a three-year expenditure pathway at both the aggregate and sectoral level; and (iii) compliance to a zero non-concessional borrowing limit. Prior actions supported by this operation will further improve transparency and debt management and create fiscal space for priority development spending (Pillar 1).

2.14 **The macroeconomic outlook is subject to uncertainties and downside risks.** A prolonged Russia's invasion of Ukraine and weaker global commodity markets could lead to lower economic activity, revenues, and increased poverty. Failure to implement business climate reforms may undermine non-extractive growth prospects. Delays in the offshore GTA project could slow down FDI and impact growth and fiscal prospects. Lower-than-expected FDI may put pressure on the external position and necessitate non-concessional external borrowing. Insecurity risks in the Sahel region and recurring cycles of droughts and floods also pose challenges. This DPF program supports fiscal discipline and disaster risk management (DRM) reforms to mitigate these risks and sustain growth.

2.15 **The macroeconomic policy framework is adequate for the purpose of this operation.** Despite uncertainty surrounding the upcoming presidential election, the medium-term outlook is positive. Growth will be supported by the government's development program, focusing on projects that enhance factor productivity (digitalization and investment in human capital), promote domestic demand, and attract foreign investment. Monetary policy has successfully reduced inflation, and the financial sector is expected to remain stable. Fiscal and external deficits are gradually narrowing due to gas production and tax measures supported by the current operation. Also, the three-years IMF program will ensure macroeconomic stability and help maintain public debt on a sustainable trajectory.

2.3. IMF RELATIONS

2.16 **The IMF Board approved 42-month arrangements under the ECF and EFF on January 25, 2023, and concluded the first review under the program on December 19, 2024[9].** The arrangements would give Mauritania access to an IMF credit in the amount of SDR 64.40 million (US$86.9 million equivalent). The first review concluded that the country's economic and financial program is on track and its implementation is satisfactory. The IMF Board also approved an arrangement under the Resilience and Sustainability Facility (RSF), for a total amount of SDR 193.2 million (US$253.1 million equivalent), representing a maximum access of 150 percent of quota. The RSF arrangement will support Mauritania's efforts to strengthen resilience to climate shocks, to enhance DRM capacity, and to accelerate the

[8] National industrial and mining company.
[9] See details on the program and the first review.

transition toward cleaner energy sources. The World Bank and the IMF have collaborated closely and regularly exchanged views on the adequacy of the macroeconomic framework and the status of the reform agenda. RSF-supported reforms complement the proposed DRM reforms (Pillar 2 of this operation), including through (i) strengthening climate sensitive Public Finance Management (PFM), which could inform the assessment of fiscal risks related to climate shocks (Prior Action 3); and (ii) the institutionalization of a climate shock-responsive cash transfer component that is a complement of the EP&R institutional framework (Prior Action 6).

3. GOVERNMENT PROGRAM

3.1 **The *Stratégie de Croissance Accélérée et de Prospérité Partagée* (SCAPP)[10], 2016-2030, and its action plan 2021-2025, guide medium-term economic and social policy in Mauritania.** They focus on actions to achieve strong, inclusive, and sustainable economic growth, and to improve the livelihood of all citizens in line with the 2030 Sustainable Development Goals (SDGs). This vision is built around three pillars: (i) promoting strong, inclusive, and sustainable growth; (ii) developing human capital and access to basic social services; and (iii) strengthening governance in all its dimensions. The strategy highlights the need to recalibrate the country's development trajectory toward a more diversified and vibrant private sector, efficient digital infrastructure that is accessible to all, and a climate-resilient economy with quality education and market-relevant skills. The current DPF supports the implementation of pillars 1 and 3 of the government program.

3.2 **The Government of Mauritania is committed to strengthening the country's resilience to climate change by integrating DRM and climate change adaptation into urban planning, coastal management, and strengthening the EP&R system.** This commitment is demonstrated through the ratification of the Paris Agreement and the submission of Mauritania's 2021 National Determined Contribution (NDC). Priority measures outlined in the government's action plan and updated NDC include risk-informed urban planning, integrated water resources management, and protection of ecosystems. Recent flood events have prompted the government to restructure the fragmented EP&R institutional framework to enhance emergency management and resilience to natural events. These efforts align with the goal of building a resilient economy capable of withstanding climate change impacts.

4. PROPOSED OPERATION

4.1. LINK TO GOVERNMENT PROGRAM AND OPERATION DESCRIPTION

4.1 **The proposed operation is a single-tranche DPF designed to strengthen the foundations supporting Mauritania to achieve strong, inclusive, and resilient growth.** The DPF is closely aligned with the government's priorities established in the 2016-2030 SCAPP (Pillars 1 and 3), its 2021-2025 action plan, and the 2021 NDC. The operation is designed to support reforms in the areas of fiscal and debt management (Pillar 3 of the SCAPP) and strengthen economic competitiveness and resilience to climate change and disaster risks (Pillar 1 of the SCAPP). Acknowledging the need to increase resilience to climate and disaster risks to ensure the sustainability of Mauritanian growth and poverty reduction trends, this operation includes a Cat DDO with an associated DRM Program.

[10] National Strategy for Accelerated Growth and Shared Prosperity.

4.2 **The Cat DDO will enhance the government's financial preparedness to respond to climate and disasters shocks, and help safeguarding fiscal space.** Climate and disaster risks represent a contingent liability, which historically has not been explicitly considered when managing the country's fiscal risks. As a base layer of financial protection against these risks, the government, under the previous DPF series (P171585), established the National Fund for Food Security and Crisis Response (FNRCAN). The Cat DDO acts as an intermediate layer of financial protection that provides timely financing and increases the availability of immediate liquidity in the aftermath of a natural catastrophe, reducing the resulting fiscal financing gap, while funds from other sources are being mobilized for the recovery and reconstruction phases.

4.3 **The Cat DDO can be drawn once a "state of catastrophe" in case of adverse natural or public health related events has been issued according to the process indicated in articles 17 to 19 of Decree 2023-142.** Once a level 1 emergency is reached, the Prime Minister declares the state of catastrophe through an *Arrêté*. Level 1 emergencies are defined as "crises, unpredictable natural disasters, urban and peri-urban risks that threaten public health and safety, whether or not they result in population movements."[11] The *Arrêté* declaring the state of catastrophe will specify the geographical extension and the specific period during which the state of catastrophe will remain in force.

4.4 **The design of the DPF reflects the government's commitments, its underlying capacity constraints and the political economy challenges associated with the implementation of reforms within an electoral context.** Building on lessons learned from the previous DPF series (P167348/P171238/P171585) and international experience on the effectiveness of similar reforms, the following criteria were used to design the reform program: (i) support reforms in which there is a strong government commitment; (ii) focus on reforms that minimize the administrative burden on the government while delivering sustainable impact; and (ii) select areas where it is possible to leverage Investment Project Financing (IPF) operations to build capacity throughout the life of the proposed operation and accompany the implementation of reforms.

4.5 **This operation is aligned with the goals of the Paris Agreement.** First, taking into account the World Bank's climate analysis (the Sahel Climate Change Development Report - CCDR), the DPF reform program is consistent with the country's climate commitments as per the NDCs. Reforms under Pillar 1 will help build the fiscal space needed to address climate shocks, while reforms under Pillar 2 will promote adaptation to climate change through the following priority measures: (i) a unified emergency preparedness and response framework; (ii) risk-informed urban planning; and (iii) protection and conservation of ecosystems, including wetland. Second, on mitigation goals, none of the prior actions are likely to cause a significant increase in Green House Gas (GHG) emissions or any persistent barriers to transition to low-GHG emissions. Third, on adaptation and resilience goals, risks from climate hazards are not likely to have an adverse effect on any of the prior actions' contributions to the PDO. Detailed review is presented in Annex 6. Therefore, all prior actions of the proposed DPF program are aligned with the mitigation and adaptation and resilience goals of the Paris Agreement.

[11] Events not related to natural disasters or health-related emergencies are excluded from the Cat DDO trigger.

4.2. PRIOR ACTIONS, RESULTS AND ANALYTICAL UNDERPINNINGS

Pillar 1 – Strengthening the Foundations for Sound Fiscal and Debt Management

A. Debt transparency and management of fiscal risks

Prior Action #1: *To improve debt management and transparency, the Recipient has issued and published in the official gazette a ministerial order (arrêté) mandating an annual publication of the Medium-Term Debt Management Strategy (MTDS), the resulting Annual Borrowing Plan (ABP), and an assessment of the implementation of the MTDS.*

Prior Action #2 [FY24 PPA]*: To improve the monitoring of state-owned enterprises' debt, the Recipient has issued and published in the official gazette a ministerial order (arrêté) to (i) instruct the state-owned enterprises to share no later than March 31 each year, data on their stocks of state-guaranteed and non-guaranteed debts of the previous year with the Recipient's directorate of external debts, central bank and treasury; and (ii) instruct the Recipient's directorate of external debt to create a central data-basis of state-owned enterprises' debts.*

Prior Action #3: *To better address fiscal risk, the Recipient has issued and published in the official gazette a ministerial order (arrêté) to: (i) adopt a methodological framework for identifying and quantifying fiscal risk including those related to disaster and climate shocks; and (ii) mandate the publication of an annual fiscal risk statement quantifying the main risk identified and proposing mitigating measures.*

Background and Rationale

4.6 **While Mauritania's debt sustainability improved, significant gaps exist in terms of debt management and transparency.** Debt management has been implemented without a MTDS and a borrowing plan to support sustainable borrowing. Also, the reporting and monitoring of SOE debt is weak. Underperforming SOEs, notably in the energy, water and air transport sectors are a significant source of fiscal risks. If these risks materialize, fiscal outcomes will deviate from the target, reducing the available fiscal space and crowding out needed investments in key sectors that are critical to long term growth. Beyond SOEs, recurrent climate shocks, including drought, heavy rainfall weigh on food security and create significant risks for the budget. The recent floods in 2022 cost 3 percent of GDP to the budget and it is estimated that the potential damage for recurrent flooding is US$51.6 million (0.6 percent of GDP) but can exceed US$414.9 million (4.8 percent of GDP) in the case of extreme flooding. On the other hand, funding requirements for a given year to deal with food insecurity linked to droughts show considerably less variability, and in 90 percent of cases fall between US$44.3 (0.5 percent of GDP) and US$53.6 million (0.6 percent of GDP).

Description of Prior Actions

4.7 **To reduce debt vulnerabilities and create additional fiscal space for priority spending, Mauritania should institutionalize sound debt management and transparency practices.** In this line, the DPF supports the institutionalization, through a ministerial order (arrêté) of an annual publication of the rolling MTDS, the resulting ABP, and an assessment of the implementation of the MTDS *[Prior Action 1].* The regular publication of a MTDS and the resulting ABP will support debt sustainability by providing authorities with a framework to make informed decisions on how the government's financing should be met while taking due account of costs and risks. Likewise, a regular assessment of the implementation of the MTDS will guide its update to reflect a quickly evolving domestic and international environment. The MTDS and the ABP are prepared as part of the budget process and are informed by the Medium-Term Budget Framework which guide the preparation of the budget. In August 2023, a joint IMF-World Bank technical assistance was provided to the Directorate of External Debt to support the preparation of the MTDS and the ABP. These documents were approved by the National Public Debt Committee on November 2023, but not yet published.

4.8 **Mauritania has made critical steps to improve the recording and reporting of public debt, but the monitoring of SOE debt remains of concern.** Since 2020, Mauritania has published an annual debt statistical bulletin on the treasury website and the content has improved significantly overtime. With the support of the FY23 PPA#1 of the SDFP, it now includes information on guarantees, on-lending, and the debt of the central bank and that of the largest SOE - SNIM. However, monitoring of the non-guaranteed SOE debt and its coverage in the DSA remains challenging. Debt management entities, namely the Direction of External Debt (DED), the BCM and the Treasury face difficulties in collecting data on SOEs debt because SOEs are neither legally required, nor willing to disclose the debt information. *Prior Action 2*[12] will establish a legal obligation for SOEs to share the necessary debt information with debt management entities. It will also institutionalize information sharing between SOEs, the DED, the BCM and Treasury, and help create a ready-to-use database on SOE debt which will inform the debt bulletin, the preparation of the DSA and fiscal risk assessment. The database will be established with the support of the Public Enterprise Governance Support Project approved by the African Development Bank in October 2023.

4.9 **With the increase in the occurrence and severity of economic and climate shocks, Mauritania needs to institutionalize the identification, assessment, and management of fiscal risks.** *Prior Action 3* requires the issuance of a ministerial order (arrête) to adopt a methodological framework for the identification and quantification of fiscal risks, including those related to disaster and climate risks, and to mandate an annual publication of a Fiscal Risk Statement (FRS). While Mauritania published its first FRS in 2022, there is no legal framework that guarantees that the report will be published on a regular basis. In addition, there is no methodological framework that guides the identification and quantification of fiscal risks while defining the content and structure of the fiscal risk statement. The proposed reform aims to strengthen government's capability for managing fiscal risks and will complement efforts to reduce debt vulnerabilities. The institutionalization of the publication of the FRS will help protect government's budget against large, unexpected shocks (including volatile commodity prices and recurrent climate shocks), while reducing public finances' exposure to variability. It will also inform the design of a provisioning and mitigating framework. Technical assistance will be provided under the framework of the World Bank managed Sahel Climate Macro-Poverty Analytics and Advisory Trust Fund (P181124) to strengthen government's capacities to assess fiscal risks related to climate shocks. This will contribute to the regular publication of a fiscal risk assessment report.

Description of Expected Results

4.10 **The above measures are expected to improve debt management and transparency.** The number of MTDS and ABP published is expected to increase from 0 in 2022 to 3 in 2026 and will ensure an optimal financing of the deficit and gradually reduce the share of external debt over total debt. Also, by setting a clear strategic goal for the debt portfolio that balances costs and risks, ***Prior Action 1*** can lead to more efficient debt management and potentially lower the cost of debt servicing.

[12] The choice of channeling the implementation of this PPA through the DPF reflects the need to strengthen the dialogue on SOEs debt management, which is key to reduce debt vulnerabilities, while avoid overstretching the government's low implementing capacities.

4.11 **The institutionalization of a data sharing mechanism between SOEs and debt management entities is expected to strengthen the monitoring of SOE debt, their financial health and performance.** ***Prior Action 2*** will ensure that by 2026, SOEs accounting for at least 80 percent of the total turnover of the SOE portfolio have reported their guaranteed debt and non-guaranteed debt to the debt management entities. The implementation of this data sharing mechanism will enable debt management entities to have a better understanding of the financial health of SOEs and help in assessing their creditworthiness and managing risks associated with their debt obligations.

4.12 ***Prior Action 3*** **is expected to strengthen the identification, quantification, and management of fiscal risks in Mauritania.** Specifically, the proposed measure is expected to increase the number of fiscal risk statements published using the new methodology and including estimates of climate related risks and mitigation measures from one in 2022 to three reports in 2026. Similarly, the government will have a better estimate of the fiscal risks that are related to climate shocks and disasters. The measure will also strengthen transparency and fiscal planning.

B. Tax revenue mobilization

Prior Action #4: *To improve tax compliance and increase tax revenues, the Recipient has: (i) issued and published in the official gazette a ministerial order (arrêté) setting the conditions for online filing and payment of taxes; and (ii) enacted a rectification of its budget law published on the Recipient's Ministry of Finance website, to increase the VAT rate applicable to the telecommunications sector from 16 percent to 18 percent and introduce a new special levy of 5 percent of the turnover of telecommunication firms.*

Background and Rationale

4.13 **Despite continued reforms to further simplify and modernize the tax system, the overall performance in tax revenue mobilization remains weak.** Tax revenues (10.7 percent of GDP) in Mauritania are significantly below the average of Sub-Saharan countries (12.8 percent of GDP) and neighboring North-African countries (16.0 percent of GDP).[13] The weak performance in tax revenue collection does not only reflect a narrow tax base, but also inefficient tax administration. Mauritanian companies have been suffering from burdensome tax procedures and many in-person interactions that increase the cost and time for tax compliance. This translated into low compliance with tax obligations and relative high level of tax arrears. This weak performance in tax revenue mobilization limits Mauritania's ability to finance its development agenda in a more stable, predictable, and fiscally sustainable way.

