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Mauritania Second Private Sector, Digital, and Human Capital Reform DPF (P171238)

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Report No: PGD146

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROGRAM DOCUMENT

ON A

PROPOSED DEVELOPMENT POLICY GRANT

IN THE AMOUNT OF SDR 20.8 MILLION  
(US\$30.0 MILLION EQUIVALENT)

TO THE

ISLAMIC REPUBLIC OF MAURITANIA

FOR A

SECOND PRIVATE SECTOR, DIGITAL, AND HUMAN CAPITAL REFORM  
DEVELOPMENT POLICY FINANCING

June 22, 2021

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

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**Islamic Republic of Mauritania****Fiscal Year***January 1 – December 31***CURRENCY EQUIVALENTS**

(Exchange Rate Effective as of 05/31/2021)

Currency Unit: Mauritanian Ouguiya (MRU)

MRU 36.2 = US\$1.00

SDR 0.692 = US\$1.00

**ABBREVIATIONS AND ACRONYMS**

AfDB	African Development Bank	MFD	Maximizing Finance for Development
ADR	Alternative Dispute Resolution	MM	Mobile Money
ARE	Regulatory Authority	MNEVTT	Ministry of National Education and Reform of the Education System ( <i>Ministère de l'Éducation nationale et de la Réforme du Système éducatif</i> )
ASP	Adaptive Social Protection	MRU	Mauritanian Ouguiya
BBB	Building Back Better	MTEF	Medium-term Expenditure Framework
BCEAO	Central Bank of West African States ( <i>Banque centrale des États de l'Afrique de l'Ouest</i> )	M&E	Monitoring and Evaluation
BCM	Central Bank of Mauritania ( <i>Banque centrale de Mauritanie</i> )	NEET	Not in Education, Employment or Training
BoP	Balance-of-Payments	NDUSS	National Digital Universal Service Strategy
CAD	Current Account Deficit	NFNCPRS	Nutrition Crisis Prevention and Response System
GCI	Global Competitiveness Index	NPL	Non-performing Loan
COGES	School Management Committee ( <i>Comité de Gestion de l'École</i> )	ONS	National Office of Statistics ( <i>Office national des statistiques</i> )
CPF	Country Partnership Framework	PA	Prior Action
DB	Doing Business	PCM	Private Capital Mobilization
DPO	Development Policy Operation	PDO	Program Development Objectives
DPF	Development Policy Financing	PER	Public Expenditure Review
DSA	Debt Sustainability Analysis	PFM	Public Financial Management
DSSI	Debt Service Suspension Initiative	PIM	Public Investment Management
DTIS	Diagnostic Trade Integration Study	PIP	Public Investment Program
ECB	European Central Bank	PPA	Performance and Policy Actions
ECF	Extended Credit Facility	PPG	Public and Publicly Guaranteed
EIA	Environmental Impact Assessment	ProPEP	COVID-19 Recovery Plan for 2021-2022
ENI	Teacher Training Schools ( <i>Ecoles Normales des Instituteurs or Teacher Training Schools</i> )	PV	Present Value
EU	European Union	RCF	Rapid Credit Facility
FAP-FTP	Fund for the Promotion of Technical and Vocational Training ( <i>Fonds Autonome de</i>	SCD	Systematic Country Diagnostic

*Promotion de la Formation Technique et Professionnelle)*

FDI	Foreign Direct Investment	SDFP	Sustainable Development Financing Policy
FY	Fiscal Year	SDI	Service Delivery Indicators
GCI	Global Competitiveness Index	SDR	Special Drawing Rights
GDP	Gross Domestic Product	SME	Small and Medium Enterprise
GoM	Government of Mauritania	SNIM	National Iron Company ( <i>Société Nationale Industrielle et Minière de Mauritanie</i> )
GRS	Grievance Redress Service	SOE	State Owned Enterprise
GTA	Grande-Tortue/Ahmeyim	SOMELEC	National Electricity Utility ( <i>Société Mauritanienne d'Électricité</i> )
HCI	Human Capital Index	SSA	Sub-Saharan Africa
HCN	High Digital Council ( <i>Haut Conseil National du Numérique</i> )	TA	Technical Assistance
ICT	Information, Communication and Technology	TBs	Treasury Bills
IDA	International Development Association	ToT	Terms of Trade
INAP-FTP	National Institute for the Promotion of Technical and Vocational Training ( <i>Institut National de la Promotion de la Formation Technique et Professionnelle</i> )	TVET	Technical and Vocational Education Training
IFC	International Finance Corporation	UAF	Universal Access Fund
ISP	Internet Service Provider	UN	United Nations
IMF	International Monetary Fund	US\$	United States Dollar
IPF	Investment Project Financing	WARCIP	West Africa Regional Communications Infrastructure Project
MAEPSP	Ministry of Economic Affairs and Promotion of Productive Sectors ( <i>Ministère des affaires économiques et de la promotion des secteurs productifs</i> )	WFP	World Food Program
MF	Ministry of Finance (Ministère des finances)		

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**ISLAMIC REPUBLIC OF MAURITANIA**

**Mauritania Second Private Sector, Digital, and Human Capital Reform DPF**

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## SUMMARY OF PROPOSED FINANCING AND PROGRAM

### BASIC INFORMATION

Project ID	Programmatic	If programmatic, position in series
P171238	Yes	2nd in a series of 3

### Proposed Development Objective(s)

The Program Development Objectives are to strengthen the business environment and accelerate the development of digital broadband services, while boosting climate resilience and human capital for private sector led growth

### Organizations

Borrower: ISLAMIC REPUBLIC OF MAURITANIA

Implementing Agency: MINISTRY OF ECONOMIC AFFAIRS AND PROMOTION OF PRODUCTIVE SECTORS

## PROJECT FINANCING DATA (US\$, Millions)

### SUMMARY

Total Financing	30.00
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### DETAILS

International Development Association (IDA)	30.00
IDA Grant	30.00

## 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

Substantial



Results

Indicator Name	Baseline	Status March 2021	Target
<b>PILLAR 1: IMPROVING THE BUSINESS ENVIRONMENT AND STRENGTHENING FINANCIAL INCLUSION</b>			
RI1: Number of cases solved through alternative dispute resolution mechanisms	[0] [2018]	0	[3] [2023]
RI2: Number of insolvency cases brought to the courts	[2] [2018]	6	[7] [2023]
RI3a: Percentage of adult population with an electronic money account	[4%] [2017]	TBD <sup>/1</sup>	[15%] [2023]
RI3b: Percentage of women having used a mobile phone or the internet to conduct a financial transaction	[1.6%] [2017]	TBD <sup>/1</sup>	[15%] [2023]
<b>PILLAR 2: DEVELOPING COMPETITIVE AND INCLUSIVE BROADBAND SERVICES</b>			
RI4: Average monthly retail price of one-megabit mobile internet subscription (in US\$)	[2.3] [2018]	[1.6] [2020]	[1] [2023]
RI5: Average monthly retail price of one-megabit fixed internet subscription (in US\$)	[11.6] [2018]	[5.7] [2020]	[3.0] [2023]
RI6: Percentage of rural households with access to the internet	[18%] [2017]	[28%] [2020]	[35%] [2023]
<b>PILLAR 3: STRENGTHENING HUMAN CAPITAL AND PROMOTING CLIMATE RESILIENCE</b>			
RI7: Percentage of individuals affected by climate-related shocks supported by the annual response plan	[0%] [2018]	[0%]	[30%] [2023]
RI8: Public primary school teachers' absence rate	29% [2017]	TBD <sup>/2</sup>	18% [2023]
RI9: Share of in-service teachers who score above the bar on a competence test and are therefore apt to teach	4% [2017]	TBD <sup>/2</sup>	18% [2023]
RI10a: Number of TVET graduates from institutions having signed performance contracts	0 [2018]	1,454 [2020]	4,500 [2023]
RI10b: Percentage of female TVET graduates from institutions having signed performance contracts	0% [2018]	[37%] [2020]	45% [2023]

Notes: /1 RI3a and RI3b are measured based on the Findex database which was latest done in 2017. It is expected to be done again in the coming years. /2 RI8 and RI9 were measured based on the Service Delivery Indicators (SDI) that was collected in 2017. The next SDI is expected to be done in 2021.



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

### 1. INTRODUCTION AND COUNTRY CONTEXT

**1 The proposed Development Policy Financing (DPF) promotes Mauritania’s inclusive growth agenda through efforts to improve the business environment, accelerate digital development, and strengthen climate resilience and human capital.** It is the second of three single-tranche DPF operations in a programmatic series. The first operation (DPF1) was approved by the Board on July 24, 2019. The financing of this operation consists of an IDA grant in the amount of SDR 20.8 million (US\$30.0 million equivalent). The Program Development Objectives (PDO) are to strengthen the business environment and accelerate the development of digital broadband services, while boosting climate resilience and human capital for private sector led growth. These reform areas address critical structural constraints for progress in poverty reduction and shared prosperity as identified in the 2017 Systematic Country Diagnostic (SCD). This operation is supported by ongoing Technical Assistance (TA) and Investment Project Financing (IPF) operations implemented under the World Bank’s FY18-FY23 Country Partnership Framework (CPF).

**2 This DPF will support the Government’s COVID-19 Recovery Plan for 2021-2022 (ProPEP) and long-term priorities outlined in the 2016-2030 National Strategy for Accelerated Growth and Shared Prosperity (*Stratégie de Croissance Accélérée et de Prospérité Partagée, SCAPP*).** It follows and complements the COVID-19 Emergency Development Policy Operation (DPO) (P174155) approved by the Board on July 31, 2020 which helped mitigate the short-term effects of the pandemic on lives and livelihoods. It also complements other donor interventions and is aligned with Pillars 3 and 4 of the World Bank Group (WBG) COVID-19 Crisis Response Approach Paper: ensuring sustainable business growth and job creation; and strengthening policies, institutions, and investments for rebuilding better.

**3 Pre-COVID-19, macroeconomic stability had improved, but per capita growth and poverty reduction rates were low.** In response to the collapse of commodity prices in 2014-2015, given the country’s reliance on extractives, the authorities took determined measures to restore fiscal sustainability.<sup>1</sup> This helped Mauritania average a primary fiscal surplus of 2 percent in 2016-2019. The Central Bank also initiated reforms to introduce exchange rate flexibility, improve the effectiveness of monetary policy, and strengthen the supervisory framework for the financial sector. Despite restoring macroeconomic stability, per capita growth averaged only 0.4 percent in 2016-2019. The poverty rate, measured at the lower middle-income poverty line (US\$ 3.2/day PPP 2011), declined marginally from 23.8 percent in 2016 to 22.5 percent in 2019.<sup>2</sup> Spatial and socio-demographic disparities persist, particularly affecting the youth and women.

**4 The COVID-19 outbreak severely impacted the Mauritanian economy and increased poverty.** Domestically, containment measures triggered demand and supply shocks, severely restricting economic activity in the domestic non-extractive sector, particularly services. Externally, Mauritania experienced

<sup>1</sup> The measures included: eliminating inefficient tax expenditures; (ii) containing the wage bill; (iii) rationalizing capital expenditures; and (iv) and limiting transfers to public agencies.

<sup>2</sup> The official poverty rate, based on the national poverty line, declined from 44.5 percent in 2008 to 33 percent in 2014. Unfortunately, the results of the 2019 household survey are not yet finalized. As a result, we rely on the lower middle-income poverty line which is the closest to the national poverty line.



lower demand from Asia and Europe, but benefitted from resilient iron ore and gold prices, as well as strong donor support and debt service relief under the Debt Service Suspension Initiative (DSSI).<sup>3</sup> These factors helped contain the impact of the crisis on the fiscal and external balances, despite the large decline in fish exports. Growth declined from 5.9 percent in 2019 to -1.5 percent (-4.2 percent in per capita terms) in 2020, causing job losses and a drop in personal income, which hurt mainly urban and informal workers. This pushed up the poverty rate (US\$3.2/day PPP 2011) from 22.5 percent in 2019 to 24.9 percent in 2020, equivalent to 142,000 additional individuals who became poor.

**5 The pandemic has also highlighted and exacerbated structural vulnerabilities hampering Mauritania’s potential for sustainable and equitable growth.** First, Mauritania’s business environment remains challenging despite past improvements to its Doing Business (DB) ranking between 2016 and 2019. Two major obstacles to private sector development are: (i) an ineffective commercial justice system, which creates important legal uncertainty and costs for businesses; and (ii) the lack of access to finance, particularly in terms of digital financial services. Second, the COVID-19 crisis has shown that ensuring universal broadband connectivity is critical for an inclusive and resilient economy. Mauritania still does not have a fully competitive broadband market and its current digital infrastructure is insufficient to allow for the development of a job-creating digital economy. As a result, access to internet was low and costs were high before the onset of this series. Third, the pandemic aggravated pre-existing human capital deficiencies, highlighting the importance of building resilience to withstand future shocks including climate change, while improving the quality and relevance of education and vocational training to support private sector led growth.

**6 The proposed operation is structured around three pillars aimed at strengthening the business environment, accelerating the development of digital broadband services, while increasing climate resilience and human capital for private sector led growth.** In particular,

- ***Pillar 1 supports reforms to improve the business environment and strengthen financial inclusion.*** The focus is to improve the enabling environment for business and investment. To achieve this goal, reforms will strengthen SME access to finance and to an efficient and transparent commercial justice system, facilitate and improve the restructuring and liquidation processes of businesses under financial distress, and develop a legal framework to enable the use of digital financial services.
- ***Pillar 2 supports reforms to develop competitive and inclusive broadband services.*** The objective is to lower costs and increase quality and access to Information and Communication Technology (ICT) services. Proposed reforms include opening the internet wholesale and retail markets to competition, promoting access to dominant operators’ essential infrastructure, and boosting sustainable financing to ICT projects in underserved areas, especially rural ones.

***Pillar 3 supports reforms to strengthen human capital and promote climate resilience.*** To improve the quality and relevance of basic education and vocational training and strengthen resilience to climate-related shocks, the Government is implementing reforms to increase the autonomy of schools and teachers’ competences, boost the relevance of vocational training and align it with labor market demands, and establish an institutional framework to efficiently respond to food insecurity and

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<sup>3</sup> Mauritania is participating in bilateral debt service suspension through the DSSI. The liquidity gains in 2020 amounted to US\$99 million (1.3 percent of GDP). Mauritania will also benefit from DSSI in 2021 with an expected amount of US\$125 million (1.6 percent of GDP).



climate-related shocks.

**7 This operation is expected to boost climate resilience, narrow gender disparities, and maximize finance for development.** Mauritania is highly exposed to climate-related shocks, which often have a negative effect on households' welfare and increase fiscal risks. This operation will boost climate resilience by strengthening the institutional preparedness in face of future climate-related shocks and promote training in green jobs. In addition, reforms under this operation will help narrow gender disparities in terms of access to vocational training and digital finance, which are key constraints to women empowerment. Finally, reforms to improve the business environment and boost competition in the ICT market are expected to attract more investors and support private sector development.

