

V. Streamlined Systematic Country Diagnostic

I. Introduction

1. **This report updates the previous Mauritania Systematic Country Diagnostic (SCD) completed in May 2017.** It draws on recent analytical studies, including the Growth and Job Diagnostic (2024), Poverty Assessment (2022), Public Expenditure Review (2021), Human Capital Review (2024), the Sahel Country Climate and Development Report (2022), the Risk and Resilience Assessment (2023) and a series of sector policy notes prepared for the Mauritania government (2024). The current SCD reassesses the binding constraints to growth, inclusion and sustainability identified in the 2017 SCD, identify emerging constraints and proposes development priorities that address these constraints.

2. **Mauritania is a vast and sparsely populated country, uniquely characterized by its diverse geography and rich resource endowments.** Spanning over 1 million square kilometers, it is predominantly arid, with only 0.5% of its land being arable. The country straddles both North Africa and Sub-Saharan Africa, reflecting a blend of cultural influences. Mauritania's population, estimated at around 4.9 million according to the 2023 population census, is concentrated in urban areas, particularly in the capital city, Nouakchott, which alone houses 29.4% of the population. The density of 3.9 inhabitants per square kilometer makes it the fourth least densely populated country in the whole of Africa. The nation is endowed with significant natural resources, including iron ore, gold, copper, and natural gas, which have historically driven its economic growth. Nomadic livestock raising dominates rural life, with productive agriculture mostly concentrated along the Senegal River on the southern border. The fishing sector (3 percent of GDP and 22 percent of exports) is a critical component of the country's economy, leveraging its rich marine resources.

3. **Mauritania appears as “an oasis of stability” in a much-troubled Sahelian space but remains vulnerable to a deteriorating security in the region, climate shocks as well as persistent domestic grievances.** Mauritania enjoys a relative political stability illustrated by a democratic transition between two elected presidents in 2019, and an absence of violent conflict on its territory. This offers a firm foundation for the consolidation of progress toward a more diversified and inclusive growth. Yet, recent political, economic and social progress are challenged by a lack of tangible transformations on broad-based power and resource sharing, which, compounded by unresolved legacies, continue to drive entrenched inequalities, perceptions of exclusion, and grievances (World Bank, 2023). Those structural inequalities stem from a highly stratified social order, with strong disparities within each group, which rests on a rigid division of socioeconomic roles and functions, and has kept disenfranchised populations from accessing wider opportunities, services, assets, including land, and limits their voice and agency. The above-mentioned local dynamics have the potential to intersect with regional ones, given the expansion of the conflict in the Central Sahel and the westward expansion of armed groups towards Kayes in Mali. Also, Mauritania's vast territory and poor governance hamper the state's ability to deliver equitable basic services, deepening the urban-rural divide, resulting in high poverty incidence in hard-to-reach areas such as the Triangle of Hope. Mauritania is highly vulnerable to climate change, with recurrent droughts and floods impacting GDP and exacerbating existing challenges. Global conflicts and the induced commodity price fluctuations further destabilize the economy while security crisis in the Sahel region, and its various impacts, including in terms of refugees' influx, puts strain on government resources and threatens social cohesion.

4. **Since 2016, the Strategy for Accelerated Growth and Shared Prosperity (SCAPP) has provided a framework for public development action in Mauritania up to 2030.** The future vision, entitled “The Mauritania we want in 2030”, aims to achieve strong, inclusive, and sustainable economic growth, with a view to satisfying the essential needs of all citizens and ensuring their social well-being. SCAPP's second

action plan (SCAPP II) aims to spur an economic transformation towards a more diversified and competitive economy, with a target annual real GDP growth of 7.5 percent over the period 2021-2025, putting Mauritania on a sustainable development path. Three strategic objectives have been set to meet this growth target including: (i) structural transformation to accelerate the diversification of the economy; (ii) promoting human capital development, and (iii) strengthening governance in all its dimensions.