Description of Prior Actions

4.14 **Improving tax compliance and boosting revenue collection require tax policy and tax administration reforms that will help widening the tax base while reducing the cost of filing and paying taxes.** In this vein, through **Prior *Action 4***, the government has (i) defined the conditions for online filing and payment of taxes; (ii) revised the budget law to increase the VAT rate applicable to the telecommunications sector from 16 percent to 18 percent and introduced a new special levy of 5 percent of the turnover of telecommunications firms. The

[13] The figures are for 2021. In 2022, tax revenues were estimated at 11.6 percent of GDP. Neighboring Arab countries include Algeria, Morocco, and Tunisia.

online filing and payment of taxes will secure revenue collection and make it more efficient by reducing physical interactions between tax officials and taxpayers and eliminate the physical exchange of cash. Also, it will increase compliance with tax obligations and save time to taxpayers. For tax authorities, e-filing lightens workloads and reduces operational costs such as for processing, handling, and storing tax returns. To operationalize that measure, a *platform* was established in the website of the Directorate of Tax Administration and a user guide to help the taxpayers make use of the platform is being prepared. The proposed tax policy measures will help widening the tax base and help secure more revenues. Mauritania also increased the taxation of the telecom sector, further to its assessment of the previous reduction of rate of the applicable VAT on its fiscal resources.

Description of Expected Results

4.15 **The proposed tax policy and administration measures are expected to improve tax compliance and increase tax revenues.** As such, the amount of tax filed and paid by large companies using the online platform as a percentage of the total tax declared by large firms will rise from 0 in 2022 to more than 50 percent in 2025. Also, the increase in the VAT rate and the new levy are expected to lead to an increase in tax revenues (excluding extractive) from 13.1 percent of GDP to 15.1 percent of GDP. In addition, it is expected that the introduction of online filing and payment increase tax compliance, reduces the collusion between the firm and tax officials and increase tax paid, especially among firms that were previously more likely to evade taxes.

Pillar 2. Strengthening the foundations for a competitive and climate-resilient economy

A. Strengthening the foundations for a more competitive economy

Prior Action 5*: To enhance market dynamics, the Recipient has enacted and published in the official gazette a competition law to define and sanction anticompetitive behavior as well as to control the anticompetitive effects of mergers.*

Background and Rationale

4.16 **Mauritania fails to attract private investments that will diversify the economy and stimulate growth.** While Mauritania implemented several business climate reforms in recent years, including facilitating business registration, access to credit and strengthening commercial courts; yet, some weaknesses remain, especially regarding market competition. Competition creates incentives for firms to behave efficiently, innovate, and be more productive, which in turn boosts growth. In well-functioning markets, firms have equal opportunities to thrive based on their own merits. Therefore, competitive markets support the survival of leading firms that push production frontiers and, ultimately, push economies to grow. Yet, data from the latest 2019 World Economic Forum’s Global Competitiveness Report, the latest available, confirmed that the degree of competition in Mauritanian markets is perceived to be weak and well behind all comparator countries. Globally, Mauritania ranked 140th out of 141 countries in terms of the perceived degree of domestic competition. In addition, the country lacks a comprehensive competition law, and the competition authority is not in place.

Description of Prior Actions

4.17 **An effective competition regulatory and institutional framework is essential to tackle anticompetitive practices, limit negative effects of market consolidation, and embed competition principles in rules and policies.** In this context, the government adopted Law No. 2023/025 on free prices and competition *(Loi relative à la liberté de prix et à la concurrence)* - ***Prior Action 5***. The law eliminates price controls for goods and services as a general principle, except for those included in a list established by decree; regulates both coordinated and unilateral anticompetitive practices; establishes a merger control regime; develops sanctions for substantive and procedural infringements; and establishes legal bases for key enforcement tools including leniency and dawn raids. The law also calls for the creation of a Competition Council to be the authority in charge of enforcing the Competition Law and promoting a competitive market economy. While this law constitutes an important step to promote competition, some aspects should be improved, from ample powers to determine the products and services subject to price regulation, to the lack of independence of the Competition Council with the Ministry of Commerce retaining ample decision-making powers. To this end, developing secondary legislation will be key to strengthen the capacity and regulatory tools of the Council and support effective implementation of the law.

Description of Expected Results

4.18 **The competition law and the creation of the competition authority will strengthen competition in Mauritanian markets and support private sector participation through a more level playing field, hastening economic growth and diversification.** As a measure of impact, the new Competition Council is expected to issue at least two decisions[14] in the reporting period.

B. Strengthening the Resilience to Climate Change and Disaster Risks

Prior Action 6*: To effectively respond to disaster and climate related shocks in an inclusive and gender-responsible manner, the Recipient has issued and published in the official gazette a decree establishing a unified emergency preparedness and response institutional framework, including a streamlined process to declare a natural catastrophe.*

Background and rationale

4.19 **The EP&R framework in Mauritania is characterized by a wide dispersion of roles and responsibilities, which hampers an efficient emergency management and limits progress in building resilience to climate and disaster risks.** Despite important reforms in recent years, notably the establishment of the General Delegation for Civil Security and Crisis Management/*Délégation générale à la sécurité civile et à la gestion des crises* (DGSCGC), the current EP&R institutional framework still comprises a myriad of structures that overlap and lack coordination mechanisms. In practice, the DGSCGC and the Ministry of Interior oversee the response to floods and other disasters, while the Food Security Commission/*Commissariat à la Sécurité Alimentaire* (CSA) takes a leading role in the response to food and nutrition security crises. However, this distinction is not explicit in the current legal and regulatory framework. Other line ministries with a critical role in EP&R activities are only mobilized on an ad-hoc basis, creating confusion, and seriously impacting the overall management of disasters. Additionally, the geographic coverage of the DGSCGC and local authorities working on EP&R is incomplete, with

[14] Decisions to be counted include decisions against anticompetitive practices and competition advocacy decisions.

some areas of the country still lacking a civil protection antenna.[15] The lack of a unified institutional framework with streamlined coordination mechanisms prevents the development of a cost-efficient emergency preparedness and response system.

4.20 **This situation exacerbates an already significant gender gap as Mauritanian women and girls are more vulnerable and have less capacity to cope with and recover from disasters than men and boys.** Although gender-disaggregated data on the impact of disasters are not available in Mauritania, the prevailing gender inequalities are very likely to reproduce the trends observed in other developing countries: women are disproportionately affected by disasters (World Bank, 2021) and more likely than men to be killed (Doocy, 2013). As Mauritanian women are less literate and educated than men,[16] they are less likely to access information and knowledge on emergency preparedness (e.g., access to early warning advisories, location of shelters, availability of public services, etc.). Mauritanian women and girls also face significant gaps in access to finance and land ownership, which severely limits their coping mechanisms in the aftermath of a disaster.[17] The implementation of effective EP&R policies thus requires a better understanding and integration of the gender dynamics of disaster risk and resilience.

Description of Prior Actions

4.21 **To effectively respond to climate and disaster shocks, the government has established a unified and gender sensitive regulatory framework for EP&R *- Prior Action 6.*** This overarching EP&R regulatory framework allows articulation of the various emergency response structures currently in place through a streamlined coordination mechanism with well-defined roles and responsibilities across levels of government, both at the national and local level. Formal collaboration mechanisms with private sector and civil society are also being established to ensure a broader coordination with all actors and increase women representation in decision-making on EP&R. Importantly, this unified and overarching EP&R regulatory framework will help moving away from piecemeal investments to promote a more holistic and gender-sensitive approach, with strategic investment plans that cover the different components of the EP&R system. Ultimately, the proposed institutional set-up will ensure that multisectoral efforts can be sustained over time and progressively contribute to a better management of the impact of adverse natural events. The World Bank has provided technical assistance to the government in the design of this regulatory reform and will continue supporting the implementation of the new EP&R system through a comprehensive technical assistance package. This will include support to design gender sensitive pre-established protocols to guide emergency and early recovery operations, as well as support to develop emergency information exchange mechanisms to ensure operational emergency management capacity.

[15] Three out of the 15 wilayas in Mauritania still lack a formal subnational Emergency Operation Committee or rescue centers (i.e., Adrar, Tiris, and Tagant). Although in these wilayas population density is very low, the lack of a civil protection antenna can generate serious delays in interventions and highlight the weakness of the previous framework.

[16] 38 percent vs. 25 percent are illiterate and 32 percent vs. 21 percent for education. Source: EPCV 2019

[17] Only 6 percent of women own land, compared to 23 percent of men; only 1 percent of rural women have an account at a financial institution, in contrast to 5 percent of rural men (source: EPCV 2019). Thus, while men may use their land titles as a collateral to access credit in post-disaster situations, this option remains largely unavailable for most women.

Description of Expected Results

4.22 **The adoption and implementation of the new gender-sensitive EP&R system will contribute to limiting the impact of disasters and climate-related shocks through a more efficient management of and response to emergencies.** Acknowledging that vulnerabilities, roles, and abilities to cope with disasters are not gender neutral, the new EP&R system will foster the capacity to gather and use gender-disaggregated data and information on casualties and persons affected in the aftermath of a disaster. In turn, this will evidence the disproportionate impact of disasters on Mauritanian women and girls and inform on relevant EP&R measures that can help addressing this gap. The establishment of a unified EP&R system will also strengthen local EP&R actors, which are at the forefront of preparedness and disaster response activities. Emergency Regional Committee (ERC) will for example have to be set up in every *Wilaya [county]*. These ERC will be charged with establishing gender sensitive emergency preparedness and response plans. Examples of gender-sensitive measures to be included in these local EP&R plans can range from tailored early warning messages delivered through adequate local networks to safe evacuation shelters with women-only bathrooms and spaces that can accommodate women's health needs in first response. It is expected that the share of *wilayas* with an ERC in place and operating rules approved and published will increase from 0 to 100 percent in 2026, evidencing a full geographical coverage of the EP&R system and an enhanced ability to conduct quick and efficient EP&R actions nationwide.

Prior Action 7*: To limit the expansion of urban settlements in risk prone areas and avoid the creation of new risks, the Recipient's Parliament has adopted the New Urban Planning Law (Code de l'Urbanisme) which governs the integration of disaster and climate risks consideration into urban planning instruments*.

Background and Rationale

4.23 **Mauritania is experiencing rapid and unplanned urbanization, which significantly increases exposure and vulnerability to disasters and climate-related hazards.** The Urban Planning Law No. 2008-07 (*Code de l'Urbanisme*) is outdated to the current urbanization context. Under the 2008 Law, mandates for urban planning instruments are highly centralized and poorly enforced. While main cities and towns are covered by urban planning instruments, these instruments tend to be outdated due to delays in their revision. More importantly, they not only suffer from a lack of information on disaster and climate risks but are usually only selectively enforced. As a result, urbanization has happened in a haphazard manner and continues to take place in areas where construction is or should be prohibited.[18] Unsustainable urban expansion is of particular concern in Nouakchott and other coastal cities where most of the urban population resides, as these are urban areas also exposed to seawater intrusion and rising groundwater causing floods. In the coming years, with high fertility rates and continued rural-urban migration, urbanization is projected to continue to increase[19], which could further increase the number of people and assets exposed to flooding. Consecutive droughts are also putting pressure on the provision of (already scarce) water, especially in Northern cities. The country needs a new legal and

[18] Using global data, built-up areas exposed to a 100-year return period flood are estimated to have increased by 60% between 2000 and 2015. Source: World Bank estimates using WSF-evo and Fathom.
[19] More than 70 percent of the population is expected to be urban by 2050. Source: World Urbanization Prospects 2018: https://population.un.org/wup/country-profiles/

institutional framework to be able to shape cities' growth, upgrading, and spatial expansion in a more resilient way and to leverage positive agglomeration effects associated with urbanization and higher densities.

Description of Prior Actions

4.24 **Through Prior Action 7, the Parliament has adopted the law on urbanism and construction, which introduces more efficient multi-level governance and planning instruments to shape urban development in a more resilient way.** Once enacted by the President of Mauritania and published in the official gazette, the Law will provide for: (i) a more consultative urban planning process involving the municipalities, deconcentrated levels of government, the main representatives of the private sector and civil society, including vulnerable groups; (ii) a simplified process of preparing, validating, and implementing urban planning instruments; (iii) the integration of climate and disaster risk analysis into the preparation of planning instruments; and (iv) improvements in the implementation of these instruments. To facilitate the preparation, validation, and implementation of urban planning instruments, strategic guidance will be provided through critical documents detailing the overall process and ensuring that the new principles established in the Law are enforced. Regional and municipal planning instruments will also need to comply with the updated national guidelines and use targeted hazard and risk information to inform their preparation. The World Bank actively supported the authorities in the preparation of this new Law, by sharing global best practices and recommendations. It will continue supporting authorities in the implementation of the new legal framework through the financing of the Decentralization and Productive Intermediate Cities Support Project (P169332) that will pilot a new approach for simplified urban planning instruments that integrate climate and disaster risks. This pilot approach will also ensure that a fair and inclusive consultation process is conducted as a prerequisite to the approval of new urban planning instruments.

Description of Expected Results

4.25 **Following the new urban planning law, the government will update the strategic national planning guidelines to incorporate DRM and climate change adaptation considerations.** These strategic documents will have to be approved through a set of by-laws and/or implementing decrees that will regulate the new principles established in the Law. All future urban planning instruments will then have to comply with this new national framework. Key indicators to measure the implementation of this reform will be the share of urban agglomerations over 20,000 inhabitants[20] covered by urban planning instruments that incorporate disaster and climate-related risk management considerations, in line with the new Law and implementing decrees. This number is expected to increase from 0 in 2022 to at least 25 percent in 2026. In the medium and long-term these measures are expected to reduce the impacts of disaster and climate-related shocks and prevent the creation of new risks.

[20] Government urban policy tends to be defined by the administrative nature of the municipalities, i.e., the administrative heads of the *wilaya*, of the *moughataa*, or even of the municipality. This does not reflect urban challenges that are closely linked to the size of the urban agglomeration. For that reason, it is proposed to focus on urban agglomerations over 20,000 inhabitants (in 2013), which include 11 cities and towns as well as the Mbera camp of over 100,000 inhabitants (in 2023).

Prior Action 8*: To increase the governance and climate resilience in coastal areas, the Recipient has issued a decree published in the official gazette for the establishment of a coastal observatory under its Ministry responsible for environment to monitor coastal ecosystems and facilitate decision making processes for coastal development and protection.*

Background and Rationale

4.26 **In recent decades, the coastal areas have undergone significant adverse changes.** The natural protection of Nouakchott against submersion, the dunes system, has been severely weakened. Key coastal ecosystems have been degraded, reducing their potential to provide critical eco-services, such as fish nurseries or filtration of water. Some of these changes are due to natural processes (oceanography, weather change) but others are caused by human intervention (construction of infrastructure, disruption of natural processes). The lack of accessible data for systematic monitoring of these changes hinders the ability of the authorities to detect alarming trends and to track harmful practices. Furthermore, without sound and reliable data on climate and coastal hazards, sectors are unable to integrate these elements into their planning. On the other hand, sectoral data, when it exists, is not accessible and shared between actors, preventing alignment and development of coherent and climate-resilient plans. This lack of sharing mechanism prevents the development of effective integrated coastal zone management. Although the 2017 Coastal Law recognised the need for a structure to support the government's strategy for the protection and sustainable development of coastal zones, this Observatory never materialized, partly due to the lack of a political enabling environment, despite several feasibility studies confirming the needs.

Description of Prior Actions

4.27 **To increase climate resilience of coastal areas, the government has established a Coastal Observatory (*Observatoire National de l'Environnement et du Littoral,* ONEL) that oversees and enhances knowledge about coastal ecosystems dynamics as a first step towards a revamped governance of these critical areas - *Prior Action 8.*** The Observatory will monitor the evolution of the coastal areas, not only the geomorphological, oceanographic or biological parameters to assess climate changes and its impacts, but also the evolution of human pressures, to identify negative trends and potential redress mechanisms. The Observatory will also build partnerships with all different data producers and data users intervening in coastal areas, serving as a collaborative instrument to share relevant information and bring actors together to align strategies and plans. ONEL was established as a Public Administrative Establishment (*Etablissement Public à caractère Administratif*, EPA), which entails greater budgetary and administrative autonomy. As such, the creation of the coastal observatory is a first fundamental block for the establishment of an institutional framework for integrated coastal zone management, which will then be complemented with the revision of the coastal law to integrate climate change and recent evolutions, as well as the development of local coastal zone management plan. All these activities, including technical assistance to strengthen the ONEL, are supported by the on-going World Bank financed West Africa Coastal Area Resilient Investment Project (P162337) for Mauritania.