**8 The macroeconomic policy framework is adequate for the proposed operation.** Growth is expected to gradually recover in the medium term, driven by a recovery in private consumption and Foreign Direct Investment (FDI), coupled with a pick-up in mining production and the onset of gas production in 2023. The authorities are committed to maintain the prudent macroeconomic and borrowing policy which has helped Mauritania register a primary surplus since 2016, stabilize debt, and increase foreign reserves. The authorities committed to unwinding COVID-19 spending measures and tax exemptions, and reforms to strengthen revenue mobilization. In 2020, Mauritania received significant donor support from the World Bank (US\$ 70 million), the IMF (US\$ 182 million), and the European Union (US\$ 25.3 million), as well as debt service relief under the DSSI (US\$ 99 million). In 2021, the fiscal deficit (excluding grants) of 2.3 percent of GDP is expected to be financed by the IMF (US\$ 24 million), the World Bank (US\$ 30 million from this operation), and US\$ 86 million from the DSSI extension. Mauritania's performance was broadly satisfactory under the most recent International Monetary Fund (IMF) Extended Credit Facility (ECF) program, with the sixth and final review completed in March 2021. The authorities have requested a successor program, which would provide an anchor for macroeconomic stability. Public debt is sustainable, but the risk of overall and external public debt distress is high.

## 2. MACROECONOMIC POLICY FRAMEWORK

### 2.1. RECENT ECONOMIC DEVELOPMENTS

**9 The combination of a COVID-19 induced global recession and domestic containment measures resulted in the first economic contraction in Mauritania since 2008.** Domestically, containment measures triggered demand and supply shocks, severely contracting growth in the domestic non-extractive sector. Service sectors, which account for about 46 percent of real GDP, were the main drivers of this contraction, particularly transport and trade. Externally, while Mauritania benefitted from improved gold and iron ore prices, it suffered from a large decline in fish exports due to lower demand from Asia and Europe. As a result, GDP growth declined from 5.9 percent in 2019 to -1.5 percent in 2020 (Table 1). Inflation remained low at 2.4 percent in 2020. This was consistent with a large negative output gap and contained food prices, which benefited from one-off tax and custom exemptions on essential food products between March and December 2020.

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

	2018	2019e	2020e	2021p	2022p	2023p	2024p
			(Demand side)				
<b>GDP</b>	<b>2.1</b>	<b>5.9</b>	<b>-1.5</b>	<b>2.7</b>	<b>3.7</b>	<b>6.0</b>	<b>3.7</b>
Consumption	2.3	2.2	-2.5	2.2	2.0	2.4	2.4
Private consumption	1.7	1.5	-3.4	1.1	1.4	1.5	1.8
Public consumption	0.6	0.7	0.9	1.1	0.6	0.9	0.7
Investment	1.5	2.0	0.8	1.4	2.1	1.6	1.2
Private investment	1.7	1.8	0.7	1.1	1.7	1.2	0.9
Public investment	-0.3	0.2	0.1	0.3	0.5	0.4	0.3
Net exports	-1.7	1.7	0.2	-0.9	-0.4	2.0	0.0
Exports	-1.5	2.1	0.3	0.7	1.6	3.6	1.3
Imports	-0.2	-0.3	-0.1	-1.6	-2.0	-1.6	-1.3
			(Supply side)				
<b>GDP</b>	<b>2.1</b>	<b>5.9</b>	<b>-1.5</b>	<b>2.7</b>	<b>3.7</b>	<b>6.0</b>	<b>3.7</b>
Agriculture	0.4	0.3	-0.1	0.1	0.2	0.4	0.4
Industry	-2.3	1.8	0.1	1.2	1.5	2.8	0.9
Non-extractive industries	0.4	0.5	-0.1	0.7	0.9	0.8	0.5
Extractive industries	-2.7	1.3	0.3	0.5	0.6	2.0	0.4
Services	3.4	3.4	-1.4	1.1	1.7	2.3	2.0
Net taxes	0.6	0.5	-0.1	0.2	0.3	0.5	0.3

Source: National Statistics Office and World Bank Staff Calculations as of March 2021.

**10 Improved terms of trade (ToT) and strong donor support helped limit the deterioration in the external position.** The overall trade deficit slightly widened in 2020 as the sharp drop in fish exports (goods and services) was offset by resilient gold and iron export prices, as well as lower oil import prices. As a result, the Current Account Deficit (CAD) widened slightly from 10.8 percent of GDP in 2019 to 11.0 percent of GDP in 2020 (Table 2). The CAD was financed by strong extractive-related FDI, increased donor financing, and a suspension of debt service through the DSSI. Given the large financing support, foreign reserves increased from 3.8 months of imports in 2019 to 4.9 in 2020.

**11 As a result of the crisis, the fiscal balance (excluding grants) turned from a surplus of 0.5 percent of GDP in 2019 to a deficit of 0.1 percent of GDP in 2020.** This deterioration stemmed from a 1.1 percent of GDP decline in tax revenues due to the subdued demand and one-off tax exemptions on essential food and COVID-19 medical products (Table 3). Despite a slow budget execution, due to pandemic-related implementation challenges and containment measures which slowed down the public administration between March and June 2020,<sup>4</sup> expenditures increased by 1 percent of GDP in 2020. This increase was driven by a rise in health related COVID-19 expenditures and higher subsidies. The increase in subsidies stemmed from the Government's decision to help the most vulnerable households (around a third of the population) through direct food aid and two rounds of cash transfers totaling 0.3 percent of GDP.<sup>5</sup> The selection of households was done through the social registry which enabled an effective and timely

<sup>4</sup> The 2021 budget reprograms some of the emergency measures and envisages an increase in social spending and public investments. It should be noted that the execution rate prior to COVID-19 was relatively good and ranged between 95 and 98 percent between 2015 and 2019.

<sup>5</sup> In response to the crisis, the Government has targeted, through the social registry poor and vulnerable households. This operation benefited more than 186,293 households in 8,119 localities throughout the country. The amounts transferred were 2,250 MRU per household, for a total of 419,159,250 MRU. Similarly, the government has distributed food kits in Nouakchott for the benefit of vulnerable households. A second cash transfer of 291,627,844 MRU to 210,000 poor households (1,460,308 people) in 8,119 localities across the country was completed in January 2021. Of the 210,000 eligible households, 207,015 received 2,250 MRU of assistance.



targeting of the poorest individuals.<sup>6</sup> Overall, the targeting of cash transfers was adequate, with the poor benefiting mostly from this support. The fiscal pressures from lower tax revenues and increased spending were fully offset by higher mining inflows and large non-tax revenues.<sup>7</sup> Combined, these two sources boosted revenues by 1.5 percent of GDP.

**Table 2: Key Macroeconomic Indicators (2018-2024)**

	2018	E2019	E2020	P2021	P2022	P2023	P2024
<b>Real Economy</b>							
		annual change unless otherwise indicated					
GDP (nominal, billion MRU)	251.5	278.9	293.5	311.7	333.0	365.6	389.4
Per Capita GDP (current US\$)	1,601	1,679	1,681	1,697	1,716	1,793	1,814
Per capita real GDP growth	-0.7	3.1	-4.2	-0.1	0.9	3.2	0.8
Real GDP growth	2.1	5.9	-1.5	2.7	3.7	6.0	3.7
Extractives GDP growth	-23.8	14.9	2.8	5.5	6.3	20.1	3.5
Non-extractives GDP growth	5.4	5.1	-1.9	2.4	3.4	4.5	3.7
o/w primary sector	2.1	1.4	-0.3	0.7	1.2	2.3	2.5
o/w services	7.7	7.1	-3.0	2.3	3.5	4.8	4.3
<b>Prices</b>							
		annual change unless otherwise indicated					
GDP deflator	1.8	4.7	6.8	3.4	3.0	3.5	2.7
CPI Inflation	3.0	2.2	2.4	2.6	3.0	3.5	3.8
Iron Price (\$/dmt)	69.8	93.8	108.9	110.0	100.9	97.5	94.2
Gold Prices (\$/ troy oz)	1,247	1,400	1,770.0	1,730.0	1,661.0	1,594.0	1,528.0
Oil Price (US\$/bbl)	68.3	61.4	40.7	45.0	49.0	53.0	56.0
<b>Fiscal Accounts</b>							
		Percent of GDP, unless otherwise indicated					
Expenditures	20.1	18.5	19.5	21.4	20.5	20.7	20.4
Revenues	22.6	20.6	21.5	19.7	19.9	20.5	20.4
Primary Budget Balance	3.6	3.0	3.2	-0.6	0.5	1.0	0.9
Budget Balance	2.4	2.0	2.0	-1.7	-0.6	-0.1	0.0
Public Debt (including Kuwait debt)	76.9	73.4	73.5	72.9	71.5	67.9	65.9
domestic	9.1	8.4	8.2	8.3	8.9	8.9	9.1
external	67.8	64.9	65.3	64.6	62.6	59.0	56.8
Public Debt (excluding Kuwait Debt)*	63.8	61.2	61.8	61.5	60.6	57.7	56.1
domestic	9.1	8.4	8.2	8.3	8.9	8.9	9.1
external	54.7	52.8	53.6	53.2	51.7	48.8	47.0
<b>Balance of Payment</b>							
		Percent of GDP, unless otherwise indicated					
Current Account Balance	-13.8	-10.8	-11.0	-14.6	-13.5	-6.8	-5.1
Trade of Goods Balance	-10.0	-7.5	-7.3	-7.8	-7.2	-1.8	-1.1
Imports of goods	-36.9	-38.0	-38.5	-40.6	-38.9	-35.8	-34.9
Exports of goods	26.9	30.5	31.2	32.8	31.6	34.0	33.8
Services (Net)	-6.1	-6.3	-7.4	-10.0	-9.2	-8.4	-7.5
Income (Net)	-0.5	-1.1	-0.4	-0.5	-0.9	-0.3	-0.2
Current Transfers (net)	2.9	4.2	4.1	3.8	3.7	3.7	3.6
Foreign Direct Investment	11.0	11.6	12.3	13.6	12.8	9.2	7.7
Gross Reserves (million US\$, eop)	919	1,075	1,463	1,456	1,397	1,430	1,451
in months of imports (goods & services)	3.6	3.8	4.9	4.3	4.1	4.3	4.4
Exchange Rate (eop, MRU/\$)	36.3	37.3	37.7	..	..	..	..
Exchange Rate (avg, MRU/\$)	35.7	36.7	37.7	..	..	..	..
GDP (nominal, million US\$)	7,051	7,601	7,817	8,112	8,431	9,057	9,428

Source: Ministry of Finance (MF), National Statistics Office, Central Bank of Mauritania (BCM), IMF, United Nations (UN) Population, World Bank Staff Calculation as of March 2021. \*The Kuwait debt worth US\$1 billion is part a loan that was contracted in the 1970s from the Kuwait Investment Authority and was not cancelled as part of the HPIC initiative. The loan is dormant as no interest or principal has ever been paid. The Mauritanian authorities are in discussions with Kuwait to cancel this debt, but no agreement has been reached yet.

<sup>6</sup> The selection of these households was based on a robust and transparent methodology that benefitted from extensive technical assistance from the World Bank.

<sup>7</sup> The large non-tax revenues in 2020 stemmed from dividend payments from SOEs (reflecting last year's performance) and the increase in gasoline excise revenues as a result of the price differential between lower international oil prices and the fixed domestic prices at the pump.

**Table 3: Key Fiscal Indicators and Financing table (2018-2024)**

Fiscal (% of GDP)	2018	E2019	E2020	P2021	P2022	P2023	P2024
Total Revenues	22.6	20.6	21.5	19.7	19.9	20.5	20.4
Revenues excluding extractives and Grants	19.0	17.4	17.5	17.0	17.6	17.5	17.6
Tax Revenues (excl. extractives)	14.0	12.8	11.7	12.2	12.7	12.9	13.1
Income and corporate tax	4.4	4.2	4.5	4.2	4.3	4.4	4.5
Tax on goods and services	7.2	6.3	5.2	5.9	6.2	6.2	6.3
Tax on trade	2.6	2.2	1.9	2.1	2.2	2.3	2.3
Other taxes	0.0	0.0	0.1	0.0	0.0	0.0	0.0
Non-tax revenues	4.9	4.6	5.8	4.8	4.9	4.6	4.5
Revenues from fishing	2.9	3.0	2.5	2.7	3.0	3.0	3.0
Dividends from SOEs	0.5	0.3	0.5	0.3	0.3	0.3	0.3
Special Accounts	0.4	0.8	2.0	1.3	1.1	0.8	0.7
Others	1.2	0.5	0.8	0.5	0.5	0.5	0.5
Extractive Revenues	3.1	1.6	1.9	2.1	1.8	2.5	2.4
Mining Revenues	0.6	1.0	1.7	1.9	1.4	1.2	1.0
Petroleum and Gas Revenues	2.5	0.7	0.2	0.2	0.4	1.3	1.4
Grants	0.5	1.6	2.2	0.6	0.5	0.5	0.4
<i>of which World Bank budget support</i>	0.0	0.7	0.9	0.4	0.4	0.0	0.0
Total Expenditure	20.1	18.5	19.5	21.4	20.5	20.7	20.4
Recurrent Expenditures	12.9	11.6	12.6	13.4	12.4	12.4	12.1
Wage Bill	5.6	5.5	5.7	5.7	5.7	5.8	5.8
Goods and Services	2.5	2.4	2.5	2.8	2.6	2.6	2.6
Transfers and Subsidies	2.4	1.7	2.2	2.8	2.0	1.9	1.8
Interest Payments	1.2	0.9	1.1	1.1	1.1	1.1	0.9
external (before DSSI)	1.0	0.8	1.0	0.9	0.9	0.9	0.8
domestic	0.2	0.2	0.1	0.2	0.2	0.2	0.1
Others	1.1	1.1	1.1	1.0	1.0	1.0	1.0
incl. special accounts	0.4	0.5	0.5	0.7	0.7	0.7	0.7
Capital Expenditure	7.2	7.1	6.9	8.0	8.1	8.3	8.3
through external resources	1.1	1.6	1.8	1.8	1.8	1.9	1.8
through domestic resources	6.1	5.4	5.1	6.2	6.3	6.4	6.5
Restructuring & net lending	0.1	-0.2	0.0	0.0	0.0	0.0	0.0
Primary balance (excl. extractives and grants)	0.0	-0.2	-0.8	-3.3	-1.8	-2.1	-1.9
Primary balance (excl. extractives)	0.5	1.4	1.3	-2.7	-1.3	-1.6	-1.5
Primary balance (excluding grants)	3.2	1.4	1.0	-1.2	0.0	0.5	0.5
Primary balance	3.6	3.0	3.2	-0.6	0.5	1.0	0.9
Fiscal balance (excluding extractives and gra	-1.2	-1.2	-2.0	-4.4	-2.9	-3.2	-2.8
Fiscal balance (excluding extractives)	-0.7	0.4	0.2	-3.8	-2.4	-2.7	-2.4
Fiscal balance (excluding grants)	1.9	0.5	-0.1	-2.3	-1.1	-0.6	-0.4
<b>Fiscal balance (A)</b>	<b>2.4</b>	<b>2.0</b>	<b>2.0</b>	<b>-1.7</b>	<b>-0.6</b>	<b>-0.1</b>	<b>0.0</b>
<b>Financing sources (B)</b>	<b>-2.4</b>	<b>-2.0</b>	<b>-2.0</b>	<b>1.7</b>	<b>0.6</b>	<b>0.1</b>	<b>0.0</b>
Domestic	0.6	-1.8	-4.7	0.2	1.4	2.1	1.8
Banking	0.0	-1.5	-3.3	0.1	1.0	1.4	1.0
Treasury	0.3	-1.9	-6.8	0.0	0.0	0.0	-0.6
Central Bank	-0.2	0.0	3.9	0.1	0.5	0.7	0.8
Commercial Banks	0.0	0.4	-0.3	0.1	0.5	0.7	0.8
Nonbanks	0.2	0.0	-0.1	0.1	0.5	0.7	0.8
Domestic arrears	0.0	0.5	-0.4	0.0	0.0	0.0	0.0
Other	0.4	-0.9	-0.8	0.0	0.0	0.0	0.0
External	-3.2	-0.2	2.6	1.5	-0.8	-2.0	-1.9
Hydrocarbon	-1.2	1.3	0.2	0.0	-0.1	-0.3	-0.4
Borrowing (net)	-1.9	-1.5	-1.2	0.1	-0.6	-1.4	-1.2
DSSI /1	0.0	0.0	1.3	1.1	-0.1	-0.2	-0.2
IMF	0.0	0.0	2.4	0.3	0.0	0.0	0.0
<b>Financing gap (C)= (A) + (B)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Source: MF, World Bank Staff Calculation as of March 2021. 1/ Includes both interest and principal saved from DSSI.