II. Progress toward the World Bank Group's Goals

Inclusive growth

5. **While the structure of the Mauritanian economy and the drivers of growth did not change since the last SCD, three exogenous shocks exposed the fragility of its growth model.** The COVID-19 pandemic, Russia's invasion of Ukraine and frequent extreme climate events all caused the growth rate to fall to 2.5 percent on average between 2019-2023, down from an average of 3.9 percent in the 2016-2019 period. These factors highlight the economic and climate vulnerabilities that Mauritania faces, underscoring the need for a more resilient and diversified growth model. On the demand side, growth slowdown was driven by the depressing effect of net exports, while consumption and investment consolidated their positive impact on growth. On the supply side, the contribution of extractives to growth increased, while that of agriculture and trade shrunk.

6. **Mauritania's growth has resulted in limited per capita income gains due to high volatility and population growth, amid higher inflation and marked improvement of the current account deficit.** GDP per capita growth averaged 1.2 percent during 2016-2019 but turned negative (-2.0 percent) in 2020-2021 due to the pandemic. With a strong post-Covid-19 rebound, GDP per capita growth averaged 4.4 percent in 2022-2023. The country's heavy reliance on extractives, with limited redistribution, low public investment capacity, challenging business environment, and climate vulnerability hinder growth. Additionally, weak competition, inadequate infrastructure, limited access to finance, and a lack of skilled labor undermine investments in the non-extractive sector and job creation. Russia's invasion of Ukraine spiked inflation to 9.6 percent in 2022, driven by high food and energy prices, but it eased to 4.9 percent in 2023 due to monetary tightening and good agricultural production. The external position improved as the current account deficit fell from 15 percent of GDP in 2015 to 9.2 percent in 2023, mainly reflecting increased iron ore and gold exports and financed by foreign direct investment inflows.

7. **In the post-Covid-19 period, recurrent external shocks eroded hard-won fiscal space, but the risk of debt distress improved.** Mauritania's fiscal position improved from a deficit of 0.4 percent of GDP in 2016 to a surplus of around 2 percent of GDP during 2018-2021 due to higher extractive revenues and grants. The COVID-19 pandemic did not impact the fiscal balance in 2020-2021, but Russia's invasion of Ukraine led to inflation and increased subsidies, resulting in a 3.6 percent deficit in 2022. In 2023, the deficit narrowed to 2.5 percent due to reduced subsidies and lower capital expenditures. Tax revenue to GDP stagnated at around 12.6 percent between 2016 and 2023. Public debt as a percentage of GDP fell from 57.6 percent in 2016 to 48.6 percent in 2023, with external debt declining due to higher nominal GDP growth. Debt restructuring 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.

8. **Mauritania needs to create more productive jobs to absorb its growing working population and reduce poverty.** The working-age population has surged in the last decade and is expected to remain high. This growth, coupled with a declining dependency ratio, increases economic potential but pressures the government to create sufficient quality jobs, leading to youth migration, in search of opportunities. Mauritania's unemployment rate exceeds 10 percent, higher than peers like Morocco, Senegal, Côte d'Ivoire, and Benin. Low labor force participation (40 percent) and high unemployment result in a low employment-to-working-age population ratio, reflecting prevalent self-employment and skill mismatches.

Although GDP growth has led to some job creation, job quality remains poor, with wage employment declining as labor shifts from agriculture to urban areas, highlighting productivity gaps and static labor reallocation. In addition, the private sector has high potential, but remains distorted, therefore inhibiting inclusive growth and job creation, especially for youth.

9. Mauritania could maximize its economic potential by addressing the gender gap in the labor market. Women's labor force participation (LFP) in Mauritania is very low at 27.1% and has stagnated over the past decades. The gender gap in LFP averages 31%, rising to 57% among married individuals. Women work 7.2 hours less per week than men and are nearly 50% more likely to hold informal or temporary jobs, with 41% of female workers in temporary positions. On average, female workers earn only half of what male workers do, with the earnings gap most pronounced among self-employed women and those in agriculture. Fortunately, education helps narrow this gap, as women with secondary or tertiary education experience smaller earnings disparities. Addressing these gender disparities can drive economic growth, with increased female labor force participation projected to raise GDP by 4.8% above baseline by 2040.

10. To boost and sustain growth in the medium to long term, Mauritania should transition away from the current extractive-led growth model. This involves diversifying its economy and attract more investments in the non-extractive private sector, balancing economic growth with environmental sustainability, and leveraging the potential of female labor force. Investing in human capital and strengthening governance are prerequisites for a successful transition toward a more diversified, climate-resilient and inclusive growth.