Description of Expected Results

4.28 **The establishment of the ONEL will contribute to developing a better understanding of coastal areas dynamics and climate vulnerabilities.** ONEL will regularly collect on the ground data and use remote sensing images, to produce regular nationwide reports on the state of the coast, while targeting the most at-risk and critical areas to track key indicators. As a result, the share of coastal areas covered by target cartography is expected to increase from 0 percent in 2022 to 20 percent in 2026.

4.3. LINK TO CPF, OTHER WORLD BANK OPERATIONS AND THE WORLD BANK GROUP STRATEGY

4.29 **The reform agenda supported by the DPF is consistent with the objectives and proposed outcomes of the FY18-FY23 Mauritania Country Partnership Framework (CPF) and its mid-term *Performance Learning Review* (PLR)[21].** The DPF supports CPF Focus Area 1 on Promoting Economic Transition for Diversified and Resilient Growth and CPF Focus Area 3 on strengthening governance and private sector-led growth.

4.30 **The DPF complements other World Bank engagements to improve fiscal and debt management and strengthening management of climate and disaster risks.** It aligns with the new World Bank's mission of ending extreme poverty and promoting shared prosperity on a livable planet. The proposed fiscal and debt reforms complement two PPAs agreed for FY23, including the publication of a Medium-term Fiscal Framework and a commitment to zero non-Concessional borrowing. The tax reforms deepen the implementation of the tax administration reform agenda supported by the Mauritania Public Sector Governance Project (P146804). Reforms to address fiscal risks are based on recommendations from the 2020 and 2022 technical assistances provided to the MoF. DRM reforms align with the recommendations of the *Sahel CCDR* [2022] and support the government's response to the 2022 flood event. The reform program supports the World Bank's mission and the fourth goal of the *Africa West Strategy* [2021-2025] by institutionalizing fiscal risk assessment and management and strengthening the institutional framework for climate change resilience.

4.4. CONSULTATIONS AND COLLABORATION WITH DEVELOPMENT PARTNERS

4.31 **The design of the DPF benefitted from government-led consultations with key stakeholders, including central government officials, local authorities, small medium enterprises (SME), and civil society organizations within the framework of the preparation of 2021-2025 action plan of SCAPP.** The consultations discussed reforms such as debt management and improvements in urban planning, water, and sanitation management. Feedback from the consultations emphasized the importance of implementing sound debt management practices and structural reforms to enhance the country's resilience to climate shocks. Also, the consultations highlighted the need for a gradual approach to reforms due to weak administrative and resource capacities and the political sensitivity surrounding some reforms.

4.32 **This DPF has been prepared in close collaboration with other development partners.** During the preparation of this operation the World Bank team consulted with a range of development partners, including the IMF, the European Union (EU), the African Development Bank (AfDB), the French Development Agency (AFD), the United Nations Development Program (UNDP), and the World Food Program (WFP). Development partners are implementing technical assistance projects and supporting institutional reforms in areas of resilience to climate shocks (WFP, IMF-RSF), budget management and transparency and tax compliance (EU), monetary and exchange rate policies, tax revenue mobilization and fiscal discipline (IMF-ECF), and private sector development and public investment management (AfDB), among others. The World Bank has coordinated closely with the IMF

[21] Report No. 170469-MR

during the preparation of this program, including through the preparation of the DSA, discussions on structural reforms and joint discussions with government on the macro framework and policy priorities.

5. OTHER DESIGN AND APPRAISAL ISSUES

5.1. POVERTY AND SOCIAL IMPACT

4.33 **Overall, the policy and institutional reforms supported under the proposed DPF are expected to support economic growth and have positive impacts on poverty reduction and social inclusion.** The analysis of these impacts is summarized below, and a detailed poverty and social impact analysis for each prior action is presented in Annex 7.

4.34 **Policy actions under Pillar 1 are largely expected to be neutral in the short-term, with some indirect positive poverty and social impacts over the medium to long term.** Improvements in fiscal risk management (Prior Actions 1, 2, and 3) will help to protect the budget from economic and climate shocks, thus ensuring continued funding for critical social and infrastructure projects necessary for economic development. Savings generated from improved accountability and reduced risks have the potential to create new jobs through additional and better-quality infrastructure investments and reduce vulnerability to outside shocks due to lower macro-fiscal risks. Additional government revenues are expected from higher tax compliance, the increase in VAT, and the proposed turnover tax for the telecommunications sector (Prior Action 4). The VAT and levy component of Prior Action 4 would improve the progressivity of VAT and lead to a slight reduction in inequality. However, the reform could slightly increase poverty as it erodes the purchasing power of consumers on telecommunication services. To mitigate the increase in poverty and further reduce inequality, the government could consider repurposing part of the fiscal gains with some direct compensation measures, investments in social infrastructure or basic services delivery.

4.35 **The enaction of the competition law, defined under Prior Action 5, is expected to be neutral in the short term and have indirect positive impacts on reducing poverty in the long term.** Overseeing and sanctioning anticompetitive behavior will benefit consumers through a decline in prices and potential improvements in the quality and variety of products. In addition, the reform is expected to lead to higher employment and higher wage growth for salaried workers that results from more firms competing for workers (i.e., lower monopsony power). While higher wages are expected to be concentrated among non-poor households who rely more on wage employment than their poor counterparts, to the extent that higher competition leads to higher formal wage employment, the reform would lead to net welfare gains.

4.36 **The unified Emergency Preparedness and Response System (Prior Action 6) and the Coastal Observatory (Prior Action 8) are expected to have positive welfare effects.** Early mobilization of resources maximizes the social and poverty impacts of post-disaster services, as households who receive anticipated government support are less likely to suffer from food insecurity, experience lower asset losses, and are less likely to use harmful coping mechanisms. Moreover, the new EP&R system is expected to improve the capacity to gather and use gender-disaggregated data in the aftermath of a disaster, which in return will provide evidence on the disproportionate impact of natural catastrophe on Mauritanian women and girls, informing the design of policies that aim to address this gap. Similarly, the Coastal Observatory (**Prior Action 8**) will inform the design of adaptation policies to coastal flooding and the coastal development plan to prevent the construction of new settlements in flood-prone areas.

4.37 **The New Urban Planning Law (Prior Action 7) is expected to have positive welfare effects by improving urban land use and preventing damages caused by coastal flooding.** Mauritania's unplanned and rapid urbanization process increases its exposure and vulnerability to climate-related floods due to rainfall, sea level rise, and rising groundwater. Cities like Nouakchott and Nouadhibou, which concentrate a significant fraction of the population and economic activity, are vulnerable to coastal flooding (World Bank 2022). A robust urban planning framework will enable Mauritania to control urban sprawl, increasing its urban adaptive capacity and reducing the prevalence of buildings in high-risk areas. The implementation of the New Urban Planning Law may cause welfare losses for households living in dwellings built in areas that will be defined as high-risk areas. The regulatory text should foresee to explicitly include compensation policies for resettlement of formal dwellings in high-risk areas.

5.2. ENVIRONMENTAL, FORESTS, AND OTHER NATURAL RESOURCE ASPECTS

4.38 **Reforms proposed under the DPF are not likely to have negative impact on the environment, forests, and natural resources.** All the actions supported throughout the operation are policy-oriented and do not support direct investments or involve policy actions that may have significant impact on the country's environment, forests, and natural resources. This is mainly the case for actions related to debt and fiscal risk management and tax compliance.

4.39 **Prior Actions 6, 7 and 8 under Pillar 2 will be instrumental to build resilience to climate change as they aim to limit exposure and vulnerability to climate and disaster-related risks.** Consolidating and unifying Mauritania's EP&R system, strengthening its emergency response and preparedness and mainstreaming disaster and climate resilience considerations into urban development and planning will have a positive impact on environment, forests, and natural resources as it will reduce exposure and vulnerability to climate and disaster-related risks. Monitoring the evolution of coastal environment will also support the effort to protect critical coastal ecosystems and contribute to the identification of measures to reduce human pressures from the different sectors on the most fragile ecosystems.

5.3. PFM, DISBURSEMENT AND AUDITING ASPECTS

4.40 **Mauritania is pursuing the Public Finance Management (PFM) reform agenda set forth in the 2017 PFM Master Plan and is implementing the recommendations of the 2020 Public Expenditure and Financial Accountability Assessment (PEFA).** The 2020 PEFA identified poor selection and budgeting of public investment projects, weak auditing due to ineffective external control and audit by the Court of Accounts, lack of coordination between key entities and fragmented information systems, and weak policy-based fiscal strategy and budgeting as the main weaknesses of the Mauritania's PFM system. A new PEFA is expected in 2024 to assess the implementation of the recommendations of the 2020 edition.

4.41 **With the implementation of the 2018 Organic Finance Law, existing processes for medium-term-programming (MTEFs) and budgeting will be reinforced.** Consistent with the provisions of the Organic Law of Public Finance (LOLF), externally financed capital expenditures are included in the budget since 2018 and a report on tax expenditures is provided as an annex. The Medium-Term Budget Programming Document is regularly published since 2022 and informs the preparation of the budget. Ongoing reforms include updates to the budgetary and accounting nomenclature, the setting up of state's budget control framework, and the implementation of the program-based budgeting. Also, fiscal accountability is improved as the Court of Accounts published, in July 2023, all the annual audited fiscal reports from 2019 to 2021. The above-mentioned PFM reforms effectively address the weaknesses highlighted in the 2020 PEFA and contribute to lower the residual fiduciary risk.

4.42 **Mauritania's procurement system is improving with the new law No. 2021-024 of December 29, 2021, which promotes transparency, equity, and equal opportunity in access to public procurement.** The procurement decrees were approved by the government, but the procurement structures are not yet in place and standard procurement documents are not yet finalized. To improve performance, the new procurement law suggests the use of e-procurement. A procurement platform has been set up for two World Bank financed projects and a feasibility study is underway to identify the requirements and approaches for the full implementation of e-procurement in public administration. Also, the World Bank is working with other development partners on the assessment of Mauritania's procurement system using the MAPS[22].

4.43 **The authorities made progress since the latest safeguard assessment completed by the IMF in 2018.** A new central bank law strengthening the BCM's autonomy and its governance and oversight arrangements, including the establishment of an audit committee, was passed in July 2018. Furthermore, a new memorandum on repayment of the government's debt to the BCM was ratified in 2018. The central bank is regularly audited by an international auditing firm. It publishes the audited financial statements on its website in a timely manner. The 2021 audit was conducted in accordance with International Standards on Auditing as promulgated by the International Federation of Accountants (IFAC) and the auditors issued an unmodified opinion (clear certification) on the financial statements. With, the adoption of the IFRS accounting standards in 2021 with effect in 2022, BCM is working with its partners to establish a new information system and a new accounting framework.

4.44 **The proposed operation would consist of a single plain DPL tranche** of US$24 million equivalent to be made available upon effectiveness and disbursed based on a withdrawal application, and a US$24 million equivalent Cat-DDO tranche, which disbursement will be triggered by the achievement of the trigger specified in the financing agreement. The government has chosen to fund the US$24 million equivalent IDA Cat DDO using the Concessional Core option (US$6 million from Mauritania's PBA, US$6 million from the Crisis Response Window, and another US$12 million from IDA's general resources). Terms and conditions of the Cat DDO are specified in the DPF financing agreement, describing the drawdown[23], financing, and renewal[24] conditions of the Cat DDO. The availability of the Cat-DDO proceeds will be subject to the achievement of the pre-specified trigger of the drawdown option defined in the financing agreement.

4.45 **The closing date of the single plain DPF tranche is December 31, 2024, and the closing date of the Cat DDO is June 30, 2027.**

4.46 **The credit will be disbursed following IDA procedures for DPFs.** Given the assessment of the fiduciary system, IDA will deposit the proceeds of the credit into a dedicated US dollar-denominated account designated by the recipient at BCM, where they will form part of the country's foreign-exchange reserves. The Recipient shall ensure that upon the deposit of the credit proceeds into said account, an equivalent amount is credited in the Recipient's budget-management system within five business days. The World Bank will obtain confirmation from

[22] Methodology for Assessing Procurement Systems (*https://www.mapsinitiative.org/*). The final MAPS report has been drafted and it is now with the MAPS Committee for review. The report highlights the lack of specialized human resources and the lack of coordination between structures in charge of procurement, control, and regulation of contracts as the main drivers of important delays and inefficiencies observed in the procurement process.

[23] The proposed operation includes a deferral period of up to three years. During this time, the World Bank will monitor that the government continues implementing the program being supported in accordance with the Letter of Development Policy (LDP).

[24] A Cat DDO may be renewed if (i) the implementation of the program set out in the LDP remains satisfactory to the World Bank; (ii) macroeconomic policies are adequate; and (iii) it takes place not earlier than one year before the closing date of the proposed Cat DDO and no later than six months after. The IDA Cat DDO may be renewed one time for a total of six years.

the government within 30 days of the credit's disbursement that (i) the credit proceeds were deposited into an account at BCM that forms part of the country's foreign-exchange reserves, including the date of deposit and the bank account number; and (ii) an equivalent amount has been transferred in the country's budget-management system, including the relevant fiscal-accounting information, the date of the transfer and the exchange rate used. Any amounts that are used that are not in accordance with DPF policy will be returned and cancelled. The IDA will reserve the right to seek an audit of the deposit account by independent auditors acceptable to the IDA. In the event of such a request, an audit report would be due within four months of the year end.

5.4. MONITORING, EVALUATION AND ACCOUNTABILITY

4.47 **The day-to-day coordination, program monitoring and evaluation, and the measurement of specific outcome indicators are the responsibility of a negotiations committee headed by MoF and the Ministry of Economy and Sustainable Development (*Ministère de l'Economie et du Développement Durable,* MESD).** The committee will interact on a regular basis with line ministries and relevant agencies to check the status of implementation of reforms and put in place corrective measures when needed.

4.48 **Grievance Redress**. Communities and individuals who believe that they are adversely affected by specific country policies supported as prior actions or tranche release conditions under a World Bank Development Policy Operation may submit complaints to the responsible country authorities, appropriate local/national grievance redress mechanisms, or the World Bank's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address pertinent concerns. Affected communities and individuals may submit their complaint to the Bank's independent Accountability Mechanism (AM). The AM houses the Inspection Panel, which determines whether harm occurred, or could occur, as a result of Bank non-compliance with its policies and procedures, and the Dispute Resolution Service, which provides communities and borrowers with the opportunity to address complaints through dispute resolution. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit http://www.worldbank.org/GRS. For information on how to submit complaints to the Bank's Accountability Mechanism, please visit https://accountability.worldbank.org. "

6. SUMMARY OF RISKS AND MITIGATION

6.1 **The overall risk of the operation after mitigation is rated moderate.** This reflects institutional capacity for implementation and sustainability risks are assessed as substantial.

6.2 **Institutional capacity for implementation and sustainability risk is substantial.** This is due to weak inter-institutional coordination and the limited availability of technical experts. Despite recent progress in institutional capacity building, the effectiveness of public agencies remains variable, which constrains the government's ability to implement complex reforms. The reforms supported by the proposed operation span multiple ministries and departments, and the challenges involved in inter-agency coordination, coupled with human resource constraints, compound existing capacity risks. This could affect achieving the result targets under the two pillars of the program, which requires deep collaboration across line ministries and the acquisition of technical expertise. However, the established negotiation committee co-headed by the MoF and MESD should enable the authorities to implement its reforms effectively and comprehensively. While not all identified risks can be mitigated directly, technical assistance and capacity building supported by ongoing World Bank projects should help mitigate capacity risks.

