



# Program Information Document (PID)

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Concept Stage | Date Prepared/Updated: 30-Jan-2023 | Report No: PIDC35163



**BASIC INFORMATION**

**A. Basic Project Data**

Country Mauritania	Project ID P179263	Project Name Mauritania First Fiscal Management and Resilience DPF (P179263)	Parent Project ID (if any)
Region WESTERN AND CENTRAL AFRICA	Estimated Board Date Aug 24, 2023	Practice Area (Lead) Macroeconomics, Trade and Investment	Financing Instrument Development Policy Financing
Borrower(s) ISLAMIC REPUBLIC OF MAURITANIA	Implementing Agency MINISTRY OF ECONOMIC AFFAIRS AND PROMOTION OF PRODUCTIVE SECTORS		

**Proposed Development Objective(s)**

The program development objective is to support the Government’s efforts to strengthen the foundations for a sustainable economic growth through (i) enhancing fiscal and debt management; and (ii) strengthening institutions for improved climate and disaster resilience.

**Financing (in US\$, Millions)**

**SUMMARY**

<b>Total Financing</b>	48.00
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**DETAILS**

<b>Total World Bank Group Financing</b>	48.00
World Bank Lending	48.00

**Decision**

The review did authorize the preparation to continue

**B. Introduction and Context**

Country Context

1.1. **The proposed Development Policy Financing (DPF) supports Mauritania’s sustainable and inclusive growth agenda through efforts to enhance fiscal and debt management and strengthen the country resilience to climate change and disaster risks.** It is the first of three single-tranche DPF operations financed through an IDA credit in the amount of US\$30 million equivalent with a Catastrophic Drawdown Option (Cat DDO) that provides contingent financing to help



safeguarding fiscal space while mitigating the impact of climate-related shocks on the most vulnerable. The Program Development Objectives (PDO) are to support the Government's efforts to strengthen the foundations for a sustainable economic growth through (i) enhancing fiscal and debt management; and (ii) strengthening institutions for improved climate and disaster resilience.

1.2. **Mauritania recovered strongly from the COVID-19 pandemic but is facing global headwinds and recurrent climate shocks that may pose challenges for growth and fiscal sustainability.** After contracting (-0.9 percent) because of the COVID-19 pandemic, economic activity grew 2.4 percent in 2021 and is estimated to have accelerated to 5.2 percent in 2022. However, Russia's war in Ukraine led to inflation pressures and triggered a significant increase in subsidies to protect the most vulnerable. Consequently, the fiscal balance is estimated to have entered a negative territory in 2022 for the first time since 2017. Such an expansionary policy is likely to continue as the country navigates the electoral cycle and could erode hard-won fiscal space and threaten fiscal sustainability in the medium-term. In addition, Disasters and climate-related events have taken a heavy human toll in Mauritania and pose major challenges for the sustainability of growth.

#### Relationship to CPF

1.3. **The reform agenda supported by the DPF series 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).** The DPF supports CPF Focus area 3 on strengthening Governance and Private Sector-Led growth by strengthening debt management and transparency, building government capacity to identify, quantify and manage fiscal risks and improving tax compliance in a view of increasing tax revenues. It also supports CPF Focus area 1 on Promoting Economic Transition for Diversified and Resilient Growth by building the foundation of a resilient growth through a robust Disaster and Risks Management framework. The proposed fiscal and debt reforms complement two Policy and Performance Actions (PPA) agreed for FY23 under Sustainable Development Financing Framework (SDFP), notably the publication of a Medium-Term Fiscal Framework with a well-defined fiscal anchor and the commitment to a zero non-Concessional borrowing. Also, the proposed tax reforms constitute a deepening of the implementation of the tax administration reform agenda supported by the Mauritania Public Sector Governance Project (P146804) which closed end 2022. Finally, the proposed DRM reforms align with the recommendation of the recently published G5 Sahel Country Climate and Development Report and complement Decentralization and Productive Intermediate Cities Support Project (P169332) which support some urban planning activities.

### C. Proposed Development Objective(s)

1.4. **The program development objective is to support the Government's efforts to strengthen the foundations for a sustainable economic growth through** (i) enhancing fiscal and debt management; and (ii) strengthening institutions for improved climate and disaster resilience.