Poverty and shared prosperity

Recurrent shocks, high inflation and an underperforming primary sector reversed progress in poverty reduction in Mauritania beginning in 2020. Before 2020, Mauritania experienced poverty reduction thanks to a favorable economic context. Growth was mainly supported by the primary sector dominated by agriculture and pastoralism activities which provide incomes to more than 45 percent of the poor. Favorable international commodities markets and good performance in the agricultural sector contributed to lower domestic prices. As a result, poverty declined from 34.3 percent in 2014 to 31.8 percent in 2019. However, with the global pandemic and subsequent high inflation, poverty is expected to have increased to 32.6 percent in 2020, then increased in 2022 and reached 34.3 percent by 2023.² This increase in poverty was associated with an average decline in value added per capita in the primary sector of 1.1 percent per year from 2020 to 2023, and food inflation that peaked in 2022 at over 15 percent. Over the period 2020-2023, the poverty headcount rate is expected to have remained much higher on average in rural areas (47.7 percent) compared to urban areas (17.7 percent). Additionally, the increase in poverty rates was more pronounced in rural areas (+3 percentage points) than in urban areas (+0.7 percentage points). For 2024 and 2025, poverty is expected to have increased to 34.8 percent and 36.1 percent respectively. This would result from the combined effects of a decline in the per capita value added in real terms of the agricultural sector by 1.7 percent on average and a recovery in food inflation from 3.2 to 4.5 percent. Over the period 2020-2025, poverty is estimated to increase faster in rural areas, reaching 52 percent of the rural population by 2025. The reversal of this upward spiral involves strengthening agricultural activities in specific areas like the Triangle of hope where a high concentration of poverty coexists with great agricultural potentialities.

The unfavorable context over the period 2020-2023 marked by cumulative shocks and nutritional stress hit households, which faced high food insecurity risk. The food insecurity index developed by FAO

²Based on microsimulation model for Mauritania that accounts for sectoral growth and inflation effects. Poverty estimates are based on national poverty line

increased from 44 percent in 2019 to 64 percent in November 2020 coinciding with the peak of the COVID-19 crisis before reaching 58 percent in January 2021 towards the end of the pandemic. Later in 2021 and 2022, the accentuation of the Malian conflict, Russia's invasion of Ukraine, and recurrent climate associated shocks (flood, lengthening of lean season) contributed to increase the percentage of population in situation of food crisis from 14.6 percent in 2020 to 20.2 percent 2022. The prevalence of undernutrition and emaciation among the children less than 5 years have increased as well from 7.0 percent to 8.7 percent and 6.4 to 13.6 percent respectively.

11. **Inequality in household consumption, measured by the Gini coefficient, declined over the period 2014-2019, but is expected to have increased between 2020 and 2023.** Gini index declined from 34.3 in 2014 to 31.9 in 2019, as growth of per-capita consumption of the bottom 40 percent of the distribution was 1.4 percent per year compared to 0.4 percent for the overall population, which resulted in a shared prosperity premium of 1.0 percent. However, the Gini index is expected to have steadily increased over the period 2020-2023 from 32.3 in 2020 to 32.9 in 2023, as the poorer rural population fell further behind, compromising the shared prosperity gained over the period 2014-2019.

12. **Multidimensional poverty is a great concern in Mauritania and presents enormous disparities between urban and rural areas.** Estimates based on OPHI (Oxford Poverty and Human Development Initiative) approach suggest that 56.3 percent of Mauritians are multidimensionally poor or had simultaneous deprivations with respect to education, health, living conditions and employment in 2019. Deprivations on these four basic needs were more accentuated in rural areas, where almost eight out of ten people (77 percent) were multidimensionally poor compared to 35 percent in urban areas. Deprivations in living conditions are the biggest concerns in rural areas with 30 percent of people affected. Indeed, rural populations still face limited access to good quality dwellings and basics services such as energy for cooking, transportation, electricity, water and sanitation. In contrast, deprivations to good jobs and education are likely to be more prevalent in urban areas where 31.7 percent and 30.4 percent of people were respectively deprived. These issues are exacerbated by an incomplete decentralization process, which prevents further gains in power-sharing and inclusion. Despite the establishment of regions (wilayas) and the expansion of communes, decentralized authorities lack financial and human resources, as well as fiscal transfers to finance investments and adequately deliver basic services to the population. As a result, Mauritania remains a centralized State, with formal and informal governance systems competing over legitimacy (World Bank, 2023). Those shortcomings also prevent the meaningful participation of youth and women in governance and decision-making processes.