Table 5 Summary Risk Ratings

Risk Categories	Rating
1. Political and Governance	Moderate
2. Macroeconomic	Moderate
3. Sector Strategies and Policies	Moderate
4. Technical Design of Project or Program	Moderate
5. Institutional Capacity for Implementation and Sustainability	Substantial
6. Fiduciary	Moderate
7. Environment and Social	Low
8. Stakeholders	Moderate
9. Other	
Overall	Moderate

ANNEX 1: POLICY AND RESULTS MATRIX

Prior actions	Indicator Name	Baseline (2022)	Target (2026)
Pillar 1: Strengthening the foundations for sound fiscal and debt management			
Prior Action 1: To improve debt management and transparency, the Recipient has issued and published in the official gazette a ministerial order (arrêté) mandating an annual publication of the Medium-Term Debt Management Strategy (MTDS), the resulting Annual Borrowing Plan (ABP), and an assessment of the implementation of the MTDS.	***Result indicator 1.a:*** *Number of MTDS and ABP published*	0	3
	Result indicator 1.b: *Percentage decrease in external debt (as a proportion of total debt) consistent with the 2024-2026 MTDS*	0	3.1
Prior Action 2: To improve the monitoring of state-owned enterprises' debt, the Recipient has issued and published in the official gazette a ministerial order (arrêté) to (i) instruct the state-owned enterprises to share no later than March 31 each year, data on their stocks of state-guaranteed and non-guaranteed debt of the previous year with the Recipient's directorate of external debts, central bank and treasury; and (ii) instruct the Recipient's directorate of external debts to create a central database of state-owned enterprises' debts.	**Result indicator 2:** SOEs *accounting for at least 80 percent of the total turnover of the SOE portfolio have reported their guaranteed debt and non-guaranteed debt to the debt management entities*	No	Yes
Prior Action 3: To better address fiscal risks, the Recipient has issued and published in the official gazette a ministerial order (arrêté) to: (i) adopt a methodological framework for identifying and quantifying fiscal risks including those related to disaster and climate shocks; and (ii) mandate the publication of an annual fiscal risk statement quantifying the main risks identified and proposing mitigating measures.	**Result indicator 3:** *Number of fiscal risk statements published using the new methodology and including estimates of climate related risks and mitigation measures*	1	3
Prior Action 4: To improve tax compliance and increase tax revenues, the Recipient has: (i) issued and published in the official gazette a ministerial order (arrêté) setting the conditions for online filing and payment of taxes; and (ii) enacted a rectification of its budget law published on the Recipient's MoF website, which increases the VAT rate applicable to the telecommunication sector from 16 percent to 18 percent and introduces a new special levy of 5 percent of the turnover of telecommunication firms.	***Result indicator 4.a:*** *Amount of taxes paid by large companies using the online platform, as a percentage of total taxes declared by large firms*	0	>50
	Result indicator 4.b: *Tax revenues (excluding extractive) in percentage of GDP*	13.1	15.1
Pillar 2. Strengthening the foundation for a competitive and climate-resilient economy			
Prior Action 5: To enhance market dynamics, the Recipient has enacted and published in the official gazette a competition law to define and sanction anticompetitive behavior as well as to control the anticompetitive effects of mergers.	***Result indicator 5:*** *Total number of competition policy decisions taken by the Competition Council*	**0**	**3**
Prior Action 6: To effectively respond to disaster and climate related shocks in an inclusive and gender-responsible manner, the Recipient has issued and published in the official gazette a decree establishing a unified emergency preparedness and response institutional framework, including a streamlined process to declare a natural catastrophe.	***Results Indicator 6.a***: *Share of wilayas with an Emergency Regional Committee in place and operating rules approved and published*	0%	100%

	Results Indicator 6.b: *Data and information gathered and used in post disaster assessments and preparedness activities are disaggregated by sex, age, and disability*	No	Yes
Prior Action 7: To limit the expansion of urban settlements in risk prone areas and avoid the creation of new risks, the Recipient's Parliament has adopted the New Urban Planning Law (Code de l'Urbanisme) which governs the integration of disaster and climate risks consideration into urban planning instruments.	***Result indicator 7:*** *Share of urban municipalities covered by planning instruments integrating climate and disaster risk management considerations (percentage)*	0	>25%
Prior Action 8: To increase the governance and climate resilience in coastal areas, the Recipient has issued a decree published in the official gazette for the establishment of a coastal observatory under its Ministry responsible for environment to monitor coast`al ecosystems and facilitate decision making processes for coastal development and protection.	***Result indicator 8:*** *Share of coastal areas covered by target cartography (percentage)*	0	>20%

ANNEX 2: IMF RELATIONS ANNEX

IMF Executive Board Concludes the first reviews under the Extended Fund Facility and Extended Credit Facility arrangements and approves an arrangement under the Resilience and Sustainability Facility for the Islamic Republic of Mauritania.

December 19, 2023

- The IMF Executive Board concluded today the first reviews under the Extended Fund Facility (EFF) and the Extended Credit Facility (ECF) Arrangements, enabling the authorities to draw SDR 16.10 million (approximately US$21.52 million).
- The IMF Executive Board also approved a Resilience and Sustainability Facility (RSF) arrangement for Mauritania in the amount of SDR 193.2 million (approximately US$258.21 million).
- The RSF arrangement will support Mauritania's efforts to strengthen its resilience to climate shocks, enhance its capacity to protect the vulnerable against climate shocks, and expedite the transition toward cleaner energy sources.

Washington, DC: The Executive Board of the International Monetary Fund (IMF) concluded the first reviews under the Extended Credit Facility and Extended Fund Facility arrangements (ECF/EFF) for the Islamic Republic of Mauritania and approved the request to modify the end-December 2023 Net International Reserves and Net Domestic Assets performance criteria. The Board granted a waiver of nonobservance of the performance criterion on the non-introduction and non-modification of multiple currency practices. The Board approval will allow for SDR 16.10 million (US$21.52 million) to be made available immediately to Mauritania. IMF Executive Board also approved a 31-month arrangement under the IMF Resilience and Sustainability Facility (RSF) for a total amount of SDR 193.2 million (approximately US$258.21 million).

Economic growth is expected to slow to 4.8 percent in 2023 compared to 6.4 percent in 2022, while inflation should continue its downward trend, reaching 4.5 percent at end-2023 compared to 11 percent in 2022. However, the economic outlook remains uncertain.

Mauritania's economic reform program supported by the IMF ECF/EFF arrangements aims to preserve macroeconomic stability, strengthen the fiscal and monetary policy frameworks, consolidate the foundations for sustainable, inclusive growth, and reduce poverty. The program includes three pillars: (i) improving medium-term budgeting to maintain fiscal sustainability, to gradually reduce debt and to smoothen the volatility of extractive revenues and protect social spending; (ii) strengthening the monetary and foreign exchange policy frameworks and developing the money and foreign exchange markets to gain better control of inflation and to ensure that Mauritania's economy is more resilient against exogenous shocks; and (iii) structural reforms designed to strengthen governance, transparency, and the private sector through an improved business climate and financial inclusion.

The RSF arrangement will help build resilience to climate change and strengthen the policy framework to maximize synergies with other official financing and catalyze private financing. The reform measures focus on: (i) incorporating climate issues into public financial management (PFM) and public investment management (PIM); (ii) social protection against climate shocks; (iii) decarbonization; and (iv) the strengthening of the institutional framework for water management, providing disbursements in line with the pace at which reforms are implemented.

Executive Board Assessment[1]

Following the Executive Board discussion, Mr. Kenji Okamura, Deputy Managing Director and Acting Chair, made the following statement:

"With sound policies, donor support, and normalized food and energy prices, Mauritania's economic growth remained strong in 2023. Inflation declined, the current account deficit narrowed, international reserves remained comfortable, and fiscal performance remained in line with the authorities' medium-term goal of declining external debt."

"The authorities' implementation of a fiscal anchor helps shield public expenditure from volatile commodity prices and stabilize debt. A disciplined fiscal policy that preserves infrastructure investment and social spending would help achieve higher and greener growth while containing debt. In this context, it will be important to increase domestic revenues to create more fiscal space, rebalance public expenditure away from untargeted current spending, and enhance the efficiency of public investment."

"To anchor low inflation and to ensure a smooth and gradual transition to a more flexible exchange rate in the context of the recently introduced interbank foreign exchange market platform, the central bank has appropriately tightened its monetary stance. Continued tight monetary policy and keeping excess liquidity minimal would help keep inflation anchored and develop interbank markets. Careful monitoring of financial sector developments and continued enforcement of prudential regulation would strengthen the banking sector's resilience to shocks. Continued improvements in the AML/CFT framework are also important."

"Decisive implementation of structural reforms is key to support higher, more inclusive and diversified, private sector-led growth. Priorities include strengthening governance and transparency, promoting financial inclusion, and implementing the governance action plan to improve the business environment."

"Continued implementation of the arrangements under the Extended Credit Facility and Extended Fund Facility, and of the ambitious reform measures to address climate-related vulnerabilities, supported by the new Resilience and Sustainability Facility, will help address Mauritania's medium- and long-term term challenges and catalyze additional financing. In particular, the programs aim to help maintain reserves above the adequacy threshold during the gradual flexibilization of the exchange rate, strengthen policy frameworks, and promote sustainable and inclusive growth. The arrangements will also contribute to the development of human capital, private sector growth, and poverty reduction, and to climate change adaptation and mitigation."

Mauritania: Selected Economic indicators, 2021–23			
Poverty rate: 28 percent (2019)	Quota: SDR 128.8 million		
Population: 4.4 million (2018)	Main exports: iron ore, fish, gold		
	2021	2022	2023
	Est.		Proj.
(Annual change in percent; unless otherwise indicated)			
National accounts and prices			
Real GDP	0.7	6.4	4.8
Real extractive GDP	-19.2	18.3	11.6
Real non-extractive GDP	6	3.3	3.2
GDP deflator	7.5	2.2	3.3
Consumer prices (end of period)	5.7	11	4.5
(In percent of nonextractive GDP; unless otherwise indicated)			
Central government operations			
Revenues and grants	28.6	30.2	29
Nonextractive	20.4	21.9	23.5
Taxes	14.7	16.1	17.8
Extractive	5.3	6.1	3.4
Grants	2.9	2.2	2.1
Expenditure and net lending	26.2	34.6	31.4
Current	16.4	20.8	19.9
Capital	9.8	13.8	11.5
Primary balance (excl. grants)	0.6	-5.4	-3.5
Overall balance (in percent of GDP)	1.9	-3.6	-1.9
Public sector debt (in percent of GDP) 1/ 2/	52.4	47.3	46.9
(Annual change in percent; unless otherwise indicated)			
Money and Credit			
Broad money	20.4	3.1	8
Credit to the private sector	8.4	13	5
Balance of Payments			
Current account balance (in percent of GDP)	-8.6	-16.6	-12.2
Excl. externally financed extractive capital imports	1	-4.7	-4.5
Gross official reserves (in millions of US$, eop) 3/	2347.5	1876.6	1892.8
In months of prospective non-extractive imports	8.2	6.6	6.4
External public debt (in millions of US$) 2/	4203.6	3970.2	4098.5
In percent of GDP	46.1	40.5	40
Real effective exchange rate	...	...	...
Memorandum items:			
Nominal GDP (in millions of US$)	9126	9799.4	10243.1
Price of iron ore (US$/Ton)	158.2	120.7	101.5

Source: Mauritanian authorities; and IMF staff estimates and projections. 1/ Including government debt to the central bank recognized in 2018. 2/ From 2021, including renegociated, previously passive debt to Kuwait.

[1] At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found *here*:

ANNEX 3: LETTER OF DEVELOPMENT POLICY

الجمهورية الإسلامية الموريتانية
شرف - إخاء - عدل

وزارة الإقتصاد والتنمية المستدامة
MINISTÈRE DE L'ÉCONOMIE ET DU DÉVELOPPEMENT DURABLE

RÉPUBLIQUE ISLAMIQUE DE MAURITANIE
Honneur - Fraternité - Justice

N°: 001152 /M.E.D.D/ M

Date : 19 DEC 2023 : بتاريخ

Le Ministre الوزير

A
Monsieur Ajay Banga
Président du Groupe de la Banque Mondiale
- Washington D.C. -

Objet : Lettre de Politique de Développement (LPD)

Monsieur le Président,

J'ai l'honneur de vous adresser la présente lettre de politique de développement (LPD) qui expose (1) l'évolution de l'économie en 2022, (2) les perspectives à court et moyen terme, (3) les progrès accomplis dans la mise en œuvre des réformes, (4) les réformes soutenues par l'opération d'appui budgétaire et (5) le suivi et l'évaluation des programmes et projets de développement.

1) Évolution de l'économie en 2022

En 2022, l'économie a connu un rebond grâce à la normalisation de l'activité dans le secteur extractif et au resserrement de la politique monétaire. Le taux de croissance a atteint 6,4 %, contre 2,4 % en 2021. En 2023, il devrait atteindre 4,3 % en raison d'une croissance plus faible dans l'industrie extractive due à une diminution de la production de fer et d'or et de la production agricole. L'inflation en glissement annuel s'est accélérée à 11,0 %, contre 5,7 % en 2021 tirée par la hausse des prix des biens alimentaires (+17.4%). La position extérieure du pays s'est nettement améliorée en 2022, avec une augmentation de 34,4 % des recettes d'exportation, qui ont atteint le niveau record de 141,5 milliards d'UFM, par rapport à 2021. Cette croissance a été tirée par l'amélioration des exportations d'or (26,3 %) et de poisson (13,4 %). Les importations ont enregistré une valeur de 178,8 milliards MRU, soit une croissance de 40,6 %, principalement due à l'augmentation des importations de produits pétroliers et de produits alimentaires. Le déficit des comptes courants s'est creusé pour atteindre 53,3 milliards MRU (13,8 % du PIB) contre 29,4 milliards MRU (7,9% du PIB) en 2021. En conséquence, les réserves officielles ont diminué de 20,0 % pour atteindre 1 877 millions USD en fin 2022, soit 6,5 mois d'importations de biens et de services (hors importations des industries extractives), contre 8 mois en 2021.

La politique monétaire a été dynamique, axée sur la maitrise de l'inflation et la gestion d'un niveau record de liquidité bancaire. Le taux directeur de la BCM a été relevé, en août 2022 de 200 points de base pour s'établir à 7% et en décembre 2022 de 100 points de base, pour se situer à 8%. La masse monétaire a augmenté de 8,5 % en raison d'une augmentation des dépôts, du démarrage de l'activité de banque mobile et d'une diminution de la circulation fiduciaire. Le solde budgétaire global a enregistré un déficit de 14,8 milliards MRU en 2022 (3,7 % du PIB) contre un excèdent de 7,8 milliards MRU en 2021 (2,2% du PIB), en raison de la hausse des prix due à la guerre entre la Russie et l'Ukraine et des mesures prises par le gouvernement pour soutenir les pauvres et les personnes vulnérables. Les recettes budgétaires ont atteint 108,14 milliards MRU (22,9% du PIB) en 2022, soit une hausse de 35,2 % par rapport à la LFR de 2021, qui était de 80 milliards MRU (21,3% du PIB). Cette augmentation est principalement due à la hausse des recettes issues des taxes sur les revenus et les profits (+22,8%) et sur le commerce international (+12,5%) et des recettes non-fiscales, principalement en raison de l'augmentation des dividendes des entreprises publiques (*La SNIM, notamment du fait des prix élevés du fer en 2021 et 2022*). Les dépenses budgétaires ont augmenté de 46 %, atteignant 100,7 milliards MRU, reflétant une augmentation de 39,1 % des dépenses courantes et de 56,7% des dépenses nettes d'équipement et de prêts nets.

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2) Perspectives économiques à court et moyen terme

La poursuite du conflit entre la Russie et l'Ukraine continuera d'affecter les prix de l'énergie et des produits alimentaires, provoquant de l'inflation et des pressions sur les soldes budgétaires et extérieurs. La croissance économique devrait légèrement ralentir à 4,5 % en 2023 en raison d'une croissance plus faible de l'industrie extractive et d'une baisse de la production agricole. En 2024-2025, la croissance devrait atteindre une moyenne de 6,2%, soutenue par le démarrage de la production de gaz offshore dans le Grand Tortue/Ahmeyim, la reprise de la consommation et de l'investissement privé du fait d'une normalisation de l'inflation qui devrait se situer à 4,5% en décembre 2023 et 5,5% en moyenne sur la période 2024-2025.

Le déficit du compte courant devrait s'améliorer, passant de 13,9 % du PIB en 2022 à 10,1 % du PIB en 2023, en raison de la baisse des prix des importations de produits alimentaires et pétroliers et d'une diminution des importations des industries extractives. Cette amélioration sera partiellement compensée par une diminution des exportations d'or et de fer en raison des réductions anticipées des prix internationaux. À moyen terme, le déficit du compte courant devrait diminuer jusqu'à environ 5,6 % du PIB en 2024-2025. Les réserves de change devraient rester globalement stables, à environ sept mois d'importations hors industries extractives.