#### Key Results

1.5. **The proposed reform program is expected to increase fiscal and debt management while strengthening the resilience to climate shocks.** The related fiscal and debt management reforms will help reducing the burden of debt, mitigate fiscal risks while enhancing tax compliance. Likewise, the Disaster Risk Management measures will contribute to limit the human and economic impact of disaster and extreme weather event while ensuring a more efficient response in case of emergency. Also, these measures are expected to reduce the impact of disaster and climate-related events and



avoid the creation of new risks. Finally, the implementation of the proposed measures will help reducing the impact of drought as well as these of extreme rainfall in urban areas.

#### D. Concept Description

1.6. **The DPF series is structured around two pillars.** The first pillar lays the foundations for sound, transparent and efficient fiscal and debt management practices that will help preserve fiscal space for priority development spending. Specifically, it supports (i) the institutionalization of a regular preparation and publication of a detailed debt statistical bulletin; a Medium Term Debt Management Strategy (MTDS); an Annual Borrowing Plan (ABP); and an assessment of the implementation of the MTDS; (ii) the institutionalization of an annual publication of a Fiscal Risk Statement and the preparation of a framework for provisioning for the main risks identified and (iii) the establishment of a legal framework for online tax filling and payment with a view of improving tax compliance while increasing tax revenues. The second pillar seeks to strengthen government capacity to manage climate shocks and disaster risks through (i) the establishment and adoption of a consolidated and unified Emergency preparedness and Response (EP&R) institutional framework; (ii) the adoption of a new urban planning and building law; and (iii) the adoption of an overarching legal framework encompassing a new Water Law (code de l'Eau) and a new Sanitation Law (Code de l'Assainissement).

1.7. **The Government will further strengthen fiscal and debt management in the DPF2 and DPF3.** In this line, the Government will publish an assessment of the implementation of the MTDS and the ABP. Also, to further improve debt transparency, the Government will establish a public debt portal on the MoF website that consolidate all the information related to central government and publicly guaranteed debt. and launch the publication of the debt bulletin on a quarterly basis. Also, to broaden the scope of the fiscal risk assessment and strengthen the overall fiscal risk management, the Government will extend the scope of the FRS to include the assessment of contingent liabilities associated to disaster and climate-related risks and Public Private Partnership (PPPs) and will issue a circular to adopt a framework for provisioning for the main fiscal risks [Indicative trigger 1]. Finally, tax compliance will be further enhanced through (i) the establishment, operationalization and testing of the online platform for the filing and payment of taxes and (ii) by making mandatory through a decision of the tax administration the online tax filing and payment to large businesses.

1.8. **To operationalize the institutional and legal framework for an efficient prevention and response to climate shocks and disaster risks, the Government will issue a set of regulatory and/or arrêtés.** This will entail the preparation and adoption of a regulatory decree and/or bylaws (i.e. arrêté) covering at least three key dimensions of an efficient EP&R system: (i) pre-established rapid damage and needs assessment process to guide emergency and early recovery operation in an objective and efficient way; (ii) emergency information exchange mechanisms to ensure operational crisis management capacity and (iii) an efficient shelter strategy to avoid using critical public facilities such as schools to this end and limit disruption. Also, strategic documents to guide elaboration, validation, and implementation of urban planning instruments will be approved and rules, protocols and tools to produce manage and share geospatial information will be enacted. Finally, the full enforcement of the regulatory measures established in the new water and sanitation laws entails the adoption of regulatory decrees setting out the responsibilities and planning instruments to be used for both an water resource management and sanitation.

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

##### Poverty and Social Impacts

1.9. **Overall, the policy and institutional reforms supported under the proposed DPF are expected to support a sustainable economic recovery and have positive impacts on poverty reduction and social inclusion.** The policy actions



in Pillar 1 aimed at enhancing fiscal and debt management are expected to improve public investment efficiency, fiscal and debt management, and tax compliance with potentially positive poverty and social indirect effects. Policy reforms under Pillar 2 aimed at strengthening resilience to climate change and disaster risk are expected to increase coping strategies amongst households, modernize and improve access to basic services, and create institutional governance to mitigate and address climate change induced risks and shocks, all of which are expected to have positive poverty and social impacts. In the following paragraphs, the analysis for these impacts is summarized. Detailed poverty and social impact analysis for each prior action is presented in Annex 5 of the program document.

#### Environmental, Forests, and Other Natural Resource Aspects

1.10. **Reforms proposed under the DPF series are not likely to have negative impact on 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 effects on the country's environment, forests, and natural resources. However, prior actions 4, 5 and 6 under Pillar 2 – Strengthening the resilience to climate change and disaster risks will be instrumental to build resilience to climate change as they aim to limit exposure and vulnerability to climate and disaster-related risks.

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**APPROVAL**

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**Approved By**

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