Livable Planet

13. **Mauritania is highly vulnerable to climate change, with temperature increases expected to be 1.5 times greater than the world average, leading to significant land degradation and desertification.** The key risks include reduced rainfed crop yields, decreased livestock yields, heat stress on labor productivity, damage to infrastructure, and the risk of flooding, sea level rise and coastal erosion. These vulnerabilities are projected to cause substantial economic losses, reducing annual GDP by 9.3% under pessimistic scenarios by 2050. In addition, competition over natural resources, especially water, is intensifying, in the Senegal River Valley, where water represents a major environmental concern for 40 percent of the population, and between host communities and refugees in the Hodh El Chargi over water points and access to fodder (World Bank, 2023). Those issues are exacerbated by weaknesses in land policy, including overlapping land tenure frameworks, their limited enforcement, and agribusiness strategies that have led to land grabbing and prevented unlocking agricultural dividends. To mitigate these effects, Mauritania requires significant investments in adaptation practices, such as climate-resilient infrastructure, expanded irrigation, and improved livestock feed practices, with an estimated cost of

US\$10.63 billion by 2030. Mauritania has significant renewable energy resources, particularly solar and wind, and aims to increase renewable energy to 50% of its energy mix by 2030. This transition is crucial to increase access, reduce costs and enhance energy security. The estimated cost for mitigation is US\$34.26 billion by 2030.

14. Nearly three-quarters of the population in Mauritania is at high risk from climate-related hazards. Recent vulnerability analysis³ has found that much as 80.2 percent of the population in Mauritania was exposed to climate-related hazards in 2021, including agricultural droughts, floods, cyclones and heatwaves, compared to 39.2 percent of the population in Sub-Saharan Africa, and 73 percent in lower middle-income economies. More people are exposed to heat (61.4 percent) than to any other event, and 18 percent of the population are exposed to more than one type of hazard. At the same time, 89.8 percent were vulnerable to climate impacts, as they were deprived in terms of income, education, access to finance, access to social protection, access to drinking water, access to electricity, and access to services and markets. As much as 65.9 percent of the population are deprived across multiple dimensions. Combining information on those exposed to hazards with those with multiple deprivations, implies that as much as 72.5 percent of the population are at high risk from climate-related hazards, compared to 37.3 percent for Sub-Saharan countries and 31.7 percent for lower middle-income countries. Households exposed to heatwaves with multiple socioeconomic deprivations account for over 46 percent of those at high risk.

15. Investing in climate action, particularly adaptation, outweighs the costs and provides large socioeconomic benefits and poverty reduction dividends. Climate change disproportionately affects the poor and vulnerable populations, including women, youth, and ethnic minorities, exacerbating food insecurity and malnutrition. Integrated landscape management, improved water governance, and enhanced social protection systems are key to build resilience against climate change. Regional cooperation, leveraging international climate finance and private capitals are also essential for sustainable and inclusive development.

III. Development priorities

16. The updated diagnostic of the Mauritania economy concludes that the key constraints for sustainable and inclusive growth identified in the 2017 SCD remain binding. The 2017 SCD identified (i) the weak management of extractives; (ii) the sub-optimal harnessing of the potential of the fisheries and livestock in the face of climate change and (iii) unsustainable urbanization which prevent long-term structural transformation as binding constraints for sustaining and accelerating inclusive growth. Likewise, high food prices, land insecurity, and unequal access to basic services were identified as binding constraints for equity. Finally, the lack of transparency and effectiveness in public expenditures and the fragility of the social contract were identified as key constraints for good governance and social cohesion. The 2024 diagnostic suggests that these constraints remain relevant despite the changing environment and reforms in selected areas. Previous efforts to tackle Mauritania's challenges were hindered by complex project designs, delays, and a lack of political and capacity considerations. Frequent turnover of government officials, limited project preparation, and data gaps also impeded progress. Achieving long-term results requires selectivity, alignment with government priorities, and investment in data management and human resources.