Le déficit budgétaire devrait se réduire à 2,4 % du PIB en 2023 en raison de la baisse des dépenses courantes et de l'augmentation des dépenses d'investissement. À moyen terme, il devrait diminuer à 0,9 % du PIB en raison de la hausse progressive des recettes fiscales, qui atteindront 13,1% du PIB en 2025 du fait notamment de l'augmentation de 16 à 18% de l'impôt dans le secteur des télécommunications et la numérisation complète des déclarations et des paiements d'impôts. La production de gaz au premier trimestre 2024 générera des recettes supplémentaires équivalentes à 0,5% du PIB par an, tandis que du côté de la dépense, les transferts et subventions diminueront de 5,5% du PIB en 2022 à 2,8% du PIB en 2025 à mesure que les prix du pétrole se normalisent. Les besoins de financement devraient être couverts par une combinaison de financements concessionnels et de prélèvements sur les réserves du Trésor.

Les perspectives restent très incertaines avec des risques élevés. Les conséquences de la guerre entre la Russie et l'Ukraine, les changements climatiques, la situation sécuritaire et les risques d'instabilité politique dans la région du Sahel demeurent des sujets de vive préoccupation. Alors que la construction de la première phase du projet gazier offshore s'achève, l'incertitude au tour de la deuxième et troisième phases de l'exploitation du gisement de gaz offshore GTA, regagne de l'intérêt. En outre, une prolongation de la guerre entre la Russie et l'Ukraine pourrait être associée au renchérissement des prix des produits de base (dont le blé et les céréales) ainsi que des prix des produits pétroliers. Un affaiblissement des marchés mondiaux des produits de base exportés par la Mauritanie se traduirait également par une diminution de l'activité, des recettes et des réserves internationales. Cela pourrait aussi aller de pair avec des lenteurs dans la prestation de services publics, une dégradation des résultats sociaux et un accroissement de la pauvreté.

3) Les progrès accomplis dans la mise en œuvre des réformes

En matière de réformes des finances publiques et de gestion de la dette: En fonction de notre capacité d'absorption et cohérence avec la SCAPP et les recommandations du rapport d'évaluation de la gestion des investissements publics (PIMA), la politique budgétaire soutiendra les investissements dans les infrastructures et les dépenses sociales (éducation et santé) afin d'accroître le capital humain et tout en garantissant la stabilité macroéconomique. La politique budgétaire à moyen terme vise à gérer la dette publique, à stimuler la croissance économique et à répondre aux besoins sociaux grâce à une augmentation progressive des dépenses sociales. En donnant la priorité à l'éducation, aux soins de santé primaires, à l'accès à l'eau et à l'assainissement et à de meilleurs programmes d'assistance sociale, le gouvernement intègrera également les dépenses liées au climat dans un cadre budgétaire à moyen terme (CDMT) qui servira de point d'ancrage à l'expansion budgétaire et permettra de préserver la viabilité de la dette. L'accélération des réformes de la politique fiscale, la modernisation de l'administration fiscale, l'amélioration de l'évaluation et la sélection des projets contribueront au renforcement de la gestion des finances publiques. Nous continuerons d'améliorer les procédures d'emprunt et d'octroi de garanties publiques en clarifiant les responsabilités et les conditions d'approbation entre les ministères. Des efforts additionnels seront consentis afin d'améliorer l'exhaustivité des informations contenues dans le bulletin de la dette publié annuellement. Par ailleurs, l'évaluation des risques contingents sera renforcée par la publication annuelle d'une déclaration sur les risques budgétaires. Le Comité national de la dette publique

(CNDP) sera encore redynamisé et ses capacités opérationnelles seront renforcées afin d'améliorer la coordination entre les différentes entités chargées des questions de la dette.

En matière de gestion gazière :
Avant le début de la production de gaz dans le cadre du projet GTA à partir de 2024, notre structure de gestion des ressources gazières et minières sera réorganisée, en intégrant les revenus du gaz dans le cadre budgétaire à moyen terme, en établissant des règles pour lisser la volatilité des recettes gazières et minières et en mettant en œuvre de bonnes pratiques en matière de déclaration des recettes gazières et minières et des avoirs/gains du fonds d'épargne. Des ressources supplémentaires seront utilisées pour financer les domaines prioritaires de la SCAPP. Dans le même temps, nous évaluerons la performance de notre fonds souverain, le Fonds national des revenus des hydrocarbures (FNRH), en tirerons des enseignements importants et étudierons dans quelle mesure il est adapté à la gestion de flux financiers et d'actifs plus volumineux.

Après le renforcement du cadre légal des PPP, à travers notamment la révision de la Loi PPP en 2021, l'État continue à accorder une importance particulière au développement du Partenariat public-privé (PPP), soutenu par une forte volonté politique, en vue d'accroître les investissements directs étrangers dans un contexte de maîtrise des dépenses publiques et de soutien au développement du secteur privé. Nous poursuivrons notre programme d'amélioration du climat des affaires et de promotion des investissement privés nationaux et internationaux.

En matière de lutte contre la corruption, le Gouvernement s'est engagé à mener un travail institutionnel efficace, par lequel les ressources de l'État seront préservées, et les personnes incriminées sanctionnées conformément aux textes en vigueur. Dans ce cadre, la révision de la stratégie nationale de lutte contre la corruption a été finalisée et les réformes visant la professionnalisation des organes de contrôle ont été mises en place.

En matière de protection sociale, la création de la Délégation Générale à la solidarité nationale et à la lutte contre l'exclusion (TAAZOUR) a permis la mise en place des principaux piliers du système national de protection sociale en Mauritanie et la fourniture de transferts monétaires aux ménages pauvres ciblés. Plus particulièrement, elle apporte un appui dans le cadre du déploiement du Registre Social, du programme de transferts sociaux TEKAVOUL, et du programme de filets sociaux réactifs aux chocs, ELMAOUNA. Le Registre Social outil d'identification des ménages les plus pauvres de Mauritanie, compte actuellement environ 278 653 ménages enregistrés. Cet outil aide à cibler plus efficacement les interventions sociales. Le Gouvernement a entamé l'actualisions de la stratégie nationale de protection sociale SNPS, dont le premier draft est disponible et qui se veut une stratégie fédératrice, multisectorielle et transversale qui s'appuie sur les mesures de protection sociale déjà prévues ou en place dans différents secteurs et sous-secteurs, tout en les renforçant par l'identification des mesures complémentaires appropriées. Cette actualisation a pris en compte un contexte national en perpétuelle mutation avec notamment l'élaboration en 2016, de la nouvelle stratégie de développement national, la Stratégie de Croissance Accélérée et de Prospérité Partagée (SCAPP), l'adoption en 2015 du nouvel agenda 2030, pour l'atteinte des Objectifs de Développement Durables (ODD) ainsi que des nouvelles initiatives de protection sociale au niveau national (Registre social unique dont la mise à jour est en cours, Programme national de transferts sociaux (Tekavoul), Programme de filets sociaux adaptatifs (El Maouna), Couverture Maladie Universelle, (programme Inaya).

Réforme des marchés publics : La règlementation des marchés publics a fait l'objet d'une récente réforme législative et règlementaire, avec l'appui de la Banque mondiale, en vue de prendre en compte les nouvelles contraintes de gestion des marchés publics suite aux différentes évaluations, notamment, celles de MAPS. Le souci principal des autorités est de réduire les freins à l'accélération des investissements publics tout en facilitant l'accès des PMEs à la commande publique. Cette réforme permettra, également, à, l'État, de prendre ses décisions dans le respect des grands principes qui sous-tendent le droit des marchés publics-transparence des choix-égalité d'accès et traitement des entreprises—recours à la concurrence. En conséquence, la loi n° 2021-024 abrogeant et remplaçant la loi n° 2010-044 du 22 juillet 2010 portant code des marchés publics a été promulguée le 29 décembre 2021, et ses textes règlementaires d'application ont été adoptés en mai 2022.

4) Réformes soutenues par le programme d'appui budgétaire

L'opération d'appui budgétaire vise l'amélioration de la gestion budgétaire et de la dette ; et (ii) le renforcement de la gestion des risques climatiques et de catastrophes. Il s'articule autour de deux piliers :

Le pilier 1 jette les bases des pratiques budgétaires et de gestion de la dette transparentes et efficaces en institutionnalisant la publication régulière d'une stratégie de gestion de la dette à moyen terme (SDMT), d'un Plan Annuel de Financement (ABP), d'une évaluation de la mise en œuvre de la SDMT, de l'adoption d'un cadre pour une gestion rigoureuse des risques budgétaires (y compris ceux liés aux chocs climatiques) et de la mise en place d'un cadre juridique pour la déclaration et le paiement des impôts en ligne en vue d'améliorer le respect des obligations fiscales et accroitre les recettes fiscales.

Le pilier 2 soutient les réformes visant à renforcer la capacité du gouvernement à gérer les risques climatiques et de catastrophe par l'établissement et l'adoption d'un cadre institutionnel unifié et sensible au genre pour la préparation et la réponse aux urgences (EP&R), l'adoption d'une nouvelle loi sur la planification urbaine tenant compte les considérations climatiques et la création d'un Observatoire National de l'Environnement et du Littoral pour surveiller les écosystèmes côtiers et éclairer la prise de décision sur le développement et la protection des côtes.

5) Suivi et évaluation des programmes et projets de développement

Une attention particulière est accordée par le Gouvernement pour améliorer l'exécution des projet et programmes de développement. Ainsi, après avoir effectué une analyse diagnostique sans concession des difficultés, nous avons aussitôt engagé des actions concertées au plus haut niveau de l'État en vue d'améliorer la performance et l'efficacité des projets de développement. A ce titre, parmi les mesures adoptées, nous pouvons citer : (i) la présentation régulière de communications en Conseil des Ministres, avec des recommandations dont l'application est déjà en cours, (ii) la tenue à la Primature de réunions regroupant les coordinateurs des projets, les ministres concernés et le Premier Ministre. Les coordinateurs ont été instruits et mis devant leur responsabilité, pour accroitre la performance des projets, (iii) l'organisation de missions de suivi de l'exécution par des membres du Gouvernement pour accélérer le rythme des travaux.

Malgré le contexte de crises mondiales majeures, avec l'accompagnement de votre honorable institution dans la voie de réformes engagées par la Mauritanie, nous sommes confiants dans notre capacité à atteindre nos objectifs communs de réduction de la pauvreté et de développement soutenus par une croissance durable et inclusive.

Je vous prie d'agréer, Excellence, Monsieur le Président, l'expression de ma très haute considération.

Abdessalam Ould Mohamed Saleh

Non-official translation from French

Mr Ajay Banga
President of the World Bank Group
- Washington D.C. –

Subject: Letter of Development Policy (LPD)

Mr. Chairman,

I have the honour of sending you this Letter of Development Policy (LDP), which sets out (1) economic trends in 2022; (2) short and medium-term outlook; (3) progress made in implementing reforms; (4) reforms supported by the budget support operation; and (5) monitoring and evaluation of development programs and projects.

1) Economic trends in 2022

In 2022, the economy rebounded thanks to the normalization of activity in the extractive sector and the tightening of monetary policy. The growth rate reached 6.4 percent, compared with 2.4 percent in 2021. In 2023, it is expected to reach 4.3 percent, due to weaker growth in the extractive industry as a result of lower iron and gold production and agricultural output. Year-on-year inflation accelerated to 11.0 percent, from 5.7 percent in 2021, driven by higher food prices (+17.4 percent). The country's external position improved significantly in 2022, with export earnings up 34.4 percent to a record MRU141.5 billion, compared with 2021. This growth was driven by improved exports of gold (26.3 percent) and fish (13.4 percent). Imports recorded a value of MRU 178.8 billion, an increase of 40.6 percent, mainly due to higher imports of petroleum products and foodstuffs. The current account deficit widened to MRU 53.3 billion (13.8 percent of GDP) from MRU 29.4 billion (7.9 percent of GDP) in 2021. As a result, official reserves have fallen by 20.0 percent to reach US$1,877 million at the end of 2022, or 6.5 months of imports of goods and services (excluding imports from extractive industries), compared with 8 months in 2021.

Monetary policy was dynamic, focused on controlling inflation and managing a record level of bank liquidity. BCM's key rate was raised by 200 basis points to 7 percent in August 2022 and by 100 basis points to 8 percent in December 2022. Money supply rose by 8.5 percent, due to an increase in deposits, the start-up of mobile banking activities and a reduction in currency in circulation. The overall budget balance recorded a deficit of MRU 14.8 billion in 2022 (3.7 percent of GDP) versus a surplus of MRU 7.8 billion in 2021 (2.2 percent of GDP), due to higher prices caused by the Russia's invasion of Ukraine and measures taken by the government to support the poor and vulnerable. Revenues reached MRU 108.14 billion (22.9 percent of GDP) in 2022, up 35.2 percent on the 2021 LFR of MRU 80 billion (21.3 percent of GDP). This increase is mainly due to higher revenues from taxes on income and profits (+22.8 percent), taxes on international trade (+12.5 percent) and non-tax revenues, mainly due to higher dividends from state-owned companies (*SNIM, notably due to high iron prices in 2021 and 2022*). Expenditure rose by 46 percent to MRU 100.7 billion, reflecting a 39.1 percent increase in current expenditure and a 56.7 percent rise in net capital expenditure and net loans.

2) Short- and medium-term economic outlook

The continuing Russia's invasion of Ukraine will continue to affect energy and food prices, causing inflation and pressure on fiscal and external balances. Economic growth is expected to slow slightly to 4.5 percent in 2023 due to weaker growth in the extractive industry and lower agricultural output. In 2024-2025, growth should average 6.2 percent, underpinned by the start-up of offshore gas production in the Grand Tortue/Ahmeyim, a recovery in consumption and private investment due to a projected normalization of inflation to 4.5 percent in December 2023 and 5.5 percent on average over the 2024-2025 period.

The current account deficit is set to improve from 13.9 percent of GDP in 2022 to 10.1 percent of GDP in 2023, due to lower import prices for food and oil products and a reduction in imports from the extractive industries. This improvement will be partially offset by lower gold and iron exports due to anticipated reductions in international prices. In the medium term, the current account deficit should decline to around 5.6 percent of GDP in 2024-2025. Foreign exchange reserves should remain stable overall, at around seven months of imports excluding extractive industries.

The fiscal deficit is set to narrow to 2.4 percent of GDP in 2023, due to lower current expenditure and higher capital spending. In the medium term, it should fall to 0.9 percent of GDP reflecting the gradual rise in tax revenues, which will reach 13.1 percent of GDP in 2025 driven by the increase in the VAT applicable to the telecommunications sector from 16 percent to 18 percent and the complete digitization of tax filing and payments. Gas production in the first quarter of 2024 will generate additional revenues equivalent to 0.5 percent of GDP per year, while on the expenditure side, transfers and subsidies will fall from 5.5 percent of GDP in 2022 to 2.8 percent of GDP in 2025 as oil prices normalize. Financing needs are expected to be covered by a combination of concessional financing and drawing on Treasury reserves.

The outlook remains highly uncertain, with high risks. The consequences of the Russia's invasion of Ukraine, climate change, the security situation and the risk of political instability in the Sahel region remain issues of great concern. As construction of the first phase of the offshore gas project draws to a close, uncertainty surrounding the second and third phases of the GTA offshore gas field is regaining interest. In addition, a prolongation of the Russia's invasion of Ukraine could be associated with higher prices for commodities (including wheat and grain) and oil products. A weakening of world markets for commodities exported by Mauritania would also translate into lower activity, revenues and international reserves. It could also lead to slower delivery of public services, poorer social outcomes and increased poverty.

3) Progress in implementing reforms

In terms of public finance reforms and debt management: Depending on our absorption capacity and consistent with the SCAPP and the recommendations of the Public Investment Management Assessment Report (PIMA), fiscal policy will support investment in infrastructure and social spending (education and health) to increase human capital, while safeguarding macroeconomic stability. Medium-term fiscal policy aims to manage public debt, stimulate economic growth and meet social needs through a gradual increase in social spending. While emphasiizing education, primary healthcare, access to water and sanitation, and improved social assistance programs, the government will also integrate climate-related spending into a MTEF that will anchor fiscal expansion and preserve debt sustainability. Accelerating tax policy reforms, modernizing tax administration and improving project evaluation and selection will help strengthen PFM. We will continue to improve procedures for borrowing and granting public guarantees, clarifying responsibilities and approval conditions between ministries. Additional efforts will be made to improve the completeness of the information contained in the annual debt bulletin. In addition, contingent risk assessment will be strengthened by the annual publication of a fiscal risk statement. The National Public Debt Committee (*Comité National de la Dette Publique,* CNDP) will be further revitalized, and its operational capacities will be strengthened to improve coordination between the various entities responsible for debt issues.