**12 The Government continued to implement reforms to further simplify and modernize the tax system while increasing fiscal transparency.** The tax base has been expanded through regular updates of the taxpayer registry and by limiting the number of inactive taxpayer identification numbers. In addition, the authorities created a new risk management unit at end-2019, to analyze and use all available information to identify unregistered or wrongly classified large and medium-size businesses. In July 2020, the Government digitalized customs exemptions and updated the ASYCUDA system, which will allow better monitoring and control of exemptions and accelerated treatment of customs data. To strengthen



fiscal transparency, in line with the governance framework supported as part of the COVID-19 Emergency DPO (P174155), the MF has been publishing bi-monthly reports on its website that detail all revenues and spending done as part of the COVID-19 Emergency Fund. They also published information on public procurement contracts awarded related to the COVID-19 response.<sup>8</sup> Moreover, the authorities have also published comprehensive budgeted and executed BOOST expenditure data from 2009 to 2020, supported by the Mauritania Public Expenditure Review (PER) carried out by the World Bank (P174787).<sup>9</sup>

**13 The debt to GDP ratio remained roughly stable in 2020.** It increased marginally from 73.4 percent in 2019 to 73.5 percent in 2020. The increase in debt due to concessional borrowing from donors to mitigate the impact of the crisis was offset by lower debt financing needs because of the primary surplus and higher nominal GDP growth reflecting favorable ToT. Given that 61.7 percent of Mauritania’s external debt is owed to multilateral creditors on concessional terms, interest payments on external debt were manageable, at about 4.1 percent of government revenue (excluding grants) in 2020. Commercial debt related to phase 1 of the Grande-Tortue/Ahmeyim (GTA) Project remain extremely small at only 0.5 percent of GDP. However, as 88 percent of the public debt is denominated in foreign currency, the vulnerability of the debt to exchange rate risks remains very high.

**14 The Government is participating in the DSSI and is on track to implement the three Performance and Policy Actions (PPAs) for under the Sustainable Development Financing Policy (SDFP).** As part of the DSSI, Mauritania benefitted from US\$ 99 million (1.3 percent of GDP) in May-December 2020 and expected to benefit from US\$125 million in 2021. Despite shortcomings, recent efforts have been made to improve debt management and transparency as part of the SDFP. To increase debt transparency, the authorities published the first debt bulletin in December 2020 (PPA1).<sup>10</sup> The Government also committed to maintaining its prudent debt management policy, by not acquiring non-concessional loans (PPA2). Finally, to strengthen fiscal sustainability, the Government established in April 2021 an institutional framework to respond to food insecurity shocks that could emanate from droughts (PPA3 and PA#7 of this operation).

**15 The economic slowdown negatively affected the banking sector.** Credit growth fell from 12 percent in 2019 to 2.7 percent in 2020, driven by the subdued economic activity in key sectors like fishing, trade, and transportation. Non-performing loans (NPLs) rose to 26 percent of total loans in September against 22 percent at end-2019. Although banks remained well-capitalized, the overall capital adequacy ratio declined to 21 percent in September against 25 percent at end 2019. To preserve capital and banks’ soundness, the BCM encouraged the suspension of dividend payments and requested banks to reassess their credit portfolio and counterpart risk and to closely monitor the impact of the COVID-19 crisis on credit quality.

**16 In 2020, the BCM consolidated efforts made in 2019 to maintain exchange rate stability and deepen the foreign exchange market.** The exchange rate was less volatile in 2020 with a slight depreciation against the Euro. Although the real exchange rate is not significantly misaligned, further efforts are needed to adopt a more flexible exchange rate mechanism to enable Mauritania to better

<sup>8</sup> <https://tresor.mr/fr/afficher.php?tb=IKesq5qj&id=amY=>

<sup>9</sup> <http://boost.budget.mr/>

<sup>10</sup> [http://www.dde.mr/?page\\_id=707&lang=fr](http://www.dde.mr/?page_id=707&lang=fr)



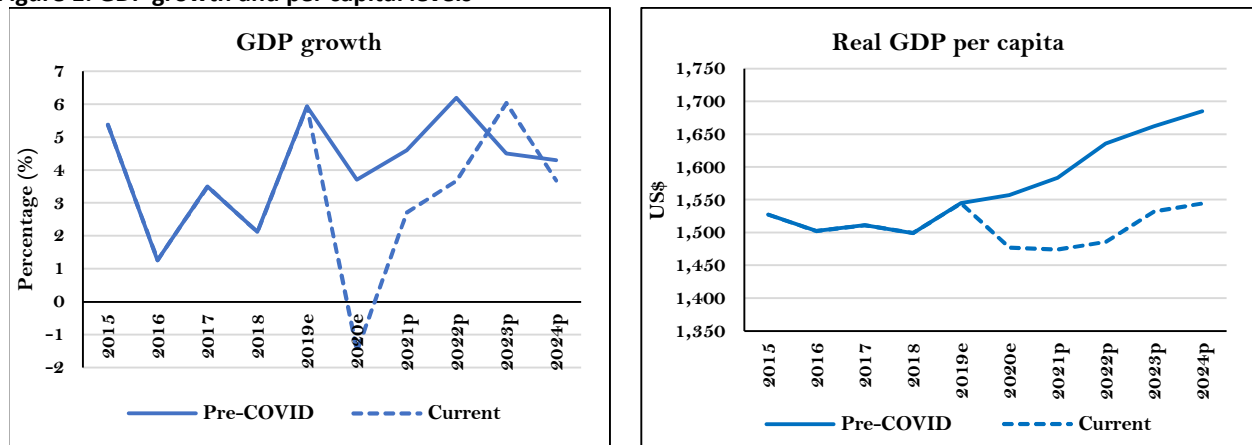
respond to external shocks. In this context, the BCM has carried out reforms to develop the foreign exchange and interbank markets with the support of the IMF. Changes include removing the weekly ceiling on internal foreign currency transfers for customers of the same bank and eliminating the obligation to go through the official foreign exchange market. Similarly, the BCM changed the method of calculating the reference exchange rate by adopting the weighted average exchange rate of rates settled on the official foreign exchange market.

**17 The BCM also tightened banking sector regulations to improve banks’ soundness and resilience to shocks.** With support from IMF’s TA, new capital adequacy and liquidity ratios in line with Basel III standards were introduced in January 2020. As a result, banks were due to meet the new minimum capital requirement, higher by two-thirds, by March 2020. As of December 2020, all banks comply with the new Basel III solvency standard in its two components: core capital ratio (7.5 percent) and equity capital ratio (10 percent). Out of 18 banks, only two do not meet the new requirement to build up a capital conservation buffer of 2.5 percent. Finally, to improve the monitoring of credit risks, the BCM now integrates a credit score in borrower’s credit reports (companies and individuals), to facilitate the evaluation, by the credit institutions, of the repayment capacity of the borrowers.

## 2.2. MACROECONOMIC OUTLOOK AND DEBT SUSTAINABILITY

**18 In the medium term, growth is projected to gradually recover, with real GDP per capita projected to return to its 2019 pre-crisis level by 2024.** GDP growth is projected to recover gradually to 2.7 percent in 2021, driven by a rebound in services, particularly, as households and businesses adapt to operating in the pandemic, and the gradual vaccine roll-out started on March 26 (Figure 1). Growth is expected to accelerate further in 2022-2023, assuming a continued pick-up in services, coupled by increased mining production and a rebound in fish exports as global demand recovers post-pandemic. The financial and ICT sectors are expected to benefit from the reforms supported by this DPF series to unleash digital finance and expand access to ICT services. Construction is also expected to support this recovery thanks to increased public investment in line with the Government’s recovery plan (see section 3 for details). Despite this acceleration, real GDP per capita will not return to its 2019 level before 2024, given a high yearly population growth of about 2.8 percent.

Figure 1: GDP growth and per capital levels



Source: National Statistics Office and World Bank Staff Calculations as of March 2021



**19 The external position is expected to improve with the recovery of global demand and the increase in extractive exports.** In 2021, the recovery in global demand will boost export demand, particularly for Mauritanian fish. Stronger production of iron ore and gold will also contribute to increased exports. However, the CAD will widen to 14.6 percent of GDP, driven by the increase in capital imports related to the development of the GTA gas project. The CAD is then expected to shrink to about 5 percent of GDP by 2024 as hydrocarbon exports come on stream in 2023 and mining production ramps-up. FDI related to the extractive industry and concessional borrowing will continue to be the key sources of financing (Table 4). Thus, reserves are expected to remain above 4 months of imports over the outlook period.

**Table 4: Balance-of-Payments (BoP) Financing Requirements and Sources (2018 – 2024)**

in Million US\$	2018	E2019	E2020	P2021	P2022	P2023	P2024
<b>Financing Requirements</b>	<b>1,092</b>	<b>1,089</b>	<b>1,046</b>	<b>1,366</b>	<b>1,443</b>	<b>917</b>	<b>843</b>
Current Account Deficit	976	831	861	1,184	1,142	614	480
External Public Debt Amortization	275	276	185	182	301	303	363
<i>of which: amortization of Saudi Arabia</i>	9	9	9	0	0	69	67
Other Short Term Capital Outflows	0	0	0	0	0	0	0
Errors and Omissions	-159	-19	0	0	0	0	0
<b>Financing Sources</b>	<b>1,092</b>	<b>1,089</b>	<b>1,046</b>	<b>1,366</b>	<b>1,443</b>	<b>917</b>	<b>843</b>
FDI and portfolio investments (net)	772	884	958	1,100	1,076	830	730
Capital Grants	0	0	0	0	0	0	0
Short term debt disbursements	0	0	0	0	0	0	0
Long term debt disbursements (excl. IMF)	253	316	317	355	348	295	310
Other sources (*)	111	-158	-164	-191	-29	-112	-173
Deposit from Saudi Arabia at the Central B	0	0	0	0	0	0	0
Change in reserves (- means accumulation)	-70	-156	-388	7	59	-33	-21
SNIM medium- and long-term loans	-63	-64	43	-15	-2	-43	17
Drawdown of oil account (- means accumulat	-93	85	0	0	0	0	0
DSSI	0	0	99	86	-10	-19	-19
IMF	182	182	182	24	0	0	0

(\*) Includes SNIM disbursement, commercial banks and exceptional financing. Source: BCM, IMF World Bank Staff calculations as of March 2021.

**20 Despite some pressures in 2021, the fiscal position is expected to remain strong over the outlook period.** The primary balance (excl. grants) is projected to turn from a surplus of 1 percent of GDP in 2020 into a deficit of 1.2 percent of GDP in 2021. The worsened fiscal position will be driven by increased current spending as the Government ramps up its social spending, particularly on health and social safety nets. This will be coupled with higher public investments in line with the authorities' recovery plan. The Government is also committed to improving the efficiency of public spending in line with the recommendations of the Public Investment Management Assessment (PIMA, IMF 2020) and recently concluded PER (World Bank 2021). On the revenue side, increased tax revenues, reflecting the economic recovery and the removal of COVID-related tax exemptions on basic food products, will be offset by lower non-tax revenues from an increase in oil prices. Over the medium term, the primary balance will return to a surplus, as the Government unwinds COVID-19 spending measures, mining revenues increase, gas inflows start in 2023, and reforms to strengthen tax revenue mobilization continue, putting the debt-to-GDP ratio back on a downward trend starting in 2022.

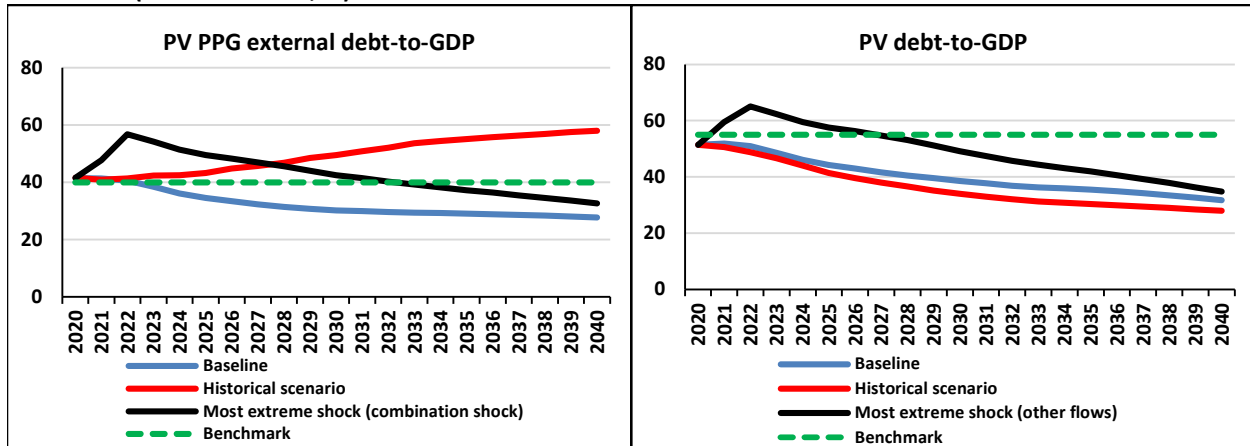
**21 The financing support that the international community provided in 2020 will continue in 2021 to help Mauritania weather the COVID-19 crisis and support its recovery.** In addition to World Bank's budget support of US\$ 70 million (1 percent of GDP), donors provided additional financing that helped



support fiscal stability in 2020. This included US\$182 million (2.3 percent of GDP) from the IMF (RCF + ECF), and additional grants in the form of direct budget support from the European Union (EU) (US\$ 13.2 million or 0.2 percent of GDP), the African Development Bank (AfDB) (US\$ 10 million or 0.1 percent of GDP) and the French Agency for Development (US\$ 2.8 million or 0.04 percent of GDP). Mauritania also received US\$ 99 million (1.3 percent of GDP) in debt service relief under the DSSI in 2020. In 2021, Mauritania expects to receive financing from the IMF (US\$ 24 million or 0.3 percent of GDP), the World Bank (US\$ 30 million or 0.4 percent of GDP from this operation) and US\$ 86 million (1.1 percent of GDP) from the DSSI extension between January and June 2021.