³Based on calculations for the World Bank Vision indicator on percentage of people at high risk from climate-related hazards. See Doan et al, 2023. "Counting People Exposed to, Vulnerable to, or at High Risk from Climate Shocks", Policy Research Working Paper 10619 for complete details.

17. **Growing constraints not covered in the last SCD include the fragmented financial sector that hinders the diversification of business opportunities and high vulnerability to shocks.**

18. **A fragmented financial sector.** Despite recent progress, Mauritania's financial sector remains underdeveloped, with the banking sector struggling to translate economic growth into increased lending. Initiatives since 2015, including the Banking Law (2018) and the Law on Electronic Transactions (2021), have strengthened the legal framework, but weak implementation has hindered sector expansion. Domestic credit to the private sector averaged 24 percent of GDP (2016-2023), compared to 60 percent in Morocco and 97 percent in Viet Nam. Although lending rates fell from 17 percent in 2016 to 13 percent in 2023, they remain high due to factors like lack of trust and weak governance. This has led to connected lending and family-owned banks, limiting effective financial intermediation and broader economic growth (IMF, 2024). Weak governance and inadequate banking supervision further exacerbate these issues.

19. **A high vulnerability to shocks.** The high prevalence of shocks, particularly in inland regions, poses a significant challenge to poverty reduction in Mauritania, affecting income generation for poor and vulnerable households. According to the 2019 Permanent Survey of Household Living Conditions (EPCV), 40 percent of households reported being affected by a shock the year before the survey (see paragraph 16). This vulnerability to shock has two main sources: risk-induced, caused by external events such as climate shocks and poverty-induced caused by internal issues related to economic status. Rural areas reliant on agropastoralism report shocks such as cattle loss, drought, and floods, while urban households also face risks due to their reliance on livestock for wealth accumulation and floods. Variability in rainfall affects national poverty rates, with drier conditions exacerbating poverty. Climate change is expected to worsen water scarcity and livestock diseases, with projections indicating substantial temperature increases and more frequent extreme weather events by 2050 (World Bank, 2022).

20. **The identification of constraints and selection of policy priorities is based on four criteria:** (i) feasibility both technically and politically based on economic analysis and consultations; (ii) impact in terms of inclusive growth and sustainability; (iii) time horizon of the impact, notably the ability to see the impact over a cycle of the CPF; and (iv) enabling of other reforms or generating significant spillovers.

21. **Applying the above-mentioned criteria and in alignment with the World Bank twin goals, the SCD will propose four policy priorities:** (i) diversifying business opportunities for higher productive jobs, (ii) Strengthening human capital, (iii) Improving access to critical infrastructure and (iv) Enhancing resilience to shocks.

Priority 1: Diversifying business opportunities for higher productive jobs

22. **Mauritania struggles to develop a vibrant non-extractive private sector to create quality and inclusive jobs.** The private sector is small, informal, and dominated by large firms in extractives and fisheries, with low business creation rates. Key constraints include insecure land tenure, inadequate labor rules, burdensome taxes, inefficient trade and logistics, limited competition, weak rule of law, limited access to affordable and quality electricity, ICT and transport infrastructures. Diversifying business opportunities while creating high quality jobs requires a two-pronged approach: (i) building/strengthening the business-enabling fundamentals and (ii) deepening selected value chains in agriculture and fishing. Developing a local content strategy is crucial to enhance the participation of local SMEs in key sectors such as mining, agriculture and fishery, and construction, by building their technical and financial capacity to supply large companies, thereby developing vibrant value chains.

23. **Strengthening business-enabling fundamentals.** To foster investment, including foreign investment, and stimulate business development, Mauritania must enhance its business environment by

streamlining land administration, updating labor regulations, simplifying taxes, and improving trade and logistics. Promoting competition, strengthening the TVET system, implementing a Labor Market Information System, and improving contract enforcement are also crucial. Boosting digital adoption involves developing digital financial services, improving infrastructure, and enhancing digital skills. Strengthening transport and communications connectivity may be especially impactful for women entrepreneurs, with a decomposition analysis of the gender gap in firm profits showing that women's firms' lower access to the internet and to transport assets both play a significant role⁴.

