Report Number : ICRR0021978

1. Project Data

Country	Practice Area(Lead)
Mauritania	Macroeconomics, Trade and Investment

Programmatic DPL

Planned Operations: 2 **Approved Operations:** 2

Operation ID	Operation Name
P160592	Mauritania DPO

L/C/TF Number(s)	Closing Date (Original)	Total Financing (USD)
IDA-D1530	31-Dec-2017	25,413,450.00
Bank Approval Date	**Closing Date (Actual)**	
15-Dec-2016	31-Dec-2017	

	IBRD/IDA (USD)	Co-financing (USD)
Original Commitment	26,000,000.00	0.00
Revised Commitment	26,000,000.00	0.00
Actual	25,413,450.00	0.00

Prepared by	Reviewed by	ICR Review Coordinator	Group
Hjalte S. A. Sederlof	Paul Holden	Jennifer L. Keller	IEGEC

Operation ID	Operation Name
P163057	Mauritania DPO 2 (P163057)

L/C/TF Number(s) IDA-D1530,IDA-D2640	**Closing Date (Original)** 31-Dec-2018	**Total Financing (USD)** 26,332,392.14
Bank Approval Date 20-Dec-2017	**Closing Date (Actual)** 31-Dec-2018	

	IBRD/IDA (USD)	Co-financing (USD)
Original Commitment	26,000,000.00	0.00
Revised Commitment	26,000,000.00	0.00
Actual	26,332,392.14	0.00

2. Program Objectives and Policy Areas

a. Objectives

The program development objective (PDO) of DPO1 and DPO2 was *to support fiscal consolidation and private sector participation in non-extractives sectors* (DPO1, p 12).
As described in Section 2b, “fiscal consolidation” was delineated between increasing domestic revenues and increasing the efficiency of public spending (including by controlling the spending of Public Agencies).
For the purpose of this ICRR, we therefore unpack the PDO into three separate objectives as follows:
Objective 1: *increasing domestic revenues*
Objective 2: *increasing the efficiency of public spending (*including by controlling the spending of Public Agencies)
Objective 3: *supporting private sector participation in non-extractive sectors*

b. Pillars/Policy Areas

The operation was originally structured around two pillars in line with the two PDOs: Pillar A – fiscal consolidation by increasing domestic revenues, enhancing fiscal transparency, and increasing the efficiency of public spending; and Pillar B – private sector participation in the non-extractive sectors. With the unpacking of the PDO, the evaluation will be based on three pillars, the first two drawing on the original Pillar A and concentrating on actions to increase fiscal space (better revenue and expenditure management); and the third to diversify the economic base:
Pillar A – increasing domestic revenues
Pillar B – Increasing the efficiency of public spending
Together, these two pillars aimed to adapt fiscal policy to a new external environment of low commodity prices by (i) increasing non-extractive revenues by rationalizing tax expenditures and expanding the tax base; (ii) streamlining the public investment program (PIP) and reducing its impact on public debt; and (iii) address fiscal risks related to parastatals.

The contents of both pillars were revised slightly from DPO1 to DPO2. Under Pillar A, "*enhancing fiscal transparency*" was replaced with "*controlling public enterprises*" to reflect the narrower focus on operations of public enterprises under DPO2, through procurement reform and strengthening the budget transfer system for public agencies and parastatals.
Pillar C – supporting private sector participation in the non-extractive sectors (subsequently to include supporting private sector-led diversification.
Pillar C aimed to: (i) introducing PPP arrangements to attract greater private sector participation and foreign direct investment (FDI); (ii) reforming land tenure and property rights law to alleviate access to credit constraints; and, (iii) strengthening the regulatory environment to promote increased productivity and exports in the livestock sector.
Under Pillar C, "*private sector participation*" was changed to "*private sector-led diversification"* to reflect the 2016-2030 National Strategy for Accelerated Growth and Shared Prosperity (SCAPP)
The Prior Actions (PAs) associated with the operation were as follows:

Pillar 1 – Increase Domestic Revenues	
DPO 1	**DPO 2**
PA1: The Minister of Finance has issued an order introducing the benchmark tax model for tax exemptions, and has published it in the official gazette, and has compiled a tax exemption registry for firms benefiting from tax exemptions under the 1982 Investment Code and the 1966 Free Zone Area law.	**PA2:** The Ministry of Economy and Finance, based on a policy communique to the Council of Ministers, has notified the companies in full breach of their investment agreements that their tax and customs incentives, awarded under the 2012 Investment Code, will be revoked, effective January 1, 2018
	PA3: The Ministry of Economy and Finance has adopted the legal provisions for a comprehensive transfer pricing documentation and disclosure requirements as well as an effective anti-abuse provisions, which limit an entity's net interest deductions to a fixed percentage of its profit, measured using earnings before interest, taxes, depreciation and amortization (EBITDA).
Pillar 2 – Increase the efficiency of public spending	
PA4: The Council of Ministers has issued a decree creating an institutional framework for the evaluation, selection and execution of public investment projects, and has published it in the official gazette.	**PA6:** The Council of Ministers has adopted a decree correcting deficiencies in the implementation of the Public Procurement Law, including clarifying regulations governing the composition, organization, and operations of the procurement commissions and designating specific officials responsible for procurement in each Contracting Authority, and has published it in the official gazette.
PA5: The Council of Ministers has approved the budget law proposal for 2017 that includes an	**PA7**:The Council of Ministers has adopted the implementation decrees for Law 2005- 020 reorganizing the project award and project

integrated public investment budget with combined domestic and foreign financed projects.	management processes, and regulating the contracting arrangement between Government and SOEs, and published it in the official gazette.
PA8: The Minister of Economy and Finance has issued an executive circular requiring the expansion of the automated expenditure-chain system (RACHAD) to include all eligible EPAs in Nouakchott beginning January 1, 2017	**PA9**: The Minister of Economy and Finance has issued a policy communique instructing the expansion of the treasury management system (RACHAD) to encompass the revenues and expenditures of all eligible public agencies starting January 1, 2018, as a means to reduce fiscal risks and enable budgetary savings.
PA10: The Recipient has published the latest audited financial statements for the five largest commercial enterprises in which its ownership stake exceeds 50 percent, on the website of its Treasury.	
Pillar 3: Support for Private Sector participation in the non-extractive industries	
PA11: The Council of Ministers has presented to Parliament the draft law on public-private partnerships (PPPs), and has approved two orders relating to the composition and operation of the inter-ministerial and the technical committees for PPP respectively, and has published these in the official gazette.	**PA12:** The PPP law is made operational through i) the adoption and publication in the official gazette of the PPP executive decree by the Council of Ministers that defines the institutional, procedural, and governance set-ups for PPP projects and ii) the adoption and publication in the official gazette of the order by the Minister of Economy and Finance setting thresholds for operation requiring inter-Ministerial approval.
PA13: The Minister of Economy and Finance has established the institutional framework for land reform by adopting an order creating a technical committee for land reform, appointing its members and validating its terms of reference.	**PA14:** The Recipient has enacted a new Law for Property Rights (Code des Droits Réels) that modernizes, reconciles, and consolidates the current property rights regimes, and published it in the official gazette.
	PA15: The Minister of Interior and Decentralization, the Minister of Housing, Urban Development, and Land-Use Management, the Minister of Budget, and the Minister of Economy and Finance have issued and published it in the official gazette a joint order laying down the new simplified modalities for processing demands for the final concession on property in urban areas, with the objective of expediting the property title granting process.
PA16: The Council of Ministers has made the Livestock Law operational through the adoption of two new executive decrees on livestock exports and imports and on animal-feed quality, and through the Minister of Livestock three new	**PA17**: (i) The Council of Ministers has adopted decrees codifying professional standards and qualifications for veterinarians and defining the applicable requirements and institutional framework for the livestock sector, including for establishing

orders on poultry production and veterinary inspections, all in accordance with OIE standards, and all published in the official gazette	livestock farms, vaccination parks, livestock markets, and slaughterhouses; and these decrees are consistent with the World Organization of Animal Health (OIE) standards; (ii) the Minister of Livestock has issued three new orders defining conditions for meat utilization and transformation and describing the organization of the livestock profession and sectoral information systems; and (iii) these decrees and orders have been published in the official gazette

c. Comments on Program Cost, Financing, and Dates

DPO1 was an IDA grant of SDR 19 million (US$26 million). It was approved on December 15, 2016, became effective on December 19, 2016, and closed on December 31, 2017 after disbursing US$25.4 million. DPO2 was an IDA grant of SDR 18.6 million (US$26 million) was approved on December 20, 2017, became effective on December 21, 2017, and closed on December 31, 2018 after disbursing US$26.3 million.

