



# Program Information Document (PID)

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Concept Stage | Date Prepared/Updated: 20-May-2020 | Report No: PIDC27961



**BASIC INFORMATION**

**A. Basic Project Data**

Country Mauritania	Project ID P171238	Project Name Mauritania 2nd Competition & Skills DPF (P171238)	Parent Project ID (if any) P167348
Region AFRICA	Estimated Board Date Jul 01, 2021	Practice Area (Lead) Macroeconomics, Trade and Investment	Financing Instrument Development Policy Financing
Borrower(s) Ministry of Economy and Industry	Implementing Agency Ministry of Finance		

**Proposed Development Objective(s)**

The program development objective is to support the Government of Mauritania (GoM) in strengthening the business and competition environment while increasing climate resilience and human capital for private sector led growth.

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

**SUMMARY**

<b>Total Financing</b>	30.00
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**DETAILS**

<b>Total World Bank Group Financing</b>	30.00
World Bank Lending	30.00

**Decision**

The review did authorize the preparation to continue

**B. Introduction and Context**

Country Context

**1. Mauritania’s key development challenge is to transition from reliance on extractives revenues and public investment to a diversified private sector led growth path.** Extractive industries were the engine of economic development between 2006-2015, representing an average of 25 percent of Gross Domestic Product (GDP), 82 percent of exports and 23 percent of fiscal revenues. The commodity boom in 2009-2014 supported a state-driven development



model. Growth averaged 4.2 percent with extractives revenues fueling public investment in infrastructure and demand for non-tradable services. These dynamics, however, left the economy undiversified and vulnerable. The sharp decline in global commodity prices since 2014 exposed Mauritania's inability to sustain growth and an ambitious Public Investment Program (PIP) along with increased foreign borrowing led the country into a situation of high risk of external debt distress. Rigidities in exchange rate policies and a lack of monetary policy tools limited the ability of the central bank to address structural imbalances and respond to the terms of trade shock, thereby eroding competitiveness.

**2. With the spread of COVID-19, the world is facing an unprecedented health and economic crisis.** Given the uncertainty surrounding this crisis, quantifying the global economic impact and the extent of both supply and demand shocks is complex. In Mauritania, as of May 1, 2020, 8 cases of COVID-19 were registered with 6 recoveries and 1 death. Since the discovery of the first COVID-19 case on March 13, the Government of Mauritania has put in place strict containment measures, including quarantines, disruptions in supply chains, travel restrictions and business closures, among other things.

**3. The COVID-19 pandemic has significant economic, fiscal and social effects on Mauritania.** Stringent social distancing measures will cause a sharp deceleration in economic activity, particularly in the hospitality, fishing, construction, transportation, and retail sectors, which account for almost half of GDP and employed workers. On the external front, the economic slowdown in Europe and China (Mauritania's main trading partners) has already affected demand for exports, particularly iron and fish. Disruptions in global supply chains have also delayed FDI inflows in the extractive sector. As a result, GDP growth is estimated to decline from 5.9 percent in 2019 to -2 percent in 2020, while external and fiscal positions will weaken.

**4. Beyond the immediate challenge to mitigate the COVID-19 crisis, there is a need to focus on structural reforms for jobs and economic transformation.** In 2016-2017, the Government embarked on a fiscal consolidation plan that was successful in stabilizing the economy. Supported by an IMF Extended Credit Facility (ECF), it also initiated reforms to introduce exchange rate flexibility, improve the effectiveness of monetary policy, and strengthen the supervisory framework for the financial sector. While some moderate recovery followed, the key medium-term challenge is to raise Mauritania's potential growth rate by deepening human capital and increasing job growth in competitive, efficient and diversified markets. This will require addressing interlinked structural constraints including informality, a weak business environment, and vulnerable, unproductive human capital.

#### Relationship to CPF

**5. The proposed Development Policy Financing (DPF) is aligned with the objectives and proposed outcomes of the FY18-FY23 Mauritania Country Partnership Framework (CPF).**<sup>1</sup> The Mauritania CPF builds on the findings of the Systemic Country Diagnostic of 2017,<sup>2</sup> which identified weak participation of the private sector and low human capital including weak labor skills as a common theme across the eight binding constraints for growth and shared prosperity. These constraints are: weak management of extractives, failure to harness the livestock and fisheries sectors potential, rapid and outpaced urbanization, low and inequitable access to social services, inequitable distribution of land, and distorted food prices.

**6. This programmatic DPF series seeks to address these constraints and reinforce the country's regulatory environment and skills for improved competition, growth and inclusiveness.** The operation is anchored around the second focus area of the CPF "building human capital and inclusive growth" by improving the quality and governance of

<sup>1</sup> Mauritania Country Partnership Framework, World Bank, Report No. 125012-MR.

<sup>2</sup> Mauritania Systemic Country Diagnostic 2017, World Bank, Report No. P116630-MR.



basic education and vocational training; and the third focus area “strengthening economic governance and private sector-led growth” by improving access of local private firms to commercial justice services and to private credit, and by boosting competition and investments within the ICT sector.