24. **Deepening selected value chains in agriculture and fishing.** Mauritania's agriculture and fishing sectors offer substantial opportunities for economic diversification and growth. The country's Exclusive Economic Zone (EEZ) contains some of the world's most productive fishing waters, which can significantly drive economic growth and reduce poverty through sustainable practices. Enhancing the agricultural sector, especially in the Senegal River Valley, with climate-friendly irrigation and land management systems is vital for ensuring food security and resilience against climate change, and boost productivity. Supporting small-scale fishing and fish processing in Mauritania, with an estimated annual catch of 1.8 million tons, offers significant job creation opportunities for youth and women. Similarly, enhancing productivity in traditional agriculture and livestock through ecological practices, optimizing irrigated agriculture, and utilizing inland fisheries can achieve the same goal of creating economic opportunities and jobs.

Priority 2: Strengthening human capital

25. **Mauritania's Human Capital Index (HCI) is low at 0.38, indicating that children born in the country will achieve only 38% of their potential productivity with complete education and full health, which is below the averages of regional and economic peers (World Bank 2024).** The country is also not fully utilizing its limited human capital, with a utilization-adjusted HCI of just 0.15, meaning children will utilize only 15% of their full potential by age 18. The gender gap in human capital utilization is stark, with women utilizing only 10% of their potential compared to 22% for men, recognizing that there are significant disparities within groups. The rural and urban divide in the delivery of services, with strong regional disparities, is a major factor of exclusion and correlates with poverty. Those inequalities are exacerbated by the lack of legal identity, which drives exclusion (World Bank, 2023). This poor performance reflects among others, weaknesses in Early childhood development (ECD), which is severely hindered by high rates of child mortality, stunting, and limited access to quality healthcare and nutrition during the critical first 1000 days of life. Also, while the country has achieved gender equality in primary and secondary enrollment, overall educational access is weak and adolescent girls face differential obstacles to human capital development, including early marriage and high fertility rates, and have more limited access to education beyond primary level (as seen in lower rates of secondary completion and tertiary enrollment). Additionally, youth in Mauritania encounter insufficient opportunities to acquire practical and job-relevant skills, leading to a mismatch between labor supply and demand. Despite the government's strong commitment to human capital development, focusing on childhood health, education outcomes, employment opportunities, and protection against shocks, progress has been slow, and further actions are needed to fully harness human capital for economic growth.

26. **Core priority areas to increase human capital in Mauritania include ECD, adolescent education and health, and employment and skills.** To enhance ECD, it is crucial to focus on the first 1000 days by improving access to quality prenatal and postnatal care, nutrition, and vaccination. Additionally, expanding access to affordable and quality childcare and preschool for children aged 2-6 is essential and will positively impact women's economic participation as well as childhood development outcomes. For

⁴ Mauritania CEM, Gender Note, forthcoming

example, an analysis under the forthcoming CEM of women entrepreneurs' lower business revenues indicates that part of this gap is driven by women's firms being more likely to be informal and operate from their homes – an indication that business decisions may be influenced more by gendered domestic responsibilities, such as childcare, than by profit seeking. For adolescent girls, promoting education to delay the onset of reproductive lives and empowering them to make informed decisions is vital. Implementing policies that promote life and vocational skills, employment, and programs and services that limit unpaid care work, such as childcare will economically empower girls. Encouraging communities to support girls' education (especially beyond the lower secondary level) and access to reproductive health services, along with strengthening the legal framework to protect girls and women and ensure equal opportunities, are also key steps. In terms of employment and skills, increasing women's labor force participation by combating early marriages and pregnancies and promoting equal opportunities is necessary. Accelerating private sector growth, promoting entrepreneurship, and expanding access to finance will boost the demand for labor and skills. Developing a national demand-driven skills training and certification system, improving labor market information systems, and promoting green jobs will further enhance the labor market.

Priority 3: Improving access to critical infrastructure

27. Mauritania faces significant transportation challenges that impact its economic development and social mobility. The rural accessibility index (RAI) is only 22 percent, compared to Senegal's 30% and Rwanda's 55% (World Bank, 2021). This shows that limited accessibility is a major issue, with particularly limited accessibility in the eastern and northern regions. The road network suffers from deteriorating infrastructure, with only 48% of paved roads in good condition and maintenance funding covering just 11% of needs. Weak port connectivity hampers trade potential, while Nouakchott struggles with informal urban mobility and insufficient public transport. Fragmented governance and planning deficiencies further exacerbate these issues. Key initiatives include rationalizing the roles of transportation entities, improving road and port infrastructure, establishing a road asset management system, ensuring long-term maintenance funding, investing in rail network expansion, and adopting and implementing Sustainable Urban Mobility Plans and renewing the urban transport fleet.