3. Relevance of Objectives & Design

a. Relevance of Objectives

At the time of project approval, Mauritania was struggling with the effects of an ongoing slump in global commodity prices that was severely impacting its terms of trade. The extractive industries had been the engine of the country’s development for over a decade, averaging some 25 percent of GDP, 82 percent of exports and 23 percent of fiscal revenues. With the fall in commodity prices, the country saw its GDP growth rate fall from 6.1 percent to 3 percent between 2013 and 2015. The need for reform seemed inevitable and came to underpin the government’s 2016-2030 national development strategy. The strategy had three axes: (i) macroeconomic management that included land reform and adoption of a new property rights law, review of the public investment portfolio, and strengthening tax policy; (ii) private sector development, including diversification away from extractive industries, and public-private dialogue; and (iii) accelerated economic growth focusing on improving agri-business and diversifying livestock production.

The DPO series was designed to support the development strategy with its emphasis on fiscal consolidation and economic diversification. It was in line with the FY13-FY16 Country Partnership Strategy (CPS) and its two pillars – growth and diversification, and economic governance and service delivery; and it was consistent with the current FY18-FY23 Country Partnership Framework. The reform agenda supported by the DPO series built on successes under several Bank Technical Assistance and capacity building projects in public sector governance, public-private partnerships, land reform and property rights, and livestock development that had been or were under implementation.

Mauritania did not have a program with the IMF at the time of DPO1 (2016), but its macroeconomic policy framework for 2016-19 was considered adequate, although fragile (PD, p. 11). The IMF approved a Three-Year Arrangement (2017-2021) under the Extended Credit Facility (ECF) in December 2017, just before DPF2 was approved. The objectives of both the Bank and IMF programs were aligned with DPO2, focusing on fiscal consolidation and public investment management reform and private sector participation beyond the extractive sectors (DPO2, p. 14).

Rating

---

b. Relevance of Design

Rating

---

4. Achievement of Objectives (Efficacy)

Objective 1

Objective

Support Fiscal Consolidation by increasing domestic revenues

Rationale

Supported by PAs 1 under DPO 1, and PAs 2 and 3 under DPO 2, Progress measured by RI 1

The RI target was met (tax revenues increased by 1.2 percent of GDP from a baseline of 17 percent of GDP in 2015 to 18.6 per cent of GDP in 2019 compared with a target of 18.2 percent). This includes a drop in total fiscal exemptions from 6.4 percent of GDP in 2017 to 5.9 percent of GDP in 2018 as non-compliant tax incentives were revoked. This points to progress in fiscal consolidation during project implementation, although full attribution to the reforms supported by the operation is difficult to ascertain.

Achievement of Objective 1 is rated Moderately Satisfactory

Rating

Objective 2

Objective

Increasing the efficiency of public spending

Rationale

Supported by PAs 4, 5, 8 and 9 under DPO 1; and PAs 6, 7 and 10 under DPO 2; Progress measured by RI 2 to RI 5

Public Investment Management and Procurement

Efficiency in public spending was to be raised through better investment management and procurement processes, and more rigorous control over public enterprises. Relevant results indicators related to project selection (RI 2), competitive procurement (RI 3), and greater oversight of parastatals (RI4, RI 5). The share of PIPs prepared and executed based on a new legal framework reached 100 percent (i.e. all PIPs were being processed under the new framework at project completion from a baseline of zero and against a target of over 75 percent). The total value of contracts awarded without competition declined from a baseline of 47.0 percent in 2016 to 23.5 percent in 2018. The number of EPAs and public agencies included in the automated expenditure chain system exceeded the target by a large margin.

Institutional efficiency related to public spending is likely to have increased; however, there is no direct evidence of whether the efficiency gains as a result of the measures generated financial savings. The ICR indicates that fiscal savings are unknown (ICR, p. 25)

Control of public enterprises

Oversight, administrative controls and transparency of parastatals and their reduced dependency on budget transfers were measured by RIs 4 and 5. With all EPAs integrated into the unified, automated system for the public expenditure budget, extrabudgetary expenditures by EPAs declined from 1.2 percent of GDP in 2016 to nearly zero percent in 2018. While this also could represent significant fiscal savings, numbers are currently not available.

Achievement of Objective 2 is rated Satisfactory

Rating

Substantial

Objective 3

Objective

Support private sector participation in the non-extractive sectors

Rationale

The series supported the development of an institutional framework for public private partnerships, including a PPP law and an executive unit as a way to support private-sector participation in the non-extractives sector. The law and the unit became operational in 2019 and at the time of the ICR, required reviewing all PPP projects, against a target of 50 percent. While this is encouraging, there is no indication of the number of PPPs addressed, the executive unit has no role in administrative follow-up, and the ICR, p. 32, expresses concern about the sustainability of PPP arrangements, following transparency issues in the expansion of Nouakchott port.