Gas management:
Prior to the start of gas production under the GTA project from 2024, our gas and mining resource management structure will be reorganized, integrating gas revenues into the medium-term budget framework, establishing rules to smooth the volatility of gas and mining revenues, and implementing best practices for reporting gas and mining revenues and savings fund assets/gains. Additional resources will be used to finance SCAPP priority areas. At the same time, we will evaluate the performance of our sovereign wealth fund, the National Fund for the Management of Oil Revenues (*Fonds National des Revenus des Hydrocarbures,* FNRH), draw important lessons from it, and study the extent to which it is suited to managing larger financial flows and assets.

Following the strengthening of the legal framework for Public-private Partnerships (PPP), notably through the revision of the PPP Law in 2021, the State continues to attach particular importance to the development of the PPP, supported by a strong political will, with a view to increasing FDI in a context of controlling public expenditure and supporting the development of the private sector. We will pursue our program to improve the business climate and promote national and international private investment.

With regard to the fight against corruption, the government is committed to effective institutional action, through which the resources of the State will be preserved, and those incriminated punished in accordance with the texts in force. In this context, the revision of the national anti-corruption strategy has been finalized, and reforms aimed at professionalizing oversight bodies have been put in place.

In the field of social protection, the creation of the General Delegation for National Solidarity and the Fight against Exclusion (*Délégation Générale à la Solidarité Nationale et à la lLtte Contre l'Exclusion,* TAAZOUR) has made it possible to set up the main pillars of Mauritania's national social protection system and provide cash transfers to targeted poor households. More specifically, it provides support for the deployment of the Social Register, the TEKAVOUL social transfer program, and the ELMAOUNA shock-responsive social safety net program. The Social Register, a tool for identifying the poorest households in Mauritania, currently has some 278,653 households registered. This tool helps to target social interventions more effectively. The government has begun updating the national social protection strategy (*Stratégie Nationale de Protection Sociale-,* SNPS), the first draft of which is now available. The strategy is intended to be federative, multi-sectoral and cross-cutting, building on social protection measures already planned or in place in various sectors and sub-sectors, while reinforcing them by identifying appropriate complementary measures. This update took into account a constantly changing national context with, in particular, the development in 2016 of the new national development strategy, the Strategy for Accelerated Growth and Shared Prosperity (*Stratégie de Croissance Accélérée et de Prospérité Partagée,* SCAPP), the adoption in 2015 of the new Agenda 2030, for achieving the Sustainable Development Goals (SDGs), as well as new social protection initiatives at national level (Single Social Register, currently being updated, National Social Transfer Program (Tekavoul), Adaptive Social Nets Program (El Maouna), Universal Health Coverage, (Inaya program).

Public procurement reform: With the support of the World Bank, public procurement regulations were recently reformed to take account of new constraints on public procurement management, following various assessments, notably those of MAPS. The main concern of the authorities is to reduce the obstacles to the acceleration of public investment, while facilitating access to public procurement for SMEs. This reform will also enable the State to take its decisions in compliance with the main principles underlying public procurement law-transparency of choice-equal access and treatment of businesses-resort to competition. As a result, Law no. 2021-024 repealing and replacing Law no. 2010-044 of July 22, 2010 on the Public Procurement Code was promulgated on December 29, 2021, and its implementing regulations were adopted in May 2022.

4) Reforms supported by the budget support program

The budget support operation is aimed at (i) improving budget and debt management; and (ii) strengthening climate and DRM. It is structured around two pillars:

Pillar 1 lays the foundations for transparent and effective budgetary and debt management practices by institutionalizing the regular publication of a MTDS, an Annual Borrowing Plan (ABP), and an evaluation of MTDS implementation, the adoption of a framework for rigorous management of fiscal risks (including those linked to climate shocks) and the introduction of a legal framework for online tax filing and payment, with a view to improving compliance with tax obligations and boosting tax revenues.

Pillar 2 supports reforms to strengthen the government's capacity to manage climate and disaster risks through the establishment and adoption of a unified, gender-sensitive institutional framework for EP&R, the adoption of a new law on climate-sensitive urban planning, and the creation of a National Environment and Coastal Observatory to monitor coastal ecosystems and inform decision-making on coastal development and protection.

5) Monitoring and evaluation of development programs and projects

The government pays particular attention to improving the execution of development projects and programs. Having carried out an uncompromising diagnostic analysis of the difficulties, we immediately took concerted action at the highest level of government to improve the performance and efficiency of development projects. Among the measures adopted, we can cite: (i) the regular presentation of communications to the Council of Ministers, with recommendations whose implementation is already underway; (ii) the holding of meetings at the Prime Minister's Office bringing together project coordinators, the ministers concerned and the Prime Minister. The coordinators have been instructed and made accountable for improving project performance; (iii) the organization of follow-up missions by members of the government to speed up the pace of work.

Despite the context of major global crises, with the support of your esteemed institution in the reforms undertaken by Mauritania, we are confident in our ability to achieve our shared goals of poverty reduction and development underpinned by sustainable, inclusive growth.

Yours sincerely

Abdessalam Ould Mohamed Saleh

ANNEX 4: ENVIRONMENT AND POVERTY/SOCIAL ANALYSIS TABLE

Prior Actions	Significant positive or negative environmental effects	Significant poverty, social, or distributional effects, positive or negative
Operation Pillar 1: Strengthening the foundations for sound fiscal and debt management		
Prior Action 1: To improve debt management and transparency, the Recipient has issued and published in the official gazette a ministerial order (arrêté) mandating an annual publication of the Medium-Term Debt Management Strategy (MTDS), the resulting Annual Borrowing Plan (ABP), and an assessment of the implementation of the MTDS.	No	Negligible indirect positive impact
Prior Action 2 : To improve the monitoring of state-owned enterprises' debt, the Recipient has issued and published in the official gazette a ministerial order (arrêté) to (i) instruct the state-owned enterprises to share no later than March 31 each year, data on their stocks of state-guaranteed and non-guaranteed debt of the previous year with the Recipient's directorate of external debts, central bank and treasury; and (ii) instruct the Recipient's directorate of external debts to create a central database of state-owned enterprises' debts.	No	Negligible indirect positive impact
Prior Action 3: To better address fiscal risks, the Recipient has issued and published in the official gazette a ministerial order (arrêté) pursuant to which the Recipient: (i) adopted a methodological framework for identifying and quantifying fiscal risks including those related to disaster and climate shocks; and (ii) mandated the publication of an annual fiscal risk statement quantifying the main risks identified and proposing mitigating measures.	No	Negligible indirect positive impact
Prior Action 4: To improve tax compliance and increase tax revenues**,** the Recipient has: (i) issued and published in the official gazette a ministerial order (arrêté) setting the conditions for online filing and payment of taxes; and (ii) enacted a rectification of its budget law published on the Recipient's MoF website, which increases the VAT rate applicable to the telecommunication sector from 16 percent to 18 percent and introduces a new special levy of 5 percent of the turnover of telecommunication firms.	No	Negligible negative impact
Operation Pillar 2: Strengthening the foundation for a competitive and climate-resilient economy		
Prior Action 5: To enhance market dynamics, the Recipient has enacted and published in the official gazette a competition law to define and sanction anticompetitive behavior as well as to control the anticompetitive effects of mergers.	No	Positive

Prior Action 6: To effectively respond to disaster and climate related shocks in an inclusive and gender-responsible manner, the Recipient has issued and published in the official gazette a decree establishing a unified emergency preparedness and response institutional framework, including a streamlined process to declare a natural catastrophe.	Positive	Positive
Prior Action 7: To limit the expansion of urban settlements in risk prone areas and avoid the creation of new risks, the Recipient's Parliament has adopted the New Urban Planning Law (Code de l'Urbanisme) which governs the integration of disaster and climate risks consideration into urban planning instruments.	Positive	Positive
Prior Action 8: To increase the governance and climate resilience in coastal areas, the Recipient has issued a decree published in the official gazette for the establishment of a coastal observatory under its Ministry responsible for environment to monitor coastal ecosystems and facilitate decision making processes for coastal development and protection.	Positive	Positive

ANNEX 5: DPF PRIOR ACTION AND ANALYTICAL UNDERPENNINGS

Prior Actions	Analytical Underpinnings
Pillar 1: Enhancing fiscal and debt management	
Prior Action 1	*Charaoui, J. ; Fazeer, R. ; Dubertret, J, Pierre Roumegas, (2020). Public Investment Management Assessment. International Monetary Fund, 2020.* **Findings**: the lack of rules and permanent targets to guide the fiscal policy over the medium-term is a point of vulnerability *World Bank. 2021. Mauritania Public Expenditure Review: options to maintain fiscal sustainability and support a more inclusive recovery after the COVID-19. The World Bank, 2021* **Findings:** maintaining a prudent fiscal policy and a debt management strategy that favor concessional loans is key to ensure debt and fiscal sustainability.
Prior Action 2	*World Bank.2022. Mauritania Fiscal risk Assessment Technical Assistance Report. The World Bank Group, 2022* **Findings:** Mauritania lacks a legal framework to systematize the identification, quantification and management of fiscal risks
Prior Action 3	IMF-World Bank (2023): Debt Sustainability Analysis, January 2023. **Findings**: The DGI's online payment service is not yet operational which limits the ability of the tax administration to achieve high rates of timely voluntary payment and translate into high proportion of tax arrears
Prior Action 4	IMF.2022. Tax Administration Diagnostic Assessment Tool. International Monetary Fund, March 2022 **Findings:** The government needs to expand the coverage of public debt, including non-guaranteed SOE debt to minimize risks
Pillar 2. Strengthening the Resilience to climate change and disaster risks	
Prior Action 5	World Bank (2019). Note de Politique sur le Rôle de la Politique de la Concurrence pour une Economie Diversifiée., The World Bank Group, Washington Findings: Increased competition and more effective competition policies could further promote a healthy investment climate in Mauritania, while contributing significantly to the development of the private sector, diversification of trade and production
Prior Action 6	Rapport d'évaluation des capacités nationales pour la réduction des risques, la préparation et la réponse aux urgences en Mauritanie (CADRI), may 2014, UNDRR. Exercice des lessons apprises a la suite des innondations de 2022, Diagnostic du cadre légal et institutionnel pour la préparation et la réponse aux urgences en Mauritanie, Juin 2023, GFDRR *Blanchard, P. Ishizawa, O. Van der Borght, R. Humbert, T. (2023). "Struggling with the rain: weather variability and food insecurity forecasting in Mauritania", Upcoming World Bank Working Paper Series*

	Vinha, K. and Hill, R. (2022). "Mauritania and vulnerability to drought". Background Paper for the Mauritania Poverty Assessment 2023. *World Bank. 2021. Gender Dimensions of Disaster Risk and Resilience. World Bank: Washington, DC.* *Doocy, S, Daniels, A, Murray, S, and Kirsch, T D. 2013. "The Human Impact of Floods: A Historical Review of Events 1980–2009 and Systematic Literature Review." PLOS Currents Disasters 2013 Apr 16. Edition 1.* *Shoji, M. 2010. "Does Contingent Repayment in Microfinance Help the Poor During Natural Disasters?" Journal of Development Studies, 46(2): 191–210.* **Findings**: - Climate-related shocks generate adverse effects on households' well-being and disproportionately affect the poor in rural areas. The DRM framework in Mauritania is heavily focused on EP&R and strongly fragmented. Efficient response to rapid onset events such as floods requires a gender-sensitive EP&R system underpinned by a unified institutional framework.
Prior Action 7	World Bank. 2020. Mauritania Country Economic Memorandum: Accelerating Growth Through Diversification and Productive Cities. World Bank. 2021. From rural towns to livable cities: critical path for inclusive development of South Mauritania. Policy Paper *World Bank. 2013. "Building Resilience: Integrating Disaster and Climate Resilience into Development GFDRR."* https://www.gfdrr.org/sites/default/files/publication/Building%20Resilience%20.pdf **Findings**: Territorial and urban planning policies are key tools to shape climate and disaster risk. In Mauritania, improving urban planification and incorporating disaster and climate risk considerations can strengthen the role of cities to diversify the economy and accelerate growth, while ensuring the sustainability of development.
Prior Action 8	World Bank. 2022. G5 Sahel Country Climate and Development Report. *World Bank, 2018, Update of the Plan Directeur d'Aménagement du Littoral Mauritanien.* **Findings**: Reliable and regular data from different sectors are crucial to ensure proper understanding of the current and potential future evolution of the coastal areas. This understanding is necessary to adopt proactive, adaptable measures for a multisectoral resilient development of those areas.

ANNEX 6: SUMMARY OF THE PARIS AGREEMENT ASSESSMENT

<table>
<tr><td colspan="2">Program Development Objective (PDO): The PDO is to strengthen the foundations for (i) a sound fiscal and debt management; and (ii) a competitive and climate-resilient economy</td></tr>
<tr><td>Step 1: Taking into account our climate analysis (e.g., Country Climate and Development Reports or CCDRs), is the operation consistent with the country climate commitments, including for instance, the NDC, NAP, LTS, and other relevant strategies?</td><td>Answer: Yes. Explanation: The reform program is consistent with Mauritania's revised NDC. Priority target areas identified in the NDC that are supported in this DPF include: (i) mitigating the economic and social impact of climate shocks and disaster risks (PA#3, PA#6 and PA#7); (ii) the protection of coastal areas (PA#8). PA#1, PA#2, PA#4 and PA#5 do not directly target adaptation or mitigation but do not result in a carbon lock-in either.</td></tr>
<tr><td colspan="2">Mitigation goals: assessing and reducing the risks</td></tr>
<tr><td colspan="2">Pillar Objective: Strengthening the foundations for sound fiscal and debt management</td></tr>
<tr><td colspan="2">Prior Action #1: To improve debt management and transparency, the Recipient has issued and published in the official gazette an arrêté mandating an annual publication of the Medium-Term Debt Management Strategy (MTDS), the resulting Annual Borrowing Plan (ABP), and an assessment of the implementation of the MTDS.

Prior Action #2: To improve the monitoring of state-owned enterprises' debt, the Recipient has issued and published in the official gazette a ministerial order (arrêté) to (i) instruct the state-owned enterprises to share no later than March 31 each year, data on their stocks of state-guaranteed and non-guaranteed debt of the previous year with the Recipient's directorate of external debts, central bank and treasury; and (ii) instruct the Recipient's directorate of external debts to create a central data-basis of state-owned enterprises' debts.

Prior Action #3: To better address fiscal risk, the Recipient has, issued and published in the official gazette a ministerial order (arrêté) to: (i) adopt a methodological framework for identifying and quantifying fiscal risk including those related to disaster and climate shocks; and (ii) mandate the publication of an annual fiscal risk statement quantifying the main risk identified and proposing mitigating measures.

Prior Action #4: To improve tax compliance and increase tax revenues, the Recipient has: (i) issued and published in the official gazette a ministerial order (arrêté) setting the conditions for online filing and payment of taxes; and (ii) enacted a rectification of its budget law published on the Recipient's MoF website, which increases the VAT rate applicable to the telecommunication sector from 16 percent to 18 percent and introduces a new special levy of 5 percent of the turnover of telecommunication firms.</td></tr>
<tr><td>Step M2.1: Are the prior actions likely to cause a significant increase in GHG emissions?</td><td>Answer: No. Explanation: Prior Actions #1, 2, 3 and 4 are not likely to cause a significant increase in GHG emissions or any persistent barriers to transition to low GHG emissions development pathways as they do not support specifically more carbon-intensive consumption or investment decisions.</td></tr>
<tr><td colspan="2">Conclusion for PA#1, PA#2, PA#3 and PA#4: ALIGNED</td></tr>
<tr><td colspan="2">Pillar Objective: Strengthening the foundation for a competitive and climate-resilient economy</td></tr>
<tr><td colspan="2">Prior Action #5: To enhance market dynamics, the Recipient has enacted and published in the official gazette a competition law to define and sanction anticompetitive behavior as well as to control the anticompetitive effects of mergers.