**22 Public debt is sustainable, but the risk of external and overall debt distress remains high despite consecutive primary surpluses since 2016.** The joint World Bank-IMF Debt Sustainability Analysis (DSA) of September 2020 concluded that Mauritania remains at a high risk of debt distress due to two factors.<sup>11</sup> First, the Present Value (PV) of Public and Publicly Guaranteed (PPG) external debt-to-GDP is projected to remain slightly above the 40 percent threshold in 2020-2022 (Figure 2).<sup>12</sup> Second, the external debt service-to-revenue ratio will breach its 18 percent threshold in 2020-2026. These breaches reflect the legacy of non-concessional external borrowing for public investments in 2009-2014 and the sharp depreciation that was needed in 2014-2015 to respond to the commodity price shock. However, external and public debt are assessed to be on a sustainable path as they are projected to follow a steady downward trend in the long run. The DSA highlights the need to follow prudent economic policies, including a strategy that avoids non-concessional borrowing and relies instead on grants and concessional financing.

Figure 2: Indicators of PPG External Debt (left chart) and Public debt (right chart) under Alternative Scenarios, 2020–2040 (Percent of GDP, %)



<sup>11</sup> The macroeconomic environment is more favorable than the September 2020 DSA. Growth, the fiscal balance and the current balance (both as a ratio of GDP) are respectively 0.5, 0.7 and 2.8 pp higher in 2020-2023, while inflation and the debt to GDP ratio are 1.2 and 6 pp lower. In addition to the improved macroeconomic environment, Saudi Arabia provided an additional three-year grace period for its \$300 million deposit (3.7 percent of GDP) at the BCM (now to be amortized over 2024–2028 instead of 2021-2025) and reduced the interest rate from 3 percent to 2 percent.

<sup>12</sup> SOE debt is not included in the public debt baseline of the DSA since it's not guaranteed by the Government. However, the Mauritania Fiscal Risks ASA (P172549) quantified this debt at 17.3 percent of GDP. This number was added to the combined contingent liability stress test in the September 2020 DSA. The latter underscores the importance of these contingent liabilities by becoming the most extreme shock for all three ratios used to monitor the evolution of total public debt.



Source: World Bank-IMF DSA, September 2020.

**23 The reform momentum to strengthen monetary and exchange rate policies is expected to continue in 2021 and over the medium term.** The authorities remain committed to completing the foreign exchange market reforms initiated under the IMF program by establishing an interbank foreign exchange market and introducing regular competitive auctions to improve access to foreign currency. The BCM will also continue to develop its operational framework for monetary policy. To that end, it will implement an integrated technical platform for monetary policy operations with support from the AfDB.

**24 The macroeconomic outlook is subject to COVID-19-related downside risks.** Uncertainties regarding the duration of the pandemic, the speed of the vaccine roll-out domestically, and the pace of global recovery cloud medium-term prospects. To quantify these risks, a downside scenario was prepared (Table 5). In this scenario, GDP growth decelerates to 0.7 percent in 2021 and takes longer to recover. The most severe impacts are transmitted through further negative shocks to demand (especially through private investment and consumption) and a further collapse in services. As the recession deepens, tax revenues would shrink and social transfers to protect vulnerable households would increase. Consequently, the fiscal deficit would widen to 3.1 percent of GDP in 2021 and debt would rise. Additional pressures on the external position would stem from lower fish exports, reduced external demand, and further reduction or delays in gas related FDI inflows. The 2021 CAD would deteriorate to 15.8 percent of GDP. If the downside risk materializes, the authorities’ first line of defense will be to use the large reserves accumulated in 2020 of US\$388 million without significantly affecting the external position as reserves in months of imports would still be at 3.6 months of imports in 2021. In addition, they may also consider drawing down the balance of the national hydrocarbon fund (FNRH), which has about US\$74 million in savings.

**Table 5: Selected economic indicators under Baseline and Downside Scenarios**

	2019e	2020e	2021p	2022p	2023p	2021p	2022p	2023p
			Current Baseline			Downside		
Real GDP growth	5.9	-1.5	2.7	3.7	6.0	0.7	2.7	3.9
Per capita real GDP growth	3.1	-4.2	-0.1	0.9	3.2	-2.2	-0.2	0.9
CPI Inflation	2.2	2.4	2.6	3.0	3.5	2.9	3.3	3.8
Total Revenues, of which	20.6	21.5	19.7	19.9	20.5	18.6	19.2	19.2
Tax Revenue	12.8	11.7	12.2	12.7	12.9	11.7	12.4	12.8
Non-tax revenues	4.6	5.8	4.8	4.9	4.6	4.3	4.6	4.5
Total Expenditure	18.5	19.5	21.4	20.5	20.7	21.8	20.8	20.3
Budget balance	2.0	2.0	-1.7	-0.6	-0.1	-3.1	-1.6	-1.0
Primary balance	3.0	3.2	-0.6	0.5	1.0	-2.1	-0.5	0.2
Current account balance	-10.8	-11.0	-14.6	-13.5	-6.8	-15.8	-15.1	-12.2
Public debt	73.4	73.5	72.9	71.5	67.9	74.4	74.0	70.9

Source: World Bank staff estimates as of March 2021.

**25 Risks beyond COVID-19 could also weigh down on the outlook.** Domestically, failures of reform implementation would undermine non-extractive growth prospects. In addition, fiscal risks could arise from contingent liabilities associated with State-Owned Enterprises (SOEs). At the external level, higher international oil prices and/or lower iron and gold prices, combined with lower FDI due to further delays in the start of the GTA project, would adversely affect the fiscal and external positions. Regional insecurity risks in the Sahel and Western Sahara remain another concern that could affect the economy. Mauritania is also exposed to recurring cycles of droughts that impact agricultural output and household income. To help mitigate these risks where possible, this operation will support the Government in establishing a



permanent system for shock-responsive social protection, which provides a common institutionalized governmental framework to plan, coordinate, and monitor the different responses.

**26 The macroeconomic framework is adequate for this operation.** Growth is expected to gradually recover as the pandemic recedes, driven by a recovery in private consumption and FDI coupled with a pick-up in fish and extractive exports. Inflation will remain contained below 4 percent over this period. The Government is committed to returning to primary fiscal surplus as conditions normalize, while prioritizing social spending and efficient public investments. This, coupled with the zero non-concessional borrowing limit under the SDFP, would help maintain public debt on a sustainable path. This is further supported by the Government's very strong track record of prudent macroeconomic policy prior and during the COVID-19 crisis. The external CAD is financed with substantial extractive FDI inflows supporting a continued buildup of international reserves.

### 2.3. IMF RELATIONS

**27 On March 3, 2021, the IMF board completed the sixth and final review of the ECF program.** The four-year (2017-2021) program was agreed to in December 2017 for a total amount of US\$ 167 million. Mauritania's performance has been strong, and the program has helped to improve fiscal balances, stabilize debt, increase foreign exchange reserves, and implement institutional reforms in the fiscal, monetary, and financial sector policy areas. Earlier last year, the IMF disbursed US\$ 130 million under the RCF to help the authorities respond to the pandemic. The authorities have expressed a strong interest in continuing their medium-term collaboration with the IMF after the program expired and are currently negotiating a successor program with the IMF. The World Bank and the IMF have been closely collaborating and regularly exchanging views on the adequacy of the macroeconomic framework and the status of the reform agenda, including in the context of the COVID-19 response.

## 3. GOVERNMENT PROGRAM

**28 The SCAPP (2016-2030) guides medium-term economic and social policy in Mauritania.** The SCAPP aims to achieve strong, inclusive and sustainable economic growth to improve the livelihood of all citizens in line with the 2030 Sustainable Development Goals. This vision is built around three pillars: (a) promoting strong, inclusive, and sustainable growth; (b) developing human capital and access to basic social services; and (c) strengthening governance in all its dimensions. The strategy highlights the need to recalibrate the country's development toward a more robust and vibrant private sector, efficient digital infrastructure that is accessible to all, and a climate-resilient economy with quality education and market-relevant skills.

**29 In response to the pandemic, the Government took measures to preserve lives and livelihoods (Annex 5) and, in September 2020, presented a new priority program (ProPEP) to support the recovery and boost long-term inclusive growth in 2021–2022.** Building on the SCAPP, the recovery program aims to focus on social sectors, infrastructure, support to agriculture and fishing, aid to businesses, and environmental interventions. This plan, whose total cost is estimated at MRU 24.2 billion (about US\$ 645 million or 8.2 percent of GDP) which would part of the 2021-2022 budgets. It is centered around the need to strengthen the role of the private sector as an engine for inclusive growth and develop digital



infrastructure for better service delivery. The recovery plan also stresses the importance of pursuing reforms to improve the quality and inclusiveness of the education system and to create new green jobs.

#### 4. PROPOSED OPERATION

##### 4.1. LINK TO GOVERNMENT PROGRAM AND OPERATION DESCRIPTION

**30** This DPF series aligns with the Government’s development objectives of boosting private sector led growth, building the foundations of an inclusive digital economy, and strengthening human capital. The operation is designed to support reforms in the areas of private sector and digital 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 this DPF and is therefore considered in the design of all reforms. All these priorities are key building blocks of the Government’s post-COVID-19 recovery plan. Hence, this operation can be viewed as part of the national development plan and responds to the Government’s priorities in Building Back Better (BBB) after the pandemic.

**31** The reform framework supported by the DPO aims at strengthening the business environment, accelerating the development of digital broadband services, while increasing climate resilience and human capital for private sector led growth. In particular,

- **Pillar 1 supports reforms to improve environment and strengthen financial inclusion.** The focus is to improve the enabling environment for business and investment. To achieve this goal, reforms will strengthen SME access to finance and to an efficient and transparent commercial justice system, facilitate and improve the restructuring and liquidation processes of businesses under financial distress, and develop a legal framework to enable the use of digital financial services.
- **Pillar 2 supports reforms to development competitive and inclusive broadband services.** The objective is to lower costs and increase quality and access to ICT services. Proposed reforms include opening the internet wholesale and retail markets to competition, promoting access to dominant operators’ essential infrastructure, and boosting sustainable financing to ICT projects in underserved areas, especially rural ones.
- **Pillar 3 supports reforms to strengthen human capital and promote climate resilience.** To improve the quality and relevance of basic education and vocational training and strengthen resilience to climate-related shocks, the Government is implementing reforms to increase the autonomy of schools and teachers’ competences, boost the relevance of vocational training and align it with labor market demands, and establish an institutional framework to efficiently respond to food insecurity and climate-related shocks.

**32** The design of the DPF series reflects the Government’s commitments, its underlying capacity constraints, and integrates cross-cutting considerations including gender, climate change, and private capital mobilization (PCM). The prior actions and triggers, while demanding, take into account the Government’s limited administrative resources and focus on the areas expected to deliver the greatest development impact. Proposed policy actions are thoroughly grounded in recent analytical work and extensive policy dialogue (Annex 6) and leverages ongoing WBG projects and complementary TA



discussed in section 4.5. Reforms under this operation also integrate climate change, gender equality, and PCM as cross-cutting themes across different policy areas.

**33 The operation builds on lessons learned from the Implementation Completion and Results Report (ICRR) of the previous DPF series “Fiscal Consolidation and Private Sector Reforms” in 2016 (P160592) and 2017 (P163057).** The ICR revealed that ensuring strong Monitoring and Evaluation (M&E), having strong ownership from the Government, and supporting reforms with existing TA or World Bank projects are critical to ensure success. As a result, this operation incorporates the following lessons learned. First, it ensures that each result indicator is well defined and was agreed to by the Government entities responsible for the M&E of the policy actions. Second, an inter-departmental implementation committee has been created by the Government to maximize coordination and mitigate capacity constraints (see section 5.4). Third, each pillar of this program is anchored in strong sectoral dialogue with the authorities through complementary ongoing projects and/or TA.

## 4.2. PRIOR ACTIONS, RESULTS AND ANALYTICAL UNDERPINNINGS

### ***Pillar 1 – Improving the business environment and strengthening financial inclusion***

*Prior Action # 1: To improve access to reliable information on companies and collateralized assets, the Recipient’s Council of Ministers has approved a decree regulating the organization and the functioning of the local and central business and collateral registries.*

*Prior Action #2: To improve the efficiency, reliability, and transparency of the creditor and debtor regimes, the Recipient has promulgated amendments to the Insolvency Law section of the Commercial Code.*

*Prior Action #3: To increase financial inclusion and encourage banking and non-banking actors to offer electronic money and payment services, the Recipient’s Council of Ministers has submitted to Parliament a draft law on electronic payment services and means of payment.*

#### *Background*

**34 A conducive environment for SMEs is key for Mauritania’s economic growth, diversification, and job creation agenda in the post pandemic era.** Although Mauritania improved its ranking on the DB by 24 positions during the period 2015-2020, the business environment remains challenging and below its potential considering the country’s income level (World Bank, 2019).<sup>13</sup> Mauritania currently ranks 152 out of 190 economies (DB, 2020). According to the latest World Bank Enterprise Survey in 2014 (latest available data), SMEs in Mauritania account for more than 80 percent of formal enterprises and will therefore be a key driver of future growth and job creation. However, important bottlenecks prevent contributions to productivity growth. These include strong state presence in the economy, anti-competitive regulations and practices, limited access to finance, a local workforce with limited skills, the prevalence of corruption, and inefficient commercial justice system.

<sup>13</sup> <http://documents.worldbank.org/curated/en/424311558627037610/pdf/Ameliorer-le-climat-des-affaires-pour-favoriser-le-developpement-du-secteur-prive.pdf>



**35 An ineffective commercial justice was a major constraint to private sector development.** Large parts of the commercial justice system created important legal uncertainties for businesses, disproportionately affecting SMEs.<sup>14</sup> These include lengthy processing times, lack of homogeneity in the follow-up of procedures, lack of traceability, and an underdeveloped practice of insolvency procedures. More than 40 percent of Mauritanian firms consider the judicial system a major constraint to their activities in 2014 (Enterprise Survey). This is double the percentage found across SSA. Moreover, the Global Competitiveness Index (GCI) 2017-2018 highlighted that Mauritania lagged behind on the efficiency of the legal framework in settling disputes (ranked 130/137 in GCI). In addition to weak insolvency procedures, Mauritania also lacked an effective business and collateral registries. The country obtained a score of 2/12 on the strength of legal rights index regarding its collateral registry compared to an average of 5.1/12 in SSA according to the DB data. The unsatisfactory status of the commercial register did not constitute a reliable and transparent source of information for commercial justice while facilitating research on parties in litigation or during bankruptcy proceedings, nor on companies and collateralized assets, thus significantly hampering confidence of businesses and access to finance (FSAP, 2013).<sup>15</sup>

**36 Limited access to finance is another major obstacle to private sector growth in Mauritania, particularly for women.** For years, the lack and high cost of credit have been consistently cited by businesses as the most problematic obstacle for DB (World Bank Enterprise Survey and WEF's Executive Opinion Survey). Even though 88 percent of firms had a current or savings account, only 32 percent had access to a credit line and only 13 percent use the banking sector to finance their investments in 2017. In fact, Mauritania is one of the least financially inclusive countries in the world, with the percentage of people with an account in a financial institution declining from 23 percent in 2014 to 21 percent in 2017, in contrast to the rising trend globally.<sup>16</sup> Financial constraints particularly affect Mauritanian women, with only 16 percent of women having access to a bank account compared to 26 percent of men.

**37 Mauritania is also far behind in terms of adopting digital financial services, despite significant potential.** In 2017, Mobile Money (MM) was underdeveloped with only 4 percent of the adult population owning an MM account compared to the 21 percent average for SSA countries. This is not surprising given the country's weak MM enabling environment, especially as Mauritania was ranked last in the world on the 2019 MM Regulatory Index.<sup>17</sup> This is even though the mobile penetration rate is 104 percent, creating an environment conducive for the development of electronic money and digital financial services. Mauritania is also facing a gender gap in terms of access to digital finance with only 1.6 percent of women as opposed to 3.1 percent of men having used a mobile phone or the internet to make a financial transaction in 2017.

#### *Progress since DPF1*

**38 As part of the first year of the DPF program, important foundational steps were taken to**

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<sup>14</sup> For the purposes of this operation, "commercial justice" is used in a broader sense, encompassing all interactions between businesses and the judiciary, including the business and collateral registry, as well as alternative dispute resolution mechanisms.

<sup>15</sup> <http://documents1.worldbank.org/curated/en/833841468283142553/pdf/793310ESW0MR0P00PUBLIC00Box0377373B.pdf>

<sup>16</sup> <https://openknowledge.worldbank.org/handle/10986/33803>

<sup>17</sup> MMRI/ <https://www.gsma.com/mobilemoneymetrics/#regulatory-index>



**improve SMEs' business environment.** The Government revised the arbitration law to bring it into line with international standards, enabling firms to reach faster and simpler settlements of disputes and complementing the commercial justice system. This reform was paired with the adoption of a new framework for mediation, thus providing Mauritania with a comprehensive legislation on Alternative Dispute Resolution (ADR) mechanisms. These ADR reforms have provided an alternative to state commercial justice and should alleviate the number of cases in commercial courts. The Government also has set up a formal public-private institutional framework to strengthen the preparation, implementation, and evaluation of investment climate reforms, including reforms of the insolvency law and modernization of the business and collateral registry. Moreover, the central bank has set as a condition for companies requesting financial commitment from a commercial bank to show a receipt proving that it had filed its financial statements at the business registry. The number of requests made at the business and collateral registry has unfortunately not increased since the computerization of the registry encountered delays in the procurement process and slowdown in public administration activity due to COVID-19.

*Prior Actions and Indicative Triggers*

**39 This second operation (DPF2) supports structural reforms to modernize the business and collateral registries managed by the commercial courts, expand credit to firms, and boost digital financial inclusion.** In particular, this operation supports three prior actions:

- i. Prior Action 1 streamlines the organization and the functioning of the local and central business and collateral registries and allows for electronic registration and access to the registries. The reform supports the improvement of the overall commercial justice system as it sets the basis for the modernization and computerization of these registries, which is key to improve the quality and availability of information on businesses, and allow for an increased efficiency of commercial courts which, among other things, also oversee the registries. The line of reforms aims at facilitating access to an improved (more transparent, efficient and predictable) justice for firms.
- ii. Prior Action 2 revises the existing insolvency law to bring it in line with international best practices. The amended law strengthens and clarifies the existing procedures and adds new tools to help more firms resolve financial difficulties efficiently and effectively. The enhancements include a simplified liquidation procedure for small firms; more mechanisms to identify financial difficulty early; making amicable settlement confidential and more attractive by incentivizing provision of fresh financing; refining the procedure of judicial reorganization to group creditors into classes and establish a voting procedure; better regulating insolvency administrators. This reform will prove particularly timely in the context of the economic crisis following the COVID-19 pandemic as it introduces a fast track liquidation procedure which will assist struggling small companies liquidate as quickly as possible, enabling entrepreneurs to get back into the economy and putting the companies' assets back to productive use. In the longer term, the development of insolvency procedures will also positively impact access to finance for businesses as banks will become more confident to lend.
- iii. Prior Action 3 aims to remedy the lack of an appropriate legal and regulatory framework to increase access to digital financial services. In particular, it enables banking and non-banking actors to offer electronic money and payment services in line with international standards currently being applied by the European Central Bank (ECB) and the Central Bank of West African States (*Banque centrale des États de l'Afrique de l'Ouest*, BCEAO). This law also includes provisions for consumer protection and refers to adequate AML/FTC regulations which were recently reviewed and reinforced in Mauritania. This reform would also boost financial inclusion of women by strengthening their



engagement with the formal economy and improving their overall economic well-being as was the case in other SSA countries.<sup>18</sup> In Mauritania, financing constraints particularly affect rural households as only 1 percent of them live near a traditional bank, compared to 22 percent in urban areas (Amendola et al., 2017).<sup>19</sup> Since women account for 54 percent of the rural population, digital financial will therefore benefit women more and allow them to better access to financial services.

**40 The third operation (DPF3) is expected to complement and finalize the reforms initiated under DPF1 and DPF2.** Indicative Trigger 1 for DPF3 will support a revision of an organic law to reinforce the immutability, selection criteria, and independence of commercial judges. This reform will enhance the quality, transparency and governance of the commercial justice system through the development of a more specialized commercial justice (and body of commercial judges). Indicative Trigger 2 will improve access to credit by updating the secured transactions law. The achievement of triggers 1 and 2 is subject to parliamentary approval. Finally, Indicative Trigger 3 for DPF3 will be the adoption of the implementing legislation for the law on electronic payment services and means of payment by the BCM.

*Expected Results and complementary projects*

**41 At the end of the programmatic series, it is expected that ADRs mechanisms, the commercial justice system, and digital access to finance will all be improved.** As such, it is expected that the number of cases solved through ADR mechanisms will kickstart and rise from 0 to 3. The number of insolvency cases brought to the courts is expected to rise from 2 in 2018 to 7 in 2023. Relevant data to monitor these indicators will be provided by the International Mediation and Arbitration Center of Mauritania (CIMAM) and the Ministry of Justice. Finally, the percentage of the adult population with an electronic money account would increase from 4 percent in 2017 to 15 percent by 2023 and the percentage of women having used a mobile phone or the internet to conduct a financial transaction would increase from 1.6 percent in 2017 to 15 percent in 2023. The underlying data for tracking this indicator will be the Findex database which is administered by the World Bank.

**42 The WBG is accompanying these reforms through ongoing TA and lending projects.** Reforms under this pillar are supported by the International Finance Corporation (IFC) Investment Climate and Entrepreneurship Advisory Program (#601022) which provides TA and capacity building required for the formulation and implementation of all planned reforms related to the business environment. Moreover, the Financial and Private Sector Inclusive Growth advisory services and analytics (P172368) is providing TA to the Central Bank on the financial inclusion digital agenda. All these projects complement ongoing IMF-TA on revenue administration and access to finance, notably linked to the insolvency law and the banking sector, as well as several initiatives on justice supported by the EU and the French Development Agency.

**Pillar 2 – Developing competitive and inclusive broadband services**

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<sup>18</sup> In Kenya, when women-headed households adopted mobile money, poverty dropped, savings increased, and they secured higher paying positions in business and retail over those in agriculture. See Tavneet Suri and William Jack, “The long-run poverty and gender impacts of mobile money,” *Science* 354, no. 6317 (December 2016): 1288–1292. <https://doi.org/10.1126/science.aah5309>

<sup>19</sup> <http://ccsenet.org/journal/index.php/ijbm/article/view/69997>



*Prior Action #4: To increase competition on the retail and wholesale broadband markets, the Recipient's telecom regulator (ARE) has adopted and published a new regulation policy for attributing authorizations to new internet service providers.*

*Prior Action #5: To better regulate access to the dominant operators' essential infrastructure, the Recipient's telecom regulator (ARE) (i) has adopted and published two decisions that set the technical and financial conditions under which dominant players must rent access to their digital infrastructure for competitors, and (ii) has approved the dominant players' wholesale catalogs.*

*Prior Action #6: To improve the institutional mechanisms and involve the private sector in the governance of the digital sector, the Recipient has adopted a decree and two arrêtés, establishing and operationalizing the High Digital Council.*

### Background

**43 The proposed program aims at supporting the development of inclusive and competitive broadband infrastructure services and accelerate digital transformation which became more urgent after the pandemic.** The expansion of digital technologies offers a unique chance to accelerate economic development by opening new channels for rapid, innovative and productive jobs (World Bank, 2016 and 2020).<sup>20</sup> The COVID-19 crisis has shown that ensuring universal broadband connectivity, including its use among the poor and in rural areas is critical for an inclusive and resilient economy going forward. According to the International Telecommunications Union, 70 percent of the Mauritanian population did not have access to mobile broadband in 2017, compared to 40 percent in Morocco. The penetration of fixed broadband services internet was only 0.3 percent in Mauritania, compared to 4 percent in Morocco. Hence, the development of an inclusive and competitive broadband infrastructure would contribute to bridge existing digital divides.

**44 Regulations to promote competition in terms of open access digital infrastructure were missing and hold back the emergence of an effective broadband market.** Mauritania still does not have a fully competitive broadband market<sup>21</sup> and its current digital infrastructure is insufficient to allow for the development of a job-creating digital economy. Despite some competition between three telecom operators, the broadband market is highly concentrated with one dominant incumbent operator (Mauritel) that owns most of the strategic digital infrastructure.<sup>22</sup> This dominance stems from inefficient sector regulations that do not promote infrastructure sharing, thus impairing competition and limiting geographical access. Another challenge is the absence of regulations regarding access of telecom operators to the fiber optic networks owned by public utilities, mainly the mining company (SNIM) and the electricity utility (*Société Mauritanienne d'Électricité*, SOMELEC).<sup>23</sup> While there is excess capacity on those digital assets, open access to these networks is a challenge. The utilities are not regulated and offer

<sup>20</sup> <https://www.worldbank.org/en/publication/wdr2016>; <https://openknowledge.worldbank.org/handle/10986/32124>

<sup>21</sup> Except the three telecom players, Mauritania didn't authorize the entry of Internet service providers (ISPs) or wholesale infrastructure operators that are key for promoting competition on fixed and mobile broadband markets.

<sup>22</sup> SNIM has built a fiber optic network of 650km and SOMELEC is building a fiber optic network of about 1200km.

<sup>23</sup> In 2019, Mauritel (subsidiary of Maroc Telecom Group and partly owned by the Mauritanian State) has a 60 percent market share on the mobile voice market, 96 percent on the fixed voice market, 62 percent of the mobile internet market and 100 percent on the fixed internet market (source: Telecom regulator, ARE, 2020).



only limited access to their infrastructure at very high prices. Hence, regulating access to this fiber optic capacity would create an open access wholesale market for fiber optics and generate additional revenues for the utilities. This would also boost competition by offering alternative options to non-dominant players which are struggling to access Mauritel's fiber network.

**45 To facilitate private investment in infrastructure, especially in remote areas, this series addresses another regulation challenge pertaining to the cost of public domain occupation and the “dig once” policy.** In absence of a specific regulation, rules for authorizing telecom operators to use the public domain are not transparent and costs charged on telecom operators are excessive. In addition, and while Mauritania has a lot of ongoing/upcoming public infrastructure projects, there are no obligations imposed on constructors (i) to consult with telecom operators before starting civil works; and (ii) to deploy underground ducts for future telecom cables. Most of the cost of linear digital infrastructure projects is composed of civil works (i.e. digging). Thus, implementing a “dig once” policy would reduce the total cost of deploying new infrastructure, and facilitate private sector investment and competition.

**46 The broadband sector is also constrained by lack of financing especially for projects in underserved rural areas.** Mauritania has developed a Universal Access Fund (UAF) in 2001 to expand access to digital, electricity, and water services in remote areas. The fund is a public financing instrument utilizing the revenues from a 3 percent tax levied on telecom operators, yielding around US\$6 million annually. However, the UAF is mismanaged and under-used. While the fund is supposed to finance the deployment of broadband infrastructures and services in underserved – and hence unprofitable areas – it was never used as intended. Most of the resources have been used for the electricity and water sectors, with limited and untargeted interventions in ICT that do not respond to the needs in rural areas. Moreover, the agency in charge of carrying out these projects has been constrained by governance deficiencies, including lack of strategy and capacity, and was consequently recently dissolved. For years, the absence of a universal strategy and action plan prevented the universal access public policy to be efficiently implemented.

**47 Given these challenges, this DPF program supports the development of broadband infrastructure services by increasing competition, strengthening regulation, and activating the universal service fund program.** Increased competition in the broadband market is expected to lead to a reduction in the price of services, increased quality, improved use, and higher investments in communication infrastructure and service provision. In line with government priorities, the proposed DPF series will support critical policy actions under three policy areas: (i) opening the wholesale and retail broadband markets to competition and investments by removing specific legal and regulatory obstacles to entry; (ii) promoting private investment in digital infrastructure through regulation on infrastructure sharing, and regulatory measures aiming at reducing the cost of infrastructure deployment by telecom operators; and (iii) facilitating equitable access to ICT services by implementing effectively the universal access policy.

*Progress since DPF1*

**48 As part of DPF1, the Government managed to incentivize new entrants into the broadband market, laying the foundations for a deeper transformation of the sector.** The Government implemented a more flexible regulatory regime by modernizing the current licensing regime to open the digital sector for competition and allowing new private entrants into the broadband market. As a result, and in



anticipation of the entry of new players, internet prices have decreased significantly in 2019 and 2020. This price decrease was decided by existing telecom operators to reduce the appetite of possible new investors. Despite this decrease, and following achievement of the DPF1 reforms, telecom regulator has received more than 10 demands for new authorizations. The Government also promoted private investment in digital infrastructure by adopting legal regulations on infrastructure sharing between telecom operators allowing those firms to expand their networks while maintaining profits. The Government also adopted a National Digital Universal Service Strategy (NDUSS), including an investment plan, to frame and operationalize the universal access policy in favor of rural and underserved areas.

#### *Prior Actions and Indicative Triggers*

**49 Reforms in DPF2 are addressing key remaining sector challenges leading to a significant change in the institutional, legal and regulatory framework of the ICT sector.** In particular, this operation supports three prior actions:

- i. Prior Action 4 adopts a new regulation policy that defines the institutional guidelines (*cahier des charges specifying rights and obligations*) to facilitate technical, administrative, and operational requirements for firms wishing to enter the internet sector. This policy ensures that all internet players have access to a standard *cahier des charges* and sets the guidelines that new players need to follow to request an internet authorization. It helps to implement the new regulatory regime approved under DPF1 to boost competition in the broadband sector.
- ii. Prior Action 5 strengthens the regulation to limit monopolistic behaviors of dominant players in the broadband market. Following a deep market analysis conducted by the telecom regulator, the decrees set the technical and financial conditions under which dominant players must rent access to their digital infrastructure for competitors asking for such access. These obligations must remain in place for three years, after which a new market analysis will have to be conducted to update this regulation based on market evolution.
- iii. Prior Action 6 creates a public-private governance entity for the ICT sector High Digital Council (*Haut Conseil National du Numérique, HCN*) mandated to advise the Government on strategic sector issues and monitor the implementation of the NDUSS. This independent entity is key for two main reasons. First, composed of public and private sector actors, it would guarantee direct participation of the private sector in the governance of the ICT sector which is a weakness of the current system. Second, it is a neutral entity that can monitor and assess the implementation of the Digital and Universal access strategies and their respective projects. In terms of expected market outcomes, the effectiveness of the HCN will be mainly measured through the implementation of the digital strategies of which monitoring constitutes its first and main mission.

**50 Reforms under this pillar are supporting PCM and Maximizing Finance for Development (MFD).**

Following the achievement of Prior Action 4, several investors shown interest and submitted authorization applications to invest and operate either as Internet Service Providers (ISPs) or wholesale operators on the Mauritanian telecom market. After a thorough assessment, the telecom regulator has attributed five new authorizations to five new investors in 2021. Four out of the five authorizations are ISPs and the 5<sup>th</sup> being a wholesale fiber optic operator (SNIM) in 2021. While the authorization attribution process is being completed, some investors are starting to mobilize private capital for their investment. Based on preliminary estimations, it is projected that the entry of the five new players could generate an immediate



PCM of around US\$ 50 million over the next two years following the formal attribution of the authorizations. The set of reforms in this pillar will also help establish an open access regulation that is needed to create a wholesale infrastructure market which is expected to attract new investments in underserved areas.

**51 DPF3 is expected to complement and finalize the reform sequence to assure open access, competitive broadband markets and curb the digital divide between rural and urban areas.** Indicative Trigger 4 for DPF3 will further promote competition by regulating access of telecom operators to the fiber optic networks owned by public utilities, such as SNIM and SOMELEC. Indicative Trigger 5 for DPF3 will facilitate private investment by decreasing the cost of infrastructure deployment through the adoption of a new “dig once” law and the harmonization of right of way fees to be charged by the State/municipalities on telecom players. Finally, Indicative Trigger 6 of DPF3 will reduce the digital divide between urban and rural zones by making the best use of the Universal Service Funds’ financial resources to co-finance (along with private players) digital infrastructure expansion projects in underserved areas.

*Expected Results and complementary projects*

**52 The measures supported by this DPF series are expected to lower internet costs and increase access to ICT services in rural areas.** Following the achievement of Prior Action 4, five new Internet providers have entered the fixed internet market. This, in addition to the new dominant players regulation adopted under Prior Action 5, have boosted competition which led to a significant decrease in internet prices in Mauritania. In particular, the average monthly retail price of one-megabit fixed internet subscription dropped from US\$ 11.6 in 2017 to US\$ 5.7 in 2020 (US\$ 3.0 is targeted for 2023), while the average monthly retail price of one-megabit mobile internet subscription declined from US\$ 2.31 in 2018 to US\$ 1.6 in 2020 (US\$ 1.0 is targeted for 2023). Concurrently, the more efficient use of the Universal Service Funds’ financial resources will help further increase the percentage of rural households with access to the internet from 18 percent in 2017 to 28 percent in 2020, and to 35 percent in 2023.

**53 The reform is accompanied by the West Africa Regional Communications Infrastructure Project APL 2 (WARCIP – P123093) and related TA.** World Bank analytical products (DTIS,<sup>24</sup> SCD, CPF, and WARCIP technical notes) have produced a comprehensive assessment of the broadband market. The DPF has drawn on these analytical underpinnings to design a comprehensive medium-term program. The WARCIP, which started in 2013, will support the program through TA and will continue to help the authorities, namely the Ministry of Telecom and the Regulatory Authority (ARE), to build capacity and implement the policy actions. Moreover, WARCIP has already engaged in both direct financing and leveraging private finance to invest in backbone networks. The completion of such infrastructure, which is expected during the DPF program implementation, will boost the supply capacity of the country. Coupled with the proposed policy actions, this is expected to transform the landscape of the sector in Mauritania.

***Pillar 3 – Strengthening human capital and promoting climate resilience***

**54 To successfully seek productive job opportunities, human capital needs to be resilient and endowed with the right skills.** To this end, reforms under Pillar 3 aim at strengthening human capital

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<sup>24</sup> DTIS refers to Diagnostic Trade Integration Study.



through providing effective and Adaptive Social Protection (ASP) to better respond to climate-related shocks while improving the quality and relevance of basic education and vocational training.

### 3.1 ASP to better manage the impact of climate-related shocks

*Prior Action #7: To better manage the impact of climate-related shocks, the Recipient has adopted a decree establishing the institutional framework to respond to shocks affecting food and nutrition security.*

#### Background

**55 Mauritania is highly exposed to disaster and climate-related shocks which can negatively affect households' welfare and constrain human capital.** Recurrent droughts, climate change impacts, and land degradation and desertification jeopardize food security and threaten livelihoods. On average, close to 1 million people are recurrently food insecure in Mauritania. Food insecurity typically varies between 19 percent of the population post-harvest, and 26 percent in the lean season (usually from June to September). Individuals affected by food insecurity tend to adopt negative strategies both for their human capital and for their economic capital, such as reducing the number of meals, consuming seeds, or selling productive assets. Also, global acute malnutrition, which is highly correlated with seasonal food insecurity, affects about 12 percent of children under 5 years old during the lean season and one in five children is chronically malnourished. This is estimated to cost the economy around US\$ 759 million per year.<sup>25</sup> The COVID-19 pandemic is both increasing the vulnerability of households that were already vulnerable and affect households that were on the verge of falling into poverty.

**56 An institutional framework to respond to climate-related shocks is critical to ensure a cost-efficient, timely, and coordinated response to food and nutrition security.** In contrast to the institutional frameworks that have been successfully established in several West African countries (e.g. Senegal, Niger, Mali), the response to droughts in Mauritania is ad-hoc and uncoordinated, leading to inefficiencies in the Government's response to climate-change shocks. In particular, there is no governance mechanisms, no annual response plan, nor any permanent financing strategy that would help the authorities better anticipate and respond to recurrent droughts and better support vulnerable populations affected by covariate shocks. The need to tackle this issue and develop an institutional framework to respond to climate-change shocks is a key recommendation of the SCAPP.

**57 The lack of an institutional mechanism to respond to climate-related shocks is also a key fiscal risk to the budget.** Historically, the Government's response to food insecurity has been reactive, materializing in the aftermath of disaster and climate-related shocks with varying intensities. This sometimes translated into large fiscal shocks. For instance, as a response to the 2012 food insecurity crisis, the Government spent 10 percent of the budget on an emergency program in an ad-hoc way without proper planning ex-ante. These unexpected transfers contributed to a 3.3 percent of GDP fiscal deficit, despite increased mining revenues at that time. The Mauritania Fiscal Risks study (P172549) estimates that food insecurity from droughts create contingent liabilities to the Government of about US\$ 15.9—37 million (0.3—0.5 percent of GDP) per year on average. If well managed and accounted for in the budget,

<sup>25</sup> WFP. "Mauritania." <https://www.wfp.org/countries/mauritania>



part of these costs could be used in productive spending.

*Prior Actions and Indicative Triggers*

**58 This operation supports the Government to establish the legal and institutional framework to anticipate and increase the coordination and efficiency in responding to climate-related shocks affecting food insecurity.** Prior Action 7 supports the creation of the National Food and Nutrition Crisis Prevention and Response System (NFNCPRS) which aims at establishing, ex-ante, the entire cycle of preparation, coordination, implementation, monitoring, and capitalization of the response to shocks affecting food and nutrition security, especially droughts, which are the most frequent and the ones affecting the largest amount of the Mauritanian population. The decree defines the institutional structure of the framework and the responsibilities of each actor across the cycle. It also defines the governance of the framework through an inter-ministerial committee chaired by the Prime Minister and including 11 ministries and agencies. A methodological guide defines the process to develop a response plan to climate-related shocks affecting food insecurity. This reform is part of the Government's roadmap to establish an ASP<sup>26</sup> system in Mauritania which has been supported by the World Bank, the World Food Program (WFP) and other development partners since 2016.

**59 DPF3 aims to support the development of a common financing vehicle to help the Government secure the necessary resources to respond to climate-related shocks affecting food insecurity.** Ex-ante budget planning and appropriate financing instruments to respond to climate-related shocks will contribute to fiscal sustainability and ensure the needed support to protect the most vulnerable households when shocks occur. Under the NFNCPRS, the Government is planning to establish a national fund to finance the response to climate-related shocks affecting food insecurity in the country. This will reduce potential fiscal pressures in the case of extreme events and ensure transparency in the use of resources. The fund is expected to act as an overarching instrument, embodying a financial protection strategy that would articulate different financial instruments such as a sovereign insurance and contingent lines among others. The fund would also help streamline the different sources of funding (domestic or external) and further coordinate the related interventions among different actors involved in the response.

*Expected Results and complementary projects*

**60 These reforms will help mitigate the impact of the climate-related shocks affecting the welfare of vulnerable households and strengthen fiscal sustainability.** As such, results indicators will track the percentage of individuals affected by food insecurity which are supported by the annual response plan developed under the leadership of the Government through the NFNCPRS and financed via the common financial vehicle.

**61 The proposed reform sequence is complemented by the Social Safety Net Project II (P171125) and will support women resilience to shocks.** Since 2016, the World Bank focused its support on building an effective and permanent shock response system under the Sahel ASP Program (SASPP). The World Bank's global ASP agenda is motivated by a vision for social protection that is better able to assist

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<sup>26</sup> The ASP agenda is motivated by a vision for social protection that is better able to assist vulnerable households manage the impacts of covariate shocks.



vulnerable households to manage the impacts of covariate shocks with a more systemic and integrated approach, using social protection tools and systems to support timely shock responses. The Social Safety Net Project II (P171125), which was approved by the Board in March 10, 2020, will complement the reforms under this DPF series by supporting its operationalization, while the Mauritania ASP Advisory Services and Analytics (P173770) will support with TA. Furthermore, most of the cash transfer programs include gender measures and are benefitting women by supporting their resilience to shocks. For example, the shock-responsive cash transfer programs continue to predominantly targets the person in the household who bears more responsibility for childcare, which are mainly women.

### 3.2 Improving the quality of basic education

*Prior Action #8: To strengthen the autonomy, responsibility and efficiency of schools, the Recipient's MF and MNEVTT have adopted a joint arrêté establishing a direct funding mechanism to schools based on defined criteria.*

*Prior Action #9: To improve teachers' quality, the Recipient has adopted a decree instituting the restructuring of ENIs and enhancing the recruitment and training of teachers.*

#### Background

**62 Mauritania faces a quality of education crisis.** Mauritania's Human Capital Index (HCI) is estimated at 0.38 meaning that a young Mauritanian reaching age 18 will achieve only 38 percent of his/her economic potential. Education is the main brake on human development. Indeed, Mauritania's HCI ranking would improve from 34 out of 41 in SSA to 14 out of 41 if all countries have had the same performance in education. Many children are out of school and learning outcomes are poor. Learning poverty (i.e. the share of 10-year-olds with insufficient competency to read) is estimated at 95 percent.

**63 Although communities and families play a significant role in learning outcomes, schools are undoubtedly the most important player in providing children with literacy and numeracy.** Within schools, competent teachers, teachers who are regularly in the classroom and teach, a competent school director with good managerial and leadership skills, a committed and involved school management committee (*Comité de Gestion de l'Ecole*, COGES) representing the community, and students who attend regularly are all necessary ingredients for a successful education and to build productive Mauritanian citizens. These can be enabled by a robust accountability framework at school level.

**64 Weak competence levels among teachers contribute significantly to poor learning outcomes.** The 2018 SDI assessed teachers in French, Arabic, mathematics, and pedagogy. The results showed that no teacher had the required levels to teach in both French and Arabic. Only 4.8 percent scored 80 percent or more in mathematics and less than 0.5 percent were considered to have the minimum pedagogical knowledge content. This means that Mauritanian teachers lack the necessary teaching competencies.<sup>27</sup> These low competencies are not restricted to current teachers, but also extend to graduates of teacher

<sup>27</sup> In SDI, teachers are deemed to possess the minimum level to teach if they score 80 percent or more on the grade 4-level test they are assessed on.



training institutes (*Ecoles Normales des Instituteurs or Teacher Training Schools, ENIs*).<sup>28</sup>

**65 Poor operational/financial and teacher management at the school level is another major obstacle to improve education quality.** This includes a highly centralized decision making, weak monitoring capacity, lack of local community involvement at the school level, and inefficient allocation and use of resources. For instance, only one in eight students in public primary schools had a textbook although the number of copies distributed by the Ministry of National Education and Reform of the Education System (MNEVTT) should have covered all students. The sector also suffers from poor teacher management. For example, rural schools are understaffed with an average of 0.71 teacher per classroom, compared to overstuffed urban schools with an average of 1.38 teacher per classroom (SDI 2018). Moreover, the classroom absence rate is estimated at 29 percent or almost one third of teaching time lost. Such high absenteeism rate is not only a management problem, but also exposes the weak accountability at the school level.

#### *Progress since DPF1*

**66 The Government has made progress to tackle some of the issues adversely affecting the quality of education in Mauritania.** The institution of COGES which aims to involve communities in school management is being operationalized as several workshops and consultations at various levels were conducted to raise awareness of the role and organizational structure of the COGES. Further, ongoing TA is being provided as part of the Basic Education Sector Support Project (ESSP) – Phase 2 (P163143) to train members of COGES and other core stakeholders. The 2021 budget allocated resources directly to schools. The Ministry of Education has also developed an Education Management Information System (EMIS) with a functional human resources module that provides information on teacher absenteeism.

#### *Prior Actions and Indicative Triggers*

**67 The proposed DPF supports a quality of education reform focusing on strengthening the autonomy, responsibility, and efficiency of public schools, and on improving the presence of teachers in classrooms.** Prior Action 8 aims at strengthening the autonomy, responsibility, and efficiency of schools by establishing a mechanism for direct funding of schools while empowering school committees. The funding allocation will be a function of the number of enrolled students, the participation of girls in schools, and the number of educational divisions. To strengthen the governance at the local level, the financial resources reaching schools should be spent according to a school improvement plan produced by the COGES. Based on this plan, the COGES will monitor the absenteeism of students and teachers using tracking tools (notebook, daily absence sheet, etc.) and take the necessary actions as required. Overall, the new direct funding mechanism, along with the strengthened governance tools established through the COGES, is expected to empower local actors to better monitor how schools are run and improve teachers' presence in the classroom.

**68 Prior Action 9 aims at strengthening the teaching skills of newly recruited teachers.** It does so by modifying the selection criteria for newly recruited teachers and the number of years of training in line

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<sup>28</sup> According to the CNE assessment of the 2018 cohort, about 94 percent, 62 percent, and 21 percent do not have basic competencies to teach mathematics, French, and Arabic, respectively.



with the modus operandi of training in ENI institutions. This will help attract more qualified teachers and encourage those who wish to follow a teaching career. In particular, it sets the minimum criteria needed for external competitors to participate in exams to enter the ENI defined according to the main subjects of teaching. In addition, it defines the grade of school teachers through conducting an exam. There are also other arrangements for internal examinations that will allow the stock of teachers to progress to another grade.

**69 DPF3 aims at establishing the system for evaluating the performance of COGES while improving human resources management and assuring minimum standards of competence for teachers entering schools.** This is expected to ensure that the accountability framework at the school level is properly functioning with COGES fully playing their role in both controlling absenteeism and monitoring that financial resources are spent in accordance with school improvement plans. The second indicative trigger will strengthen human resource management within the education sector and ensure that only teachers who have cleared a minimum quality bar will leave an ENI to join a classroom.

*Expected Results and complementary projects*

**70 The set of reforms, which are even more essential given the COVID-19 challenges, are expected to improve teaching time and quality in primary schools.** Prior Action 8 should empower local school committees to have more financial and governance autonomy, thus empowering them to reduce teachers’ absenteeism in public primary schools, which is expected to drop from 29 percent in 2017 to 18 percent in 2023. In parallel, Prior Action 9 should improve the quality of teaching by strengthening the recruitment of teachers and improving their pedagogical skills and knowledge. As such, the percentage of teachers scoring above the bar on the competence test is expected to increase from 4 percent in 2017 to 18 percent in 2023. Both result indicators will be measured using the SDI survey which is expected to be conducted in 2021 and 2023.

**71 The proposed series is aligned with and supported by the implementation of the Basic ESSP – Phase 2 (P163143).** The two operations are mutually reinforcing in support of reforming teachers’ recruitment, training, and management, as well as school-based management and finance (Table 6). While the DPO will spur reforms to improve efficiency by tackling rampant absenteeism and the dearth of finances, the Basic Education Project focuses on strengthening the quality of the stock of teachers. The DPO will directly support improvements in the quality of the flow of teachers that go into the teaching profession by introducing reforms in the ENIs. These actions taken together will gradually improve the quality of education in Mauritania, thus allowing pupils to catch up on their peers in the region and internationally.

**Table 6: Complementarity between the DPF and the Basic Education Project**

DPF series supports a new regulatory framework for:	Project supports its implementation through:
- COGES and school grants (new decrees defining the mission and organization of COGESs and instituting school grants) to improve accountability at school level.	- Provision of capacity-building to COGESs and of school grants in six selected regions.



- The reduction of teacher absenteeism, including the obligation for teachers to be assigned in classrooms for the required 30 hours a week.	- Education Management Information System (EMIS) deployment in all 56 school districts to provide real-time data for monitoring.
- Regular comprehensive assessment of teachers for formative purposes and to increase the percentage of in-service teachers who meet minimum competency standards <sup>29</sup>	- Provision of TA to conduct teacher evaluation. - Scripted lessons deployed through low-cost technologies to improve the pedagogical performance of weaker teachers.
- Structural reform of ENIs to improve the skills of new teachers	- Provision of capacity building to design and make operational structures that are capable to implement pre-service teacher training.

### 3.3 Improve the quality and relevance of vocational training

*Prior Action #10: To improve the quality of TVET services, the Recipient’s MNEVTT has adopted a decree abrogating and replacing Decree 037-19 to institutionalize performance contracts in technical and vocational training and introduce actions to promote the fight against climate change as criteria for allocating 2FTP funding.*

#### Background

**72 Lack of employable skills and poor relevance of vocational education and training to the labor market are a binding constraint to growth in Mauritania.** The SCD 2017 has revealed that the shortage of skilled workers is a key constraint for long-term inclusive growth in the country. Indeed, inadequate qualification of the workforce is the third most important constraint to firms’ growth according to the World Economic Forum (2012). This occurs due to two main constraints. First, many workers have limited or no education or have skills which are not relevant, and very few firms provide formal training for their employees. Second, opportunities to acquire relevant technical and vocational skills are very limited as access to technical and vocational education training (TVET) has remained very limited over the last 10 years and reached only 2,023 graduates in 2020, representing less than 10 percent of overall post-basic education enrolment.

**73 The skills gaps between men and women remain steep, creating severe problems of low labor market participation, low productivity and earnings, and vulnerable employment.** Indeed, labor force participation among 15-64 years old is quite low at only 47 percent in 2019, and is particularly low among women, at only 29 percent compared to 64 percent among men<sup>30</sup>. Among those who work, it is estimated that there are about 52 percent employed in vulnerable employment, with 76 percent of women compared to 41 percent among men.<sup>31</sup> Even more concerning is that, in 2017, 35.6 percent of youth aged 15 to 24 years old were Not in Education, Employment or Training (NEET), <sup>32</sup> with a marked difference

<sup>29</sup> The minimum standard is equivalent to a score of 70 percent in SDI’s teacher assessment.

<sup>30</sup> Based on data from database: World Development Indicators, World Bank, based on International Labor Organization, ILOSTAT database. Data retrieved on January 29, 2021

<sup>31</sup> Vulnerable employment refers to the sum of non-paid contributing family workers and own-account workers (self-employed workers without employees); ILO

<sup>32</sup> Based on data from database: World Development Indicators, World Bank, based on International Labor Organization, ILOSTAT database. Data retrieved on January 29, 2021.



between NEET young female (45.2 percent) and young male (22.7 percent). The NEET captures more broadly untapped potential youth, including such individuals who want to work but are not actively "seeking" work because they view job opportunities as limited, or because they lack skills or face discrimination based on social or cultural barriers.

**74 Low labor force participation also reflects the weak representation of women among graduates of TVET programs and of poor labor market outcomes after graduation.** Female youth are under-represented as they accounted for only 41.2 percent of TVET students in 2018.<sup>33</sup> Lower participation of women in TVET programs is due to social and economic constraints such as the lack of orientation towards this type of training, the absence of positive discrimination measures to promote access, but also geographic distance and poorly adapted infrastructure.<sup>34</sup> In addition, female TVET graduates are also less likely to find gainful employment after graduating from a TVET program, with only 45.2 percent of women being employed compared to 70.6 percent for men (ONS, 2017).

**75 The Government's focus on improving access and relevance of TVET programs has become even more relevant after the COVID-19 crisis.** Reforms, anchored by the TVET strategy for 2010-2020 and the triannual action plan for 2019-2021, focus on increasing access to demand-driven short-term training and improving the quality of training. They also focus on ensuring sustainable financing through better administration of an apprenticeship tax specially dedicated to finance TVET training. In the past, this tax, meant to ensure financing of both initial and life-long learning and TVET training, was partially collected by MF, and has never been directly administered by the Fund for the Promotion of Technical and Vocational Training (*Fonds Autonome de Promotion de la Formation Technique et Professionnelle*, FAP-FTP)<sup>35</sup>. As a result, the FAP-FTP had to rely mainly on ad-hoc financing from donors, often being insufficient and unpredictable. While the COVID-19 related physical distancing measures disrupted the provision of TVET training, it has also brought opportunities to build a crisis-proof TVET system. International experience revealed a multitude of promising practices in the development of flexible learning and assessment options, ranging from high-tech to low-tech and even no-tech solutions, dictated by local contexts and evolving as the crisis unfolded.<sup>36</sup>

#### *Progress since DPF1*

**76 Under DPF1 the Government has adopted a decree creating a new TVET training fund and has improved the governance over its use.** The new regulatory framework established the Fund for Technical and Vocational Training (*Fonds pour la Formation Technique et Professionnelle*, 2FTP)<sup>37</sup> to be funded through the apprenticeship tax and assigned the *Institut National de la Promotion de la Formation Technique et Professionnelle* (INAP-FTP) with the responsibility to directly administer the fund. It also developed a competitive and transparent mechanism to use the fund based on a tripartite commission

<sup>33</sup> Based on data from database: World Development Indicators, World Bank, based on UNESCO Institute for Statistics (<http://uis.unesco.org/>). Data as of February 2020.

International Labor Organization, ILOSTAT database. Data retrieved on January 29, 2021.

<sup>34</sup> EU (2017), Mauritania Gender Action Plan II

<sup>35</sup> The decrees 053-2002 establishing the INAP-FTP also creates the FAP-FTP and defines its status.

<sup>36</sup> Skills development in the time of COVID-19: Taking stock of the initial responses in technical and vocational education and training, ILO, Geneva, 2021.

<sup>37</sup> Ministerial Decree No. 2019-036 creates 2FTP and repeals previous legislation governing the FA-FTP.



comprised of representatives of government, private sector, and employees. The commission is tasked to examine requests for financing which meet criteria as defined in a manual of procedures for 2FTP.<sup>38</sup> In addition, reforms supported by the DPF1 helped INAP-FTP to improve its governance framework by modifying the legislation governing INAP-FTP's functioning to include a new responsibility to monitor the use of funds from 2FTP through an annual audit covering both technical and financial areas (Prior Action 10 under DPF1).<sup>39</sup>

#### *Prior Actions and Indicative Triggers*

**77 This operation aims to promote performance-based financing to further improve access and quality of TVET.** It does so through improving the legal framework governing INAP-FTP to institutionalize performance contracts in allocating 2FTP funding (Prior Action 10), while retaining all the provisions underpinning the reforms legislated under DPF1.<sup>40</sup> More importantly the new legal framework brings in more clarity on the applicability of the performance contracts which previously had a limited scope and covered only a part of the 2FTP financing. This reform offers public and private training institutions and firms a clear framework to competitively formulate requests for funding of training programs. It also offers training establishments the possibility to request funding for projects to improve their capacity in terms of training programming, management of quality, teacher upskilling, or modernizing their training equipment. All requests for funding from 2FTP are required to respect pre-defined financing criteria and to include specific and measurable performance indicators. The requests approved by the financing allocation commission are then formalized as part of a performance contract which is now applicable to all activities financed by the 2FTP. To better align training with labor market demand, the MNEVTT has established a formal partnership with the private sector and the Ministry of Employment to ensure TVET training increasingly responds to employers' demand and employment outlook.

**78 Prior Action 10 will also include a specific focus on actions to promote the fight against climate change.** In the past, there has been no focus on climate change adaptation or mitigation as part of the national training and vocational education sector strategy to respond to challenges on the labor market brought by climate change. This prior action aims to change this situation by changing the selection criteria for training financed under the 2FTP. Specifically, the 2FTP manual will be revised to favor performance contracts for training promoting climate change adaptation and mitigation. Given Mauritania's climate fragility, the emphasis on greening jobs will contribute to improving quality and relevance of skills provided by the national education and training systems.

**79 TVET reforms could also help bridge the severe gender gap in TVET.** To reduce gender inequalities, the Government proposes to include revisions to the 2FTP manual to consider several actions promoting the participation of women. Most importantly, the Government proposes to revise the criteria to competitively select training proposals and favor those proposing specific measures to promote the participation of women, such as guaranteeing a certain quota, offering safe spaces, or providing allowances to cover transport costs for women. In addition, INAP-FTP will ensure that performance

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<sup>38</sup> In 2020, the commission has approved projects with an estimated total cost of about to US\$33 million equivalent, however, less than half of those received finance because the collected amount of the apprenticeship tax was only 50 percent of what has been expected, due to Covid19 induced economic crisis.

<sup>39</sup> Ministerial Decree No. 2019-037 modifying and completing the decree 2002 - 53 creating INAPFTP.

<sup>40</sup> Ministerial Decree No. 2021-034 abrogates and replaces Decree No. 2019-037.



contracts signed with training establishments selected to receive 2FTP funding will include certain results indicators disaggregated by gender to ensure better monitoring of women's educational attainment and labor market outcomes.

**80 To further improve the quality and relevance of TVET programs, DPF3 will support adopting regulations to** (i) establish the National Quality Framework for TVET; and (ii) introduce apprenticeship and dual training at all training levels (BTS, BT and CAP).

*Expected Results and complementary projects*

**81 At the end of the DPF series, access to good quality skills will become more prevalent as labor market-oriented vocational training improves.** The TVET sector is expected to expand with a rise in the number of TVET graduates from institutions having signed performance contracts from 0 in pre-series to 4,500 in 2023. Moreover, the share of women TVET graduates from institutions having signed performance contracts is expected to reach 45 percent in 2023. The increase in access will be gradually accompanied by an increase in quality and relevance once the performance contracts become institutionalized. The MNEVTT will be the entity responsible to monitor these indicators.

**82 The WBG is accompanying the policy reforms under the TVET pillar through the recently approved Mauritania Youth Employability Project (P162916).** The project seeks to strengthen the employability of vulnerable youth through short-term demand-driven technical skills training and internships in private-sector firms to prepare them for paid, formal, or informal employment. More specifically, the project will support INAP-FTP to operationalize the performance based contracting framework supported under this series to train young people in the growth sectors of their home regions. As part of the project, INAP-FTP will be able to produce regional job opportunities diagnostics to be carried out through consultations with the private sector and the key employment and vocational training providers, to ensure a better alignment between the supply and demand of skills. Finally, the project will finance, among others, TA, and equipment to strengthen INAP-FTP to plan for and manage demand-driven skills training, implement quality assurance mechanisms, and better monitor training outcomes.

### 4.3. CHANGES BETWEEN DPF1 AND DPF2

**83 Considering the impact of the COVID-19 pandemic, and in attempts to introduce or calibrate reforms able to increase climate change adaptation/mitigation and strengthen the reform matrix, the following changes to the original DPF2 program were introduced (see Table A.2):**

- Trigger 1 for DPF2 had to be changed given that the Government passed the Civil, Commercial and Administrative Proceedings law earlier than expected in April 2019. As a result, this was replaced with the organization of the commercial registry which is an essential tool and reliable source of information for a better commercial justice system while facilitating research on parties in litigation or during bankruptcy proceedings.
- The baseline and targets for RI2 were adjusted to take into account the number of insolvency cases as measured by the authorities.
- A new line of reform on digital finance was introduced given that the original line of reform was



completed as Trigger 3 in DPF1 was introduced to the first line of reform (PA1 in DPF2) as explained above and Trigger 3 (DPF3) was completed. The new line of reform on financial inclusion is particularly important to support the recovery after COVID-19.

- PA4, PA5, and PA6 (past triggers in DPF1) were slightly reworded to clarify the reform. The results indicators for line of reforms 4 and 5 were changed to measure the improved quality of services that would result from increased competition at the level of fixed and mobile internet markets.
- PA7, Trigger 7 and RI7 reflect the newly introduced reform sequence to support the setting up of an institutional (DPF2) and financial (DPF3) mechanism to effectively manage climate related-shocks such as droughts to ensure food security. The capacity to protect vulnerable households is considered key to increase resilience and enable human capital development.
- PA8 (Trigger 7 under DPF1) has been reworded to reflect the actual reform impact more accurately, namely, to increase school autonomy through direct financing and ability to manage teacher absenteeism more effectively. Meanwhile, RI8 (RI7 under DPF1) was adjusted to take into account the delayed start of the Basic Education Project, which is essential to support reform implementation, and the effects of COVID-19 which disrupted the activity of schools and public administration.
- PA9 (Trigger 8 in DPF1) has been reformulated and strengthened to put in place an institutional reform to reinforce the selection criteria for newly recruited teachers and the number of years of training. This will help attract more qualified teachers. Meanwhile, RI9 (RI8 in DPF1) was adjusted to take into account the delayed start of the Basic Education Project and the effects of COVID-19 which disrupted the activity schools and the public administration.
- PA10 (Trigger 9 under DPF1) has been revised to ensure that a sustainable mechanism is in place to promote results-based financing through performance contracts, and to integrate actions to promote the fight against climate change as criteria for allocating 2FTP funding.
- Trigger 10 in DPF1 was eliminated given it was more procedural than institutional.

**84 The PDO of the series was slightly modified to better capture the changes/additions made to the program between DPF1 and DPF2.** In particular, the PDO is changed to account for the new reforms introduced in DPF2 on digital finance (PA#3) and climate resilience (PA#7) which were not part of the DPF1 reform program.

#### 4.4. LINK TO CPF, OTHER WORLD BANK OPERATIONS AND THE WBG STRATEGY

**85 The DPF is aligned with the objectives and proposed outcomes of the FY18-FY23 Mauritania CPF.**<sup>41</sup> The Mauritania CPF builds on the findings of the SCD of 2017,<sup>42</sup> which identified weak participation of the private sector and low human capital, including weak labor skills, and climate change as a common theme across the eight binding constraints for growth and shared prosperity. This series is anchored around the second focus area of the CPF “building human capital and inclusive growth” by improving the quality and governance of basic education and vocational training as well as increasing coverage of social

<sup>41</sup> Mauritania CPF, World Bank, Report No. 125012-MR.

<sup>42</sup> Mauritania Systematic Country Diagnostic 2017, World Bank, Report No. P116630-MR.



safety nets. It is also based on 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.

**86** Despite being designed pre-COVID, the reforms supported in this series are strongly aligned with the BBB approach being adopted by the WBG as a response to the pandemic.<sup>43</sup> The first pillar of this DPF supports reforms to enable a private sector led growth that could help generate jobs through pro-business reforms and increased access to finance. The second pillar will help close the digital divide so that technology can be a force multiplier for better service delivery and inclusive growth. Finally, pillar three will help address the learning crisis, that was further exacerbated due to the pandemic, and strengthen preparedness and boost resilience to future climate-related shocks.

**87** The reform agenda supported by the DPF builds upon the achievements of several World Bank investment and TA projects underpinned by the FY18-FY23 CPF. These include the Public-Sector Governance Project (P146804), IFC Investment Climate and Entrepreneurship Advisory program (#601022), and the Financial and Private Sector Inclusive Growth advisory and analytics work (P172368) for Pillar 1, the WARCIP on ICT (P123093) for Pillar 2, and the Basic ESSP – Phase 2 (P163143), the Social Safety Net Project II (P171125), and the Mauritania Youth Employability Project - (P162916) for Pillar 3.

#### 4.5. CONSULTATIONS AND COLLABORATION WITH DEVELOPMENT PARTNERS

**88** The DPF series builds on Government consultations with key line ministries and regulatory agencies, private sector representatives, and civil society groups. Workshops were held at the public sector level with officials from line ministries and regulatory agencies and round tables with representatives of the private sector were organized including professional federations, telecom companies, and representatives of SMEs. Feedback from this consultative process has been incorporated into the program. For instance, consultations with the Central Bank, the Ministry of Justice, the association of banks, and the chamber of commerce emphasized the need to have a modern legal framework to facilitate the development of digital financial services and simplify insolvency procedures to SMEs in line with international best practices. Feedback from private sector entities also highlighted the need to amend the regulatory framework to allow more competition in the ICT market. Discussions also stressed the importance of having a well-defined institutional framework to efficiently respond to food insecurity shocks, while ensuring a sustainable mechanism to promote results-based financing of TVET activities.

**89** The proposed DPF2 has been prepared in close collaboration other development partners. During the preparation of the proposed operation the World Bank team has consulted with a range of development partners, including the IMF, the EU, the AfDB, and UN agencies. Development partners are implementing TA projects and supporting institutional reforms in areas of resilience to climate shocks (WFP), budget management (EU), monetary and exchange rate policies (IMF), and private sector development and PIM (AfDB), among others. The World Bank has coordinated closely with the IMF during the preparation, including through participation in decision meetings of both institutions and joint discussion with Government on the macro framework and policy priorities in the aftermath of the crisis.

<sup>43</sup> BBB: Pursuing a Greener, More Inclusive, and Resilient Recovery. 2020. World Bank.



## 5. OTHER DESIGN AND APPRAISAL ISSUES

### 5.1. POVERTY AND SOCIAL IMPACT

**90 The reform program supported by this DPF series is expected to have positive effects on economic growth, job creation and household welfare.** The ex-ante assessment of these impacts suggests that reforms under Pillar 1 will enhance access to commercial justice services for firms and lift the growth potential of the economy. In addition, the new law on electronic payment services and means of payment will increase financial inclusion and facilitate faster, easier, and more secure transfer of government payments, including cash-transfers. Reforms under Pillar 2 are expected to boost access to ICT services for firms and households, which has the potential to increase internet penetration among all segments of the population and enhance affordability of internet through higher competition, thus reducing prices. Reforms under Pillar 3 will strengthen the country's resilience to climate-change (which affects the poor more) through a new framework to respond to shocks, and will improve human capital accumulation and trigger higher productivity in labor markets through better access to quality education and vocational training. None of the reforms under this DPF is expected to have negative consequences for household welfare, especially not for the poorest and most vulnerable households.

**91 Reforms under Pillar 1 will facilitate private sector development and facilitate access to finance which will largely benefit the financially disconnected poor households in rural areas.** PA#1 and PA#2 are expected to ensure equitable access to commercial justice as well as enhance access to finance for local SMEs. This will ultimately boost economic growth and support job creation. Meanwhile, PA#3 lays the foundation for a future shift towards a more frequent use of electronic payments, which would reduce transaction cost and facilitate access to financial services to underserved communities. According to the latest household survey in 2014,<sup>44</sup> only 14.1 percent of households had access to banking services in their neighborhood, with significant variation between urban and rural areas (26.1 percent and 2.9 percent), and between poor and non-poor households (5.5 percent and 17.9 percent). Increased availability of electronic payment solutions is also likely to strengthen and make it faster for the Government to roll-out digital cash transfer programs to vulnerable households.<sup>45</sup>

**92 Reforms under Pillar 2 will incentivize investments in ICT infrastructure and service provision, reduce internet prices and help increase access, particularly in rural areas.**<sup>46</sup> Reforms under Pillar 2 create a market environment whereby additional internet service providers are expected to provide internet alongside existing operators, while contributing to higher investments in ICT infrastructure and service provisions. Household welfare would directly benefit from these reforms through three channels. First, investments in ICT infrastructure will most likely raise internet penetration, especially in rural areas,

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<sup>44</sup> The latest available household survey data is that of the *Enquête Permanente sur les Conditions de Vie des Ménages* (EPCV) 2014. More recently, the *Office National de la Statistique* (ONS) has completed the EPCV 2019/20, but as of May 2021, the micro data have not been published.

<sup>45</sup> The International Monetary Fund (2020): *Beyond the COVID-19 Crisis: A Framework for Sustainable Government-To-Person Mobile Money Transfers*. WP 20/198. IMF Working Paper Series.

<sup>46</sup> The Poverty and Social Impact Assessment for DPO-1 in Mauritania describes in more detail mechanisms through which higher penetration and affordability of internet will enhance living standards for households in Mauritania.



which are poorer and underserved, as only 25 percent of rural households have access to internet.<sup>47</sup> Second, higher competition in the sector is expected to lower consumer prices, and thereby contribute to higher affordability, in particular among relatively poorer households. Third, upgraded ICT infrastructure enhances the quality of internet services and enables the development of complementary services like internet banking, e-learning, and the digital delivery of public services. Better access and higher affordability of ICT can empower poorer households and vulnerable groups, like women and youth, offering access to new services and markets. Moreover, COVID-19 has shown that higher accessibility to and affordability of digital services facilitates remote work, which could prevent income losses with future shocks. Likewise, the pandemic has highlighted the necessity to promote a universal access to digital services to reduce the equity gap between poor and non-poor in terms of access to basic services such as education and health.

**93 A new framework for responding to shocks affecting food and nutrition security (PA#7) will strengthen the resilience and productivity of households.** Climate change is likely to increase the frequency and severity of extreme weather events, including droughts, heatwaves, and floods. While all segments of the welfare distribution could suffer, the rural poor often suffer the most. In southern communes of Mauritania, the share of farmers and herders in the total workforce is very high (Country Economic Memorandum CEM, 2020). Agriculture dependence coincides with high poverty and deficiency of public services and infrastructure (CEM, 2020). Climate change could thus, add stress to these communes that are already prone to food security crises. Moreover, the urban blocks of Nouakchott that are largely below the sea level house the main slums of the city with high pockets of poverty. These include the regions of Sebkhia and El-Mina which have poverty rates of respectively 28.8 percent and 30.1 percent, compared to 25.3 percent in Nouakchott overall (CEM, 2020). Within this context, a permanent institutional framework for responding to shocks that have a negative impact on food and nutrition security will enable the Government to allocate resources to those in urgent need and react faster during a crisis.

**94 Reforms to basic education (PA#8-9) will enhance human capital accumulation.** The HCI ranking for Mauritania highlights the challenge of providing all girls and boys with needed education and skills to become productive members of the society. The new mechanism to allocate funds directly to schools (PA #8) increases transparency and enhances accountability of public spending in the education sector. The equity implications of the reform will depend on the allocation formula, which should ensure that pre-existing disparities across schools do not translate into permanent gaps in the allocation of funds that would likely lead to negative consequences for learning outcomes. In addition, PA#9 is expected to increase teachers' skills, which is imperative to enhance learning outcomes. Many studies demonstrate the influence of teachers' skills on student performance.<sup>48</sup> For example, using data from 31 countries, Hanushek et al. (2018) showed that teachers cognitive skills were highly correlated with students'

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<sup>47</sup> Source: ICT Ministry in 2020. Data from the EPCV 2014 confirm that the share of households with access to the internet is lower in rural areas than in urban areas, and suggest that across the welfare distribution, relatively poorer households are less likely to be connected to the internet.

<sup>48</sup> Clotfelter, Charles T., Helen F. Ladd, and Jacob L. Vigdor. 2010. "Teacher Credentials and Student Achievement in High School: A Cross-Subject Analysis with Student Fixed Effects." *Journal of Human Resources* 45, no. 3 (Summer): 655-681.; Hanushek, Eric A., and Steven G. Rivkin. 2012. "The distribution of teacher quality and implications for policy." *Annual Review of Economics* 4: 131-157.; Jackson, C. Kirabo, Jonah E. Rockoff, and Douglas O. Staiger. 2014. "Teacher effects and teacher related policies." *Annual Review of Economics* 6: 801-825.



performances.

**95 PA#10 will strengthen vocational training which increases employability, raises productivity, and supports higher earnings in labor markets.** The large size of the informal sector and low incomes from labor markets show the low productivity and skill gaps of workers. For instance, Dunbar (2013) has provided evidence of positive returns from the private sector engaging in skills development, particularly in low-income countries. Performance contracts in the allocation of the 2FTP Fund (PA#10) will increase the quality of teaching in TVET establishments, as they will be able to obtain financing to improve their training programs, technological equipment and/or to strengthen the capacity of their instructors. Performance contracts will also promote a results-based approach for all training programs benefiting from the 2FTP Fund, which will be required to focus more on trainees-related outputs and outcomes rather than training inputs. The impact of this reform will depend on who will be admitted to these training programs – with existing differences across gender, location, and occupation.

## 5.2. ENVIRONMENTAL, FORESTS, AND OTHER NATURAL RESOURCE ASPECTS

**96 The Government's long-term development agenda focuses on environmental protection.** Climate change effects are noted as a priority in the third action plan of the Strategic Framework against Poverty (CSLP) and in the SCAPP. The legal environmental framework in Mauritania is governed by decree no. 94.2004 of November 4, 2004 concerning Environmental Impact Assessment (EIA). The decree no. 2007-105 of April 13, 2007 (modifying the decree No.2004-094) specifies the content and the procedures of preparing a limited EIA and a comprehensive/detailed EIA, as well as how to monitor their implementation. As part of the authorities' aim to incorporate environmental aspects into the long-term developmental agenda, the Government launched the National Adaptation Plan (NAP) process in April 2019. This process will (i) strengthen technical and institutional capacities to manage climate change adaptation; (ii) improve the quality and access to climate change data; (iii) support the acquisition of adaptation financing, and (iv) enhance the M&E of adaptation planning. The UN Environment Program is supporting the authorities in their efforts to implement the NAP by 2022.

**97 The reforms and policy actions supported by the proposed operation are not likely to have significant impact on environment, forests, and natural resources.** All the actions supported throughout the operation are policy-oriented and do not support direct investment in environmentally impactful investments or involve policy actions with significant environmental consequences. The assessment of potential impacts related to actions supported by the DPF will rely on the existing national legal and regulatory framework and will be monitored and addressed through the national procedures in place in Mauritania. Some measures, by contrast, support climate change adaptation and mitigation.

**98 PA#3 will be instrumental to build resilience to climate change as access to financial services via MM can help the rural poor better cope with climate-related income shocks.** Rural Mauritians are not connected to formal financial services as only 1 percent of them live near a bank, compared to 22 percent in urban areas (Amendola et al., 2017).<sup>49</sup> This limits their ability to receive timely cash transfers after climate change shocks, save money safely or access credit when needed. For instance, the percentage of individuals with financial accounts in rural areas – where more than 80 percent of agricultural households

<sup>49</sup> <http://ccsenet.org/journal/index.php/ijbm/article/view/69997>



reside – remains modest and even declined from 16.6 percent in 2011 to 15 percent in 2017. This is in stark contrast to the increasing trend observed globally (World Bank, 2020).<sup>50</sup> MM can thus facilitate access to savings, helping the rural poor smooth consumption in times of unexpected events and/or provide a safer way to store money than saving informally in livestock or other goods that may be negatively affected by climate change. Similarly, MM can provide more rapid and cost-effective channels to provide cash transfers to vulnerable populations, thus increasing their ability to build resiliency and coping mechanisms in