### C. Proposed Development Objective(s)

The program development objective is to support the Government of Mauritania (GoM) in strengthening the business and competition environment while increasing climate resilience and human capital for private sector led growth.

#### Key Results

**Key results expected from this DPF program are an improved business environment, competitive ICT/digital markets and strengthened human capital.** First, the judicial system, the insolvency regime, and the business registry will all be institutionalized and operational. Second, open access, competitive broadband markets and a reduced digital divide between rural and urban areas are expected. Third, human capital will be more resilient in face of climate-related shocks and supported by an effective social protection system which provides the Government with mechanisms to effectively reach the poorest households. Fourth, reforms are expected to improve school autonomy, the time teachers spend teaching primary-school students and the quality of the teachers. Lastly, vocational training will be strengthened in terms of quality and better geared towards private sector demands.

### D. Concept Description

**7. This DPF series strongly aligns with the SCAPP by boosting private sector-led growth via pro-business and competition reform while strengthening human capital and skills.** The operation is designed to support reforms in the areas of private sector development (Pillar 1 of the SCAPP) and building human capital and skills (Pillar 2). Moreover, strengthening governance and institutions (Pillar 3) is a cross-cutting theme in the DPF and is therefore considered in the design of all suggested reforms. As such, the proposed operation can be viewed as part and parcel of the overall national development plan and responds to the government policy priorities.

**8. The updated reform framework aims at creating Jobs through Economic Transformation (JET) and builds on strengthening market efficiency and connectivity (Pillars 1 and 2), while increasing climate resilience and human capital for private sector led growth (Pillar 3):**

- **Pillar 1 supports reforms in SMEs’ business environment.** This pillar focuses on strengthening access of economic agents to an efficient and transparent commercial justice system and to reliable information on companies and collateralized assets. These reforms will strengthen the Government’s objectives to modernize and diversify the economy, level the playing field among economic agents, reduce time and costs to enforce contracts for SMEs, improve commercial dispute resolution between economic actors, strengthen insolvency regimes, and improve access to credit. Ultimately, this will increase the attractiveness of the country for both national and international investors.
- **Pillar 2 supports reforms of the broadband digital infrastructure.** This pillar focuses on removing barriers to investment and competition in the internet broadband market and facilitating equitable access to



Information and Communication Technology (ICT) / digital services. It does so through regulatory reforms that: (i) open the internet retail and wholesale market up for competition and new entrants; (ii) promote access to dominant operators' essential infrastructure and reduces the costs for deploying digital infrastructure; and (iii) boosts sustainable financing and more projects in underserved areas, especially rural ones. The goal is for low-cost, high quality, broadly accessible ICT services to boost the overall productivity of the economy, enhance new business opportunities for private sector development, and leverage technology for more efficient and accessible service delivery.

- **Pillar 3 supports reforms to strengthen human capital.** The aim is to boost resilience to climatic shocks while improving the quality and demand driven nature of education and skills development. On one hand, reforms will provide for a functional institutional and financial framework to respond to climate related shocks (droughts and floods) with the objective to assure food security. On the other hand, reforms aim at improving school autonomy and teachers' competence, recruitment systems, and effective deployment. The program also supports measures to overhaul the Technical and Vocational Education Training (TVET) governance systems especially for financing, training and curriculum. It also crowds-in the private sector to boost the relevance of the training offered and align it with labor market demands. These reforms are essential to improve the quality and relevance of skills provided by the national education system and as a result boost the competitiveness of the private sector and long-term productivity.

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

### Poverty and Social Impacts

**9. The DPF program supports reforms that affect the poor and the bottom 40 percent of the welfare distribution through access to commercial justice services for small enterprises (Pillar 1), access to ICT services (Pillar 2) and access to education and vocational training (Pillar 3).** The ex-ante assessment of these impacts suggests that reforms under Pillar 1 will enhance access to commercial justice services for small enterprises and lift the growth potential of the economy. Reforms under Pillar 2 are expected to boost access for households and firms to ICT services, which has the potential to increase internet penetration among all segments of the population and enhance affordability of internet through lower consumer prices. Reforms under Pillar 3 will allow Mauritanian youth access to better quality education and vocational training, and through better human capital accumulation lays the foundation for higher earnings from labor market activities.

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

**10. None of the measures supported by the proposed operation is expected to have any significant negative impact on the environment, however, proposed energy efficiency-related reforms in the IT sector as well as calibrated TVET programs are expected to have a positive impact and improve resilience to the consequences of climate change.** Examples of these proposed energy efficiency related reforms include: energy efficiency metrics and accompanying measurement methods for base station sites, telecom sites, telecommunications equipment and networks, and power and cooling equipment for telecommunications and data centers. International energy efficiency standards are expected to be integrated into IT-related procurement processes. In this DPF series, the IT sector may facilitate establishment of a wireless emergency alerts (WEA) system, and subscription by wireless companies, in order to push geographically-targeted text messages in the case of man-made or natural disasters. Similarly, "greening jobs" activities within the TVET program included in Pillar 3 is expected to improve resilience to the consequences of climate change.



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**APPROVAL**

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**Approved By**

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