28. Digital transformation is essential for Mauritania's economic and social development, offering opportunities to modernize public services, expand financial inclusion, and foster innovation and entrepreneurship. The country has achieved an 80% internet penetration rate in 2024, but reliance on a single submarine cable (ACE) creates vulnerabilities. Public service platforms are fragmented and underfunded, and mobile money usage is low, indicating potential for financial inclusion. These issues are especially pressing for women, who have half the rate of mobile money accounts (7% of women vs 14% of men, according to Findex), and for whom lower access to the internet explains part of their lower level of firm revenues⁵. A digital skills gap also exists, hindering full leverage of the digital economy. Robust cybersecurity and transparent governance are essential to build trust in digital services. Achieving digital transformation requires strengthening digital governance, improving internet resilience, closing regulatory gaps, developing digital skills, and creating sustainable financing models. Establishing a centralized coordination mechanism, diversifying access to international bandwidth, updating regulations, promoting digital skills, and exploring new investment models are key steps.

29. The energy sector in Mauritania faces significant challenges and opportunities. Nationally, electricity access stands at 52 percent, but it drops to around 6 percent in rural areas, which account for 45 percent of the population. Most electricity consumers are concentrated in the main cities of Nouakchott and Nouadhibou, where grid densification is the preferred option to increase access. Key

⁵ Mauritania CEM, Gender Note, forthcoming

challenges include limited infrastructure, reliance on imported fossil fuels, and insufficient access to electricity in rural areas, all of which hinder business development, growth and job creation. However, Mauritania has substantial opportunities to transform its energy landscape. The country is rich in renewable energy resources, particularly solar and wind, which can be harnessed to reduce dependency on imports, reduce costs and enhance energy security. Investments in renewable energy infrastructure and technology can drive sustainable development, create jobs, and improve access to electricity, especially in underserved regions. Additionally, enhancing the reliability and scale of the power supply is critical. This involves constructing power corridors, expanding the grid, implementing off-grid solutions, and reducing energy costs through gas-to-power and renewable energy sources like wind and solar.

30. Mauritania's water sector faces significant challenges that hinder sustainable development. Despite substantial water resources, uneven distribution and climate change exacerbate water scarcity and impact agriculture. Inadequate management limits resource use, while rural areas suffer from limited access, affecting health and economic growth. The sector's complex institutional framework leads to weak governance and poor coordination including overlapping roles between line ministries and instability due to frequent changes in the Senior leadership of Ministry Department (Ministers and SGs), hampering strategy implementation. Public operators face management and financial challenges, with limited private sector involvement. The low capacity of private operators in the sector needs to be addressed to improve the quality and sustainability of infrastructure. Reliance on external funding and minimal national budget contributions worsen financial difficulties (cf. PER 2017 Water Sector). Aging infrastructure, especially in rural areas, needs significant rehabilitation, and lack of public engagement hinders sustainable solutions. To address these challenges, key policy options include strengthening governance by clarifying institutional roles, enforcing the Water Code, and empowering communities. Promoting Integrated Water Resource Management (IWRM) through a National Water Management Plan is essential. Investing in resilient infrastructure by improving their quality and strengthening the private sector operators' skills, including rural rehabilitation and urban wastewater treatment, is crucial. Enhancing private sector involvement via public-private partnerships (PPPs) can improve rural service delivery. Optimizing sector financing with tariff adjustments and targeted subsidies, along with promoting community engagement and raising awareness about sustainable practices, is vital. Implementing the findings from the latest SNDE audit, funded by the World Bank through the Water and Sanitation Project, will enhance access to water services and ensure their sustainability. This includes maintaining the financial equilibrium of the sector.