Prior Action #6: To effectively respond to disaster and climate related shocks in an inclusive and gender-responsible manner, the Recipient has issued and published in the official gazette a decree establishing a unified emergency preparedness and response institutional framework, including a streamlined process to declare a natural catastrophe.

Prior Action #8: To increase the governance and climate resilience in coastal areas, the Recipient has issued a decree published in the official gazette for the establishment of a coastal observatory under its Ministry responsible for environment to monitor coastal ecosystems and facilitate decision making processes for coastal development and protection.</td></tr>
<tr><td>Step M2.1: Is the prior action likely to cause a significant increase in GHG emissions?</td><td>Answer: No. Explanation: Prior Action #5, 6, 8 are not likely to cause a significant increase in GHG emissions or any persistent barriers to transition to low GHG emissions development pathways as they do not support specific carbon-intensive consumption or investment decisions.</td></tr>
<tr><td colspan="2">Conclusion for PA#5, PA#6, PA#8 : ALIGNED</td></tr>
<tr><td colspan="2">Prior Action #7: To limit the expansion of urban settlements in risk prone areas and avoid the creation of new risks, the Recipient's</td></tr>
</table>

Parliament has adopted the New Urban Planning Law (Code de l'Urbanisme) which governs the integration of disaster and climate risks consideration into urban planning instruments.	
Step M2.1: Is the prior action likely to cause a significant increase in GHG emissions?	**Answer:** No. **Explanation:** This reform will contribute to mitigating climate change by harnessing urban land expansion, which in return will increase density and facilitate the transition towards a more transport-oriented development. These efforts are in line with mitigation contribution #2 in the country's NDC, which aims to reduce GHG emissions in the transport sector through the promotion of public transportation (e.g., tramway project for Nouakchott). Consequently, Prior Action #6 is not likely to cause a significant increase in GHG emissions or any persistent barriers to transition to low GHG emissions development pathways.
Conclusion for PA#7: ALIGNED	
Mitigation goals: All prior actions of the proposed DPF program are aligned with the mitigation goals of the Paris Agreement.	
Adaptation and resilience goals: assessing and managing the risks.	
Pillar Objective: Strengthening the foundations for sound fiscal and debt management	
Prior Action #1: To improve debt management and transparency, the Recipient has issued and published in the official gazette an arrêté mandating an annual publication of the Medium-Term Debt Management Strategy (MTDS), the resulting Annual Borrowing Plan (ABP), and an assessment of the implementation of the MTDS. **Prior Action #2:** To improve the monitoring of state-owned enterprises' debt, the Recipient has issued and published in the official gazette a ministerial order (arrêté) to (i) instruct the state-owned enterprises to share no later than March 31 each year, data on their stocks of state-guaranteed and non-guaranteed debt of the previous year with the Recipient's directorate of external debts, central bank and treasury; and (ii) instruct the Recipient's directorate of external debts to create a central data-basis of state-owned enterprises' debts. **Prior Action #3:** To better address fiscal risk, the Recipient has issued and published in the official gazette a ministerial order (arrêté) to: (i) adopt a methodological framework for identifying and quantifying fiscal risk including those related to disaster and climate shocks; and (ii) mandate the publication of an annual fiscal risk statement quantifying the main risk identified and proposing mitigating measures. **Prior Action #4:** To improve tax compliance and increase tax revenues**,** the Recipient has: (i) issued and published in the official gazette a ministerial order (arrêté) setting the conditions for online filing and payment of taxes; and (ii) enacted a rectification of its budget law published on the Recipient's MoF website, which increases the VAT rate applicable to the telecommunication sector from 16 percent to 18 percent and introduces a new special levy of 5 percent of the turnover of telecommunication firms.	
Step A2: Are risks from climate hazards likely to have an adverse effect on the prior action's contribution to the Development Objective(s)?	**Answer:** No. **Explanation:** Risks from climate hazards are not likely to have an adverse effect on these reforms' contribution to the Development Objective.
Conclusion for PA#1, PA#2, PA#3 and PA#4: ALIGNED	
Pillar Objective: Strengthening the foundation for a competitive and climate-resilient economy	
Prior Action #5: To enhance market dynamics, the Recipient has enacted and published in the official gazette a competition law to define and sanction anticompetitive behavior as well as to control the anticompetitive effects of mergers.	
Step A2: Are risks from climate hazards likely to have an adverse effect on the prior action's contribution to the Development Objective(s)?	**Answer: No. Explanation:** Risks from climate hazards are not likely to have an adverse effect on this reform's contribution to the Development Objective.
Conclusion for PA#5: ALIGNED	
Prior Action #6: To effectively respond to disaster and climate related shocks in an inclusive and gender-responsible manner, the Recipient has issued and published in the official gazette a decree establishing a unified emergency preparedness and response institutional framework, including a streamlined process to declare a natural catastrophe.	
Step A2: Are risks from climate hazards likely to have an adverse effect on the prior action's contribution to the Development Objective(s)?	**Answer: No. Explanation:** This reform will directly contribute to climate change adaptation by strengthening the capacity to manage emergencies and limiting the adverse impacts of climate-related shocks and disasters. These efforts are in line with the adaptation goals under the country's revised NDC, which

	emphasizes that climate change will exacerbate climate and disaster risks. Risks from climate hazards are not likely to have an adverse effect on this reform's contribution to the Development Objective.
Conclusion for PA#6: ALIGNED	
Prior Action #7: To limit the expansion of urban settlements in risk prone areas and avoid the creation of new risks, the Recipient's Parliament has adopted the New Urban Planning Law (Code de l'Urbanisme) which governs the integration of disaster and climate risks consideration into urban planning instruments.	
Step A2: Are risks from climate hazards likely to have an adverse effect on the prior action's contribution to the Development Objective(s)?	**Answer:** No. **Explanation:** This reform will directly contribute to climate change adaptation by incorporating climate and disaster risk considerations into urban planning instruments, in line with adaptation contribution measures proposed under the "urban planning and housing" sector (i.e., implementing a climate-resilient urban planning and management system; implementation of a climate-resilient land-use planning scheme). Risks from climate hazards are not likely to have an adverse effect on this reform's contribution to the Development Objective.
Conclusion for PA#7: ALIGNED	
Prior Action #8: To increase the governance and climate resilience in coastal areas, the Recipient has issued a decree published in the official gazette for the establishment of a coastal observatory under its Ministry responsible for environment to monitor coastal ecosystems and facilitate decision making processes for coastal development and protection.	
Step A2: Are risks from climate hazards likely to have an adverse effect on the prior action's contribution to the Development Objective(s)?	**Answer:** No. **Explanation:** PA#8 will directly contribute to climate change adaptation by enhancing a risk-informed decision-making process for coastal areas, in line with adaptation contribution measures proposed under the environment sector to support "*protecting coastal dunes, combating coastal erosion and setting up a coastal flood risk monitoring system*". Risks from climate hazards are not likely to have an adverse effect on this reform's contribution to the Development Objective.
Conclusion for PA#8: ALIGNED	
Adaptation and resilience goals: all prior actions of the proposed DPF program are aligned with the adaptation and resilience goals of the Paris Agreement.	
OVERALL CONCLUSION OF PARIS ALIGNMENT ASSESSMENT: THIS OPERATION IS ALIGNED WITH THE GOALS OF THE PARIS AGREEMENT	

ANNEX 7: DETAILED POVERTY AND SOCIAL ASSESSMENT

1. This Poverty and Social Impact Assessment (PSIA) is developed according to World Bank guidelines and designed to provide an analysis of the potential poverty and social impacts of the policy actions outlined in the Development Policy Loan (DPL). The PSIA outlines the expected impacts from a gender-informed, social, and distributional perspective. The assessment is meant to analyze the policy actions with outcomes in the key objectives of this operation. Pursuant to the World Bank's policy on Development Policy Finance, this PSIA aims to: (i) identify whether the policies supported by the DPL are likely to have significant poverty and social consequences, especially on poor people and vulnerable groups; (ii) analyze relevant analytical knowledge of these effects and of the country's systems (including its legal and institutional framework) for reducing significant adverse effects and enhancing positive effects associated with the policies being supported; and (iii) identify the actions that the Government of Mauritania is undertaking or planning to undertake to address the identified gaps or shortcomings. Preliminary results of the PSIA indicate that this operation is not expected to have significant adverse poverty and social impacts. A detailed assessment of each action is presented below.

Prior Action 1: *To improve debt management and transparency, the Recipient has issued and published in the official gazette a ministerial order (arrêté) mandating an annual publication of the Medium-Term Debt Management Strategy (MTDS), the resulting Annual Borrowing Plan (ABP), and an assessment of the implementation of the MTDS.*

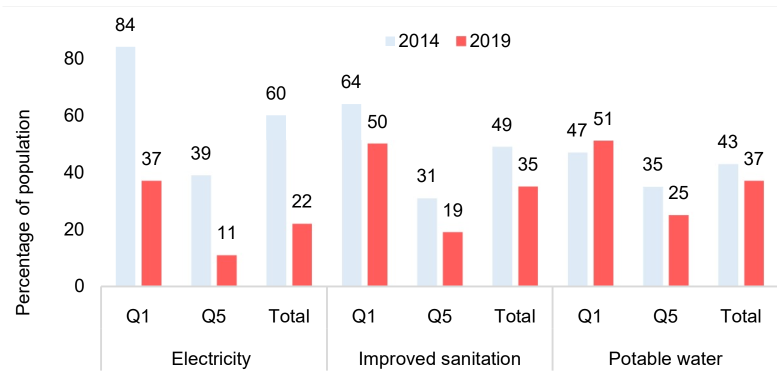
Prior Action 2*: To improve the monitoring of state-owned enterprises' debt, the Recipient has issued and published in the official gazette a ministerial order (arrêté) to (i) instruct the state-owned enterprises to share no later than March 31 each year, data on their stocks of state-guaranteed and non-guaranteed debt of the previous year with the Recipient's directorate of external debts, central bank and treasury; and (ii) instruct the Recipient's directorate of external debts to create a central database of state-owned enterprises' debts*.

Prior Action 3*: To better address fiscal risks, the Recipient has issued and published in the official gazette a ministerial order (arrêté) to: (i) adopted a methodological framework for identifying and quantifying fiscal risks including those related to disaster and climate shocks; and (ii) mandated the publication of an annual fiscal risk statement quantifying the main risks identified and proposing mitigating measures.*

2. Prior Actions 1, 2 and 3 supporting improvements in debt and fiscal risk management are not expected to have direct poverty and social impacts but may lead to positive indirect welfare effects in the medium to long term from a better business environment and lower macro-fiscal risks. Improvements in fiscal risk management and transparency will serve to protect the budget from large, unexpected shocks, thus ensuring continued funding for critical social and infrastructure projects that are necessary for economic development. Moreover, savings generated from improved accountability and reduced risks can help bridge the financing gap that exists in the provision of goods and services that promote poverty reduction and shared prosperity. These savings can be maximized by harnessing the institutionalization of Fiscal Risk Statements. Lastly, improved transparency on debt management may enable a better business environment, attracting much-needed foreign investment. This in turn can promote job creation and the development of export-oriented industries (Gelos and Wei, 2002). Together these prior actions have the potential to create new jobs in the medium and long term through additional and better-quality infrastructure investments and reduced vulnerability to external economic shocks due to lower macro-fiscal risks.

3. Additionally, Prior Action 2, will strengthen the fiscal position of SOEs, potentially leading to improved service quality and increased government revenue. Monitoring SOEs' debt will help to reduce budgetary risks and improve their debt management. Better debt management will provide greater access to credit, enabling SOEs to invest in projects with high social returns. Additionally, public scrutiny of SOEs' debt may help discipline their spending and reduce wasteful expenditures. These improvements may benefit the poor through two channels: higher government revenue and improved service delivery. SOEs play a vital role in providing utility services such as electricity (provided by SOMELEC) and water (provided by SNDE), which are essential for households to avoid being considered multidimensionally poor. Individuals with low incomes are disproportionately deprived of these services (see Figure 7.1). This prior action has the potential to disproportionately benefit the poor if the gains from a stronger fiscal position result in expanding the coverage of services targeted towards the less well-off. Additionally, SOEs significantly contribute to the government's spending capacity. For instance, SNIM reported dividends amounting to 14 percent of tax and non-tax revenue in 2021-22 (IMF, 2023). Strengthening revenue capacity is a necessary condition for any future policy intervention aiming at expanding social safety nets.

Figure 7.1 Population *without* access to basic services by year and consumption quintile



Source: World Bank (2022) based on EPCV 2014 and 2019. *Notes:* This figure shows the percentage of people not covered, while World Bank (2022) presented the percentage of people covered. Q1 and Q5 refer to consumption per capita quintiles, while Total refers to all population.

Prior Action 4*: To improve tax compliance and increase tax revenues, the Recipient has: (i) issued and published in the official gazette a ministerial order (arrêté) setting the conditions for online filing and payment of taxes; and (ii) enacted a rectification of its budget law published on the Recipient's MoF website, which increases the VAT rate applicable to the telecommunication sector from 16 percent to 18 percent and introduces a new special levy of 5 percent of the turnover of telecommunication firms.*

4. The establishment of online tax filing per Prior Action 4 is not expected to have direct effects on poverty but can have indirect positive welfare effects by increasing tax compliance due to reduced transaction costs. Evidence on the effects of online tax filing systems suggests that reducing the costs that firms face for paying taxes contributes to tax compliance, specifically for micro and small enterprises, which tend to consider tax registration and administration as complex and costly (ILO, 2014). In addition, reducing transaction costs of tax collection by implementing digital tax filing is also expected to reduce the occurrence of bribes and corruption. Although it is not simple to quantify the magnitude of these indirect effects on poverty and inequality, the literature suggests that the costs of corruption tend to affect disproportionally low-income individuals as they lack the capacity to formally navigate complex bureaucratic systems (Fried et al, 2010).[25] Lastly, the impact on poverty and inequality of additional government revenues due to higher tax compliance will depend on how the funds are used, with positive impacts expected if they help sustain and expand investments in social infrastructure and basic service delivery.

5. The increase in VAT rate applicable to the telecommunication sectors is expected to be progressive, leading to a reduction in inequality, and a mild increase in poverty. Panel A of Figure 7.2. shows high disparities in access to telecommunication services for Mauritanians. About half of the population in the top quintile purchases telecommunication services (i.e., 52.7 percent), more than double the population reporting positive spending in the poorest quintile (i.e., 23 percent). Among the subset of households in the bottom quintile who report positive consumption of telecommunication, we observe similar spending shares, ranging from 2.2 to 2.6 percent of their total consumption. The disparities in access and

[25] Fried et al (2010) show how police officers are more likely to target low-income individuals as they are perceived as less likely to be able to retribute.

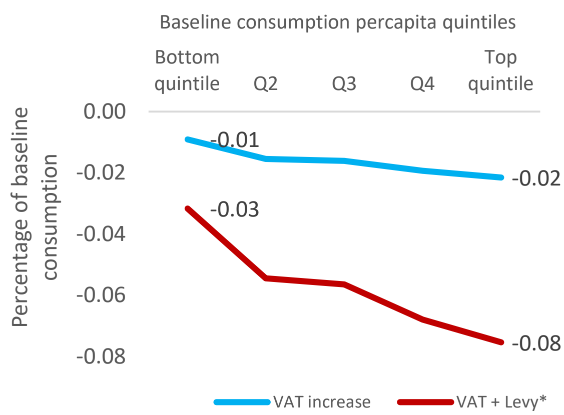
similar spending shares implies that the proposed prior action is a progressive tax policy. This is confirmed Panel B of Figure 7.2, which shows an upper bound estimate of the direct impact of the new taxes by consumption quintile. With the reform, households in the poorest quintile are expected to pay 0.03 percent of their consumption in taxes, while the top quintile is expected to pay about 0.08 percent. This slight reduction in welfare is expected to increase poverty by 0.13 percentage points and reduce inequality by 0.06 Gini points. The increase in poverty is relatively small, and to the extent that the additional revenue is used to fund well-targeted compensation measures, this increase could be mitigated.