Property Rights

With access to credit largely dependent on property titling, this was a meaningful way of expanding the non-extractive economy. Since the introduction of a formal institutional framework in (P7, 15 and 16), over 31,000 properties had been titled by 2018, equaling the target set at DPF 2, compared to a baseline of 27,000.

Livestock Sector

The number of slaughterhouses meeting international standards has risen from zero in 2016 to 88 percent in 2018 against a target of 8 percent. The increase in the percentage of formal livestock transactions (as per the new law) at the borders has risen from zero percent in 2016 to 100 percent in 2018, against a target of 10 percent. However, there is no indicator that allows appreciation of the level of activities.

Achievement of Objective 3 is rated Moderately Satisfactory in the absence of indicators on actual fiscal savings, in particular regarding the actions in the context of property rights and the livestock sector. While fiscal savings are plausible, information is so far lacking.

Rating

Substantial

5. Outcome

The relevance of the series to country needs was high, focusing on fiscal consolidation and improving the role of non-extractive private enterprise, both priorities on the government agenda. Objectives were met at a satisfactory or moderately satisfactory level.

a. Outcome Rating

Satisfactory

6. Rationale for Risk to Development Outcome Rating

The ICR ((p. 32) signals some concerns about the sustainability of the development outcomes: they are mainly in the areas of PPPs, procurement and land reform. Recent experience with PPP has raised concerns about the transparency of the PPP processes and compliance with the regulatory and legal framework, partly pointing to weaknesses in the government's PPP unit. Likewise, uncertainties are attached to the transparency of the procurement process and, again, uncertain administrative arrangements. On land reform, the Bank is supporting a gradual process of piloting in the face of some possible political resistance. While ongoing investment/TA projects funded by the Bank and other donors are likely to maintain at least some momentum, the organizational and institutional frailties that they seem to point to may indicate that some of the initiatives launched under this series might have been premature or require more preparation or technical support. That said, there are also trends towards positive longer term development outcomes, especially in fiscal consolidation. Efforts under the series to improve tax administration and project selection, and a wider role for private enterprise outside the extractive sector, have contributed to budget surpluses. That has been especially valuable during a period of lower extractive revenues.

a. Risk to Development Outcome Rating

---

7. Assessment of Bank Performance

a. Quality-at-Entry

Quality-at-Entry Rating

---

b. Quality of supervision

Quality of Supervision Rating

Overall Bank Performance Rating

Satisfactory

8. Assessment of Borrower Performance

a. Government Performance

Government Performance Rating

---

b. Implementing Agency Performance

Implementing Agency Performance Rating

Overall Borrower Performance Rating

---

9. M&E Design, Implementation, & Utilization

a. M&E Design

---

b. M&E Implementation

---

c. M&E Utilization

M&E Quality Rating

---

10. Other Issues

a. Environmental and Social Effects

---

b. Fiduciary Compliance

---

c. Unintended impacts (Positive or Negative)

---

d. Other

None identified.

11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Satisfactory	Satisfactory	---
Bank Performance	Satisfactory	Satisfactory	---
Relevance of Results Indicators		Moderately Satisfactory	Not rated in the ICR
Quality of ICR		High	---

Note
When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.
The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate.

12. Lessons

The ICRR agrees with the lessons listed in the ICR:
The DPO instrument, through a productive dialogue can move forward reforms that otherwise might have stalled. The series included a continuing dialogue with the country, the IMF and other development partners throughout the program. This was seen as critical (during ICR interviews) to complete the prior actions and subsequent implementation, and points to the key role that close engagement with the client can have, especially when capacity constraints may require a lowering of ambitious targets..
The importance of TA and support from ongoing investment projects to support DPO reforms. Relevant TA is an essential complement to a DPO to ensure follow through on implementation; and support from planned/ongoing investment projects to support reforms on the ground and to achieve outcomes, especially in a country with low capacity.
Emphasis should be placed on explicitly integrating M&E into the project process, In low capacity countries there is a danger of underestimating/ignoring the results framework of a project. Counterparts may view M&E as a bureaucratic requirement rather than an essential feature of successful institution building. This can be counterbalanced by focusing on incorporating results management into the policy dialogue and into project implementation – going beyond the focus on prior actions to emphasize results.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR is well done. It clearly and succinctly articulates the backward and forward links between the PDO, the PAs and the results indicators, and provides additional evidence where necessary to support achievement of the PDO. Apart from land titling it also identifies the weaknesses in the program.

a. Quality of ICR Rating

High