Priority 4: Enhancing resilience to shocks

31. Mauritania's heavy reliance on extractive industries, such as iron ore, gold, and copper, leads to significant revenue fluctuations and procyclical fiscal policies, eroding fiscal space. This limits the government's ability to effectively respond to economic, climate, and health shocks. To mitigate the volatility of extractive revenues, the government adopted a medium-term budget framework and a fiscal anchor (the non-extractive primary balance) under the IMF program. However, this fiscal anchor is not yet institutionalized, and there are no fiscal rules for effective management of extractive revenues. Additionally, the framework for identifying, quantifying, and managing fiscal risks needs strengthening. To further increase fiscal space and better accommodate shocks, Mauritania needs to enhance tax revenue mobilization, improve public investment efficiency, and strengthen debt management. Additional fiscal space will also be essential to finance investments in adaptation.

32. Strengthening disaster risk management in Mauritania is essential for enhancing the country's resilience to natural and man-made hazards. This effort involves developing comprehensive risk assessment frameworks to identify and prioritize vulnerabilities and implementing early warning systems to provide timely alerts to communities and ensure effective emergency response aftershocks. To address climate and disaster shocks, the government of Mauritania has established a unified and gender-sensitive

regulatory framework for Emergency Preparedness and Response (EP&R). This overarching EP&R framework streamlines coordination across government levels, establishes formal collaboration with the private sector and civil society, promotes a holistic and gender-sensitive approach, and ensures sustained multisectoral efforts for better management of adverse natural events. Operationalizing this new framework, particularly at the local level, requires the establishment of Emergency Regional Committees (ERCs) responsible for designing and implementing gender-sensitive emergency preparedness and response plans. Complementary policies to strengthen resilience to climate shocks include prioritizing investments in green and blue sectors, increasing climate finance, focusing on ecosystem restoration, sustainable fisheries management, and promoting innovation in aquaculture.

33. The development of an effective Social Safety Net (SSN) is crucial for mitigating external shocks and protecting the most vulnerable households. In Mauritania, the SSN system has primarily relied on food and in-kind transfers, though cash transfers have gained importance recently. The social registry, established in 2016, now covers over 200,000 households, with an update underway to include the poorest 40%. The SSN is shifting from shock-response to regular cash transfers, with Tekavoul increasing monetary transfers to 40% of SSN spending. However, coverage remains low at 11.3% of the population, below regional and income group averages. Emerging evidence from Gender Innovation Lab impact evaluations shows large impacts of the Tekavoul cash transfers on women’s earnings and number of off-farm businesses (+29% and +22%), the ability to multiply such benefits by combining cash with complementary interventions targeting skills, and the potential for using SSNs programs to deliver interventions that support greater cooperation between spouses to the benefit of women’s decision-making and agency within the household⁶. The SSN system is fragmented, with numerous small programs and the interventions of a plethora of actors. The implementation of the second national strategy for 2024-2034 under preparation, is expected to reduce fragmentation and enhance coordination among various national agencies, ministries, and international partners. More progressive spending and poverty-targeted cash transfers could improve social assistance impact. Additionally, the geographic distribution of boutiques Temwine does not align with poverty distribution. Shifting from untargeted food transfers to poverty-targeted cash transfers under a coordinated, government-led approach would better direct resources to those in need, maximizing the impact of social assistance programs.

IV. Knowledge gap

34. Although this SCD Update builds on a comprehensive body of analytical work (see paragraph 1), some additional analytical gaps remain. The following factors are not well understood:

- The extent to which constraints in market access and lack of competition affect priority sectors such as agriculture and fishing.
- The degree of fragmentation in the financial market and how connected lending constrains business creation, expansion, and diversification.

35. Additionally, the SCD could benefit from updated data to complement and refine the current diagnostics, including labor market surveys, household surveys, and enterprise surveys. The ongoing quarterly Labor Force Survey, started in 2024, allows for updated understanding of labor market dynamics. The data are expected to be available in the next couple of months after the National Statistics has released the first results. Regarding poverty data, the last household survey was carried out in 2019. A new survey is being prepared and is planned for April 2025. This survey would offer updated information on monetary and non-monetary poverty as well as the state of vulnerability. Finally, a new enterprise

⁶ Africa GIL, forthcoming. Also see existing results from Niger part of the ASP: <https://www.nature.com/articles/s41586-022-04647-8.pdf>

survey would provide relevant, up-to-date information on the main constraints faced by economic agents in creating and expanding businesses.

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