Figure 7.2 Consumption of telecommunications and direct impact of VAT and Levy taxes

Panel A. Distribution of Telecommunications consumption

	Bottom quintile	Q2	Q3	Q4	Top quintil e
Telecom as % of expenditure, telecom consumers	2.2	2.6	2.4	2.5	2.4
Telecom as a % of expenditure, all population	0.5	0.9	0.9	1.1	1.2
Telecom Consumers (%)	23.3	34. 4	38. 7	45. 4	52.7

Panel B. Impact of VAT and Levy on per-capita consumption



Source: World Bank Staff Calculations based on EPCV 2019. Notes: Panel A reports consumption expenditure as percentage of expenditure for two different populations, the first row includes the population of telecom consumers, while the second row includes all the population. The third row reports the total telecom consumers. Panel B plots the average cost of the reforms to households, expressed as percentage of the baseline per-capita consumption. The cost measure only considers direct effect, ignoring the effects that the increase in taxes may have on other goods, or on the price of production factors. * The estimates on the Levy should be considered as an upper bound of the direct effect for two reasons: i) they assume the tax burden of the levy is paid by households. ii) the levy is assumed to be paid over the pre-tax price rather than net revenues per unit.

***Prior Action 5**: To enhance market dynamics, the Recipient has enacted and published in the official gazette a competition law to define and sanction anticompetitive behavior as well as to control the anticompetitive effects of mergers.*

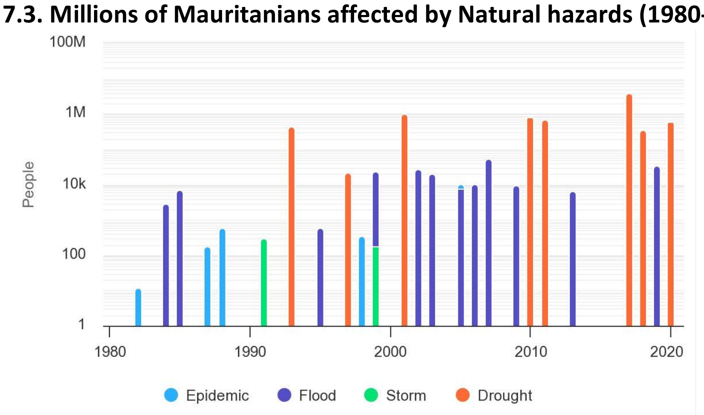
6. Increasing competition in the product market is expected to benefit households as consumers. Competition increases welfare from a consumption perspective through two channels: First, it increases the household's purchasing power—this is the price channel. Second, it increases household utility through higher quality and variety of products — quality channel, that results from firms developing new and better products to compete. Busso and Galiani (2019) find evidence of the price channel but not the quality channel when randomizing firm entry in local grocery markets in the Dominican Republic. The price channel is so important that it can lead to net welfare gains even in cases when competition causes firm exit, which is the case of what happened in Mexico during the expansion of foreign supermarket entry (Atkin et al., 2018). Since there is no evidence on which industries are more affected by anticompetitive practices in the case of Mauritania, we cannot assert which population group will benefit more from the competition law.

7. In addition, higher competition could benefit households as wage earners by reducing monopsony power in the labor market. Although monopsony power and monopoly power are very different concepts, they can coexist. There is a growing concern about the effect of mergers on monopsony power (Marinescu and Hovenkamp 2019). Mergers could position a firm as the primary employer of, workers with specific skills (e.g., nurses, scientists), or workers in small local labor markets (Manning, 2011). Since monopsony power has been associated with lower employment and wages in developing countries (Brooks et al. 2021), a positive outlook from enacting the law is expected. The law is expected to be a first step in promoting an environment where firms compete to poach and retain workers, ultimately increasing wages and employment. This channel is expected to benefit households whose income depends on wage employment. Therefore, the benefit of the income channels is expected to be relatively small for Mauritanians living in poverty, as they depend on small-scale agriculture and nonagricultural self-employment (World Bank 2022). Nevertheless, to the extent that greater competition can lead to increases in formal wage employment, this would lead to welfare gains.

***Prior Action 6**: To effectively respond to disaster and climate related shocks in an inclusive and gender-responsible manner, the Recipient has issued and published in the official gazette a decree establishing a unified emergency preparedness and response institutional framework, including a streamlined process to declare a natural catastrophe*.

8. Natural disasters have consistently been a key factor responsible for pushing vulnerable households into poverty and keeping them poor (Krishna, 2006; Sen, 2003). The exposure to natural hazards may reduce incentives to invest, as the risk of losing their dwellings during a flood, or losing their livestock and crops because of a drought reduce the expected profit from investing in these assets (Cole et al, 2013, Elbers et al, 2007). Additionally, poor people are more vulnerable to disaster events (Carter et al, 2007), due to higher exposure and relatively lower capacity to cope with shocks than non-poor households. This is partially explained by poor households having lower access to savings, borrowing, and insurance than their non-poor counterparts (Highfield et al, 2014; Kundzewicz and Kaczmarek, 2000). As a result, poor populations tend to respond to shocks with negative coping mechanisms, such as consuming their few assets, which could plunge them further into persistent deprivation.

Figure 7.3. Millions of Mauritanians affected by Natural hazards (1980-2020)



Source: Figure retrieved from World Bank Climate Change Portal (consulted on August 23 of 2023).

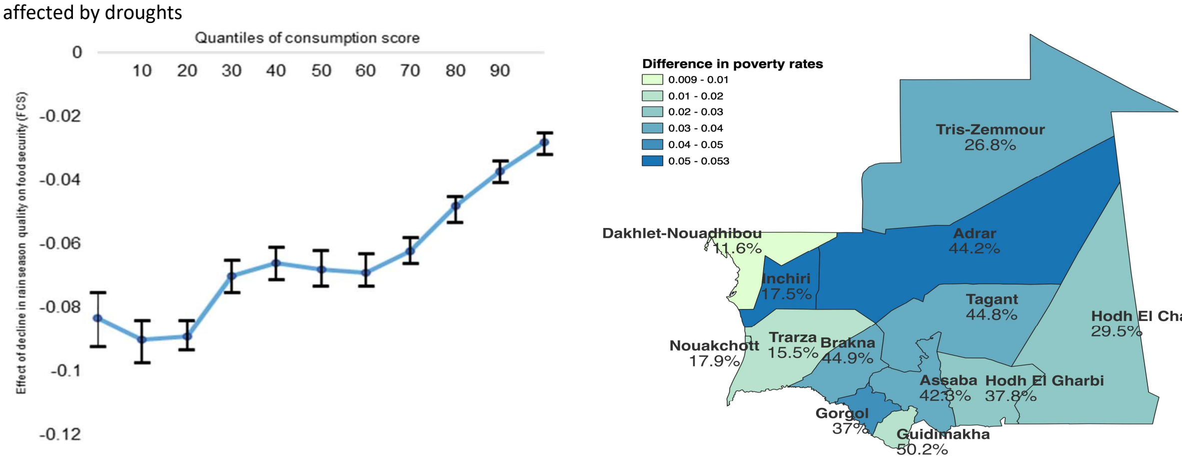
9. One of the main challenges in Mauritania is the scarcity of freshwater resources both for human consumption and for agricultural activities. Mauritania consistently experiences large variations in precipitation. From 2010 to 2020, the country experienced five severe droughts and four floods. On average, each drought affected approximately 1.28 million people, while each flood impacted around 21 thousand Mauritanians (see Figure 7.3). The 2022 flood that occurred in the Mauritanian desert is one of the most recent events that have affected the country. The impact of this flood on the welfare of households is expected to persist during the 2023 lean season.[26] Climate change is expected to increase the frequency and intensity of these extreme events, aggravating flooding in urban areas and increasing water scarcity in rural areas, which is expected to reduce crop and livestock yields. Moreover, climate change is expected to increase the average temperature by 2.0ºC to 4.5ºC by 2080 from preindustrial levels, as well as the number of hot days (maximum temperature above 35ºC) over 300 days by 2080. These changes are expected to reduce the labor productivity of outdoor workers (mostly working on agriculture) and livestock yields (Grace, et al. 2015).

10. Droughts reduce food security and increase poverty, with heterogenous impacts across Mauritanian regions. Declines in rainfall during the agricultural season reduce food security during the lean season. Droughts have been shown to reduce food security by about 8 percent for poor households (10th quantile) and about 3 percent for their better-off counterparts (90th quantile) in Mauritania; see Panel A of Figure 7.4. Droughts also increase monetary poverty (World Bank, 2022); going from a regular rainy season to extreme droughts is expected to increase poverty headcount by 1.9 percentage points. This drought-induced poverty is widely heterogeneous across regions, with a five-percentage point increase in Adrar and less than a two percentage points increase in Trarza, see Panel B of Figure 7.4. The spatial heterogeneity may be explained by differences in key household characteristics (e.g., income sectoral composition) that make households more vulnerable to droughts, such as livestock ownership and lack of access to remittances (Blanchard et al., 2023).

Figure 7.4 Impact of rainfall on food security and poverty in Mauritania

A. Food security of poorer households is disproportionally affected by droughts

B. Declines in vegetation index increase poverty



Source: Blanchard et al (2023). Notes: the figure reports the coefficient estimates of a quantile regression of the Food Consumption Score (FCS) on the rain season quality (RSQ). FCS is measured at household level using food security monitoring surveys collected between 2011-2015. RSQ is measured by the standardized values of the 5-month precipitation. This figure shows the effects of low RSQ, while the figure presented in Blanchard et al. (2023) shows the effect of high RSQ.

Source: World Bank (2022). Notes: The estimates use household consumption data from EPCV 2019 and NDVI data. The label over each region corresponds to their poverty headcount ratio using official poverty line. They differ from the official poverty figures because it uses a subsample of the EPCV-2019. Gradient colors on the map represent the increase in poverty rates due to a reduction of NDVI of 1 standard deviation with respect the historical mean.

11. A gender inclusive emergency preparedness plan is especially important, as the effects of climate change on welfare are not gender neutral. In developing countries, natural disasters kill more women than men, either directly after the natural hazard, or indirectly through deteriorated health and economic conditions (Doocy, 2013). Moreover, women are more likely

[26] Climate Centre. (2021, June 22). Mauritania: Thousands of food-insecure families need urgent assistance as Sahel battles food crisis. Climate Centre. https://www.climatecentre.org/10458/mauritania-thousands-of-food-insecure-families-need-urgent-assistance-as-sahel-battles-food-crisis/

than men to adopt coping mechanisms that amplify the welfare losses, such as skipping meals after flooding (Shoji, 2010). Moreover, due to the constraints with respect to ownership over productive assets, women have limited coping mechanisms to natural disasters (Erman et al., 2019). For instance, while men may use their land titles as collateral to access credit in post-disaster situations, this option remains largely unavailable for most Mauritanian women due to insecure land tenure. Moreover, as women are less literate than men, they are more likely to be less informed about disaster preparedness and adaptation policies (e.g., location of shelters, availability of services, programs of governmental support, etc.).

12. **A unified EP&R institutional framework under Prior Action 6, is expected to have positive welfare effects by reducing the negative poverty and social impacts of natural disasters.** An overarching EP&R regulatory framework is expected to articulate and coordinate the country's emergency response through well-defined roles and responsibilities across levels of government, both at the national and local level and with the participation of civil society and donors. Prior Action 5 will help reduce confusion and improve the overall response and management of disasters, potentially reducing the time in mobilizing assistance to the those that are most affected. People et al. (2021) show that the early mobilization of assistance can help maximize their impact on welfare. They find that households receiving post-disaster government support earlier are less likely to suffer from food insecurity, experience lower asset losses, and are less likely to use harmful coping mechanisms such as debt. Since poorer households are more likely to be affected by climate-related shocks, Prior Action 5 is expected to improve the resilience of poor households to climate-related shocks, reduce post-disaster food insecurity, deaths, and asset losses. Moreover, the new EP&R system is expected to improve the capacity to gather and use gender-disaggregated data in the aftermath of a disaster, which in return will evidence the disproportionate impact of disasters on Mauritanian women and girls and inform on relevant EP&R measures that can help addressing this gap.

Prior Action 7: *To limit the expansion of urban settlements in risk prone areas and avoid the creation of new risks, the Recipient's Parliament has adopted the New Urban Planning Law (Code de l'Urbanisme) which governs the integration of disaster and climate risks consideration into urban planning instruments*.

13. **Having a robust and decentralized urban planning framework in place will enable Mauritania to control urban sprawl, increase its urban adaptive capacity and build resilience to climate change.** Mauritania's unplanned, centralized, and rapid urbanization process increases its exposure and vulnerability to climate-related shocks, putting additional pressure on limited resources and basic services, and increasing the economic impacts of extreme weather events (World Bank, 2017a). In Mauritania, urban planning instruments are not consistently produced, and lack disaster and climate-related risk management components in their design. In 2018, 73.2 percent of the urban population lived in slums, showcasing the lack of effective urban planning (World Development Indicators, 2022).[27] Moreover, approximately 75 percent of Mauritanian's live in what can be considered rudimentary dwellings, making them vulnerable to climate induced risks (World Bank, 2022).[28] This is important in the capital city of Nouakchott as 42.9 percent of it is located below sea level and with a sewage network coverage of only 5 percent of the city area (World Bank 2020). This results in wastewater reaching the ground surface and heavy flooding during rainy seasons, resulting in negative health and economic outcomes.[29] Furthermore, demographic dynamics add extra pressure on an already fragile ecosystem. People in Mauritania report that they migrate in response to negative shocks to have better access to safe shelter, food, and water for their own survival as well as for pasture for their livestock (World Bank, 2022). Coupled with high fertility rates, urban population in coastal areas is expected to grow, and negative health and economic outcomes will likely be exacerbated by climate related floods and droughts.

14. **The New Urban Planning Law (Prior Action 7) is expected to have positive welfare effects in the long run, with neutral impacts in the short run by improving urban land use instruments to support Mauritania's urbanization and reduce the negative poverty and economic impacts of natural disasters.** A robust urban planning framework will enable Mauritania to control urban sprawl, increasing its urban adaptive capacity and building resilience to climate change. Importantly, the new

[27] World Development Indicators (2022).
[28] Rudimentary dwelling type includes M'bars (nomadic tents), shacks, huts, sheds, and other tents. Natural floor material includes clay floors and those households that reported having no floors. Non-modern cookstoves are those that use firewood as their main fuel source.
[29] The 2022 rainy season caused flooding in large parts of the city Nouakchott with important economic and social adverse impacts.

urban planning law is expected to incorporate climate and disaster risk analysis as part of the preparation of urban planning instruments, thus reducing instances of buildings in flood-prone areas. Moreover, to the extent that it aims to ensure a more consultative process at the local level, it could improve service delivery (Ahmad et al., 2005). Moreover, improved urban planning may trigger the benefits that agglomeration economies bring over cities, which until recently has not been observed in Nouakchott, where per-capita consumption growth between 2014-19 was negative (-0.5 percent).

15. Compensation measures to facilitate the implementation of PA6 are important for its success. The implementation of the New Urban Planning Law may cause welfare losses for households living in dwellings built in areas that will be defined as high-risk areas. The regulatory text should foresee to explicitly include compensation policies for resettlement of formal dwellings in high-risk areas.

Prior Action 8: *To increase the governance and climate resilience in coastal areas, the Recipient has issued a decree published in the official gazette for the establishment of a coastal observatory under its Ministry responsible for environment to monitor coastal ecosystems and facilitate decision making processes for coastal development and protection.*

16. The Coastal Observatory will inform policies to protect coastal zones which will have indirect effects on reducing the damages due to sea level rise. Cities like Nouakchott and Nouadhibou, with high population and economic activity, are vulnerable to coastal flooding due to sea-level rise, which is expected to increase by 0.3m by 2050 (World Bank 2022). Sea level rise can reduce GDP by 2.1 percentage points (World Bank 2023) and increase rapidly poverty. The coastal observatory will provide early warnings to trigger policy actions and develop coastal zone management. This is expected to reduce coastal erosion, which will result in lower coastal flooding. Adaptation policies informed by the observatory will increase the resilience of coastal residents to sea level rise. Additionally, coastal development plans guided by the observatory will prevent the construction of new settlements in zones with high flood risks that continue damaging coastal ecosystems.

17. The enhanced protection against seawater floods provided by the Coastal Observatory will disproportionately benefit the less well-off. It will result in higher resilience and lower exposure of households to flood risks, leading to a reduction in flood-related deaths, post-disaster fiscal spending, and improved welfare for households. By preventing asset losses and economic disruptions caused by urban floods, these efforts will particularly benefit poor households residing in high-risk urban areas. Additionally, reducing flood risks will incentivize foreign and private investment, creating a demand shock that can potentially lead to additional employment growth in urban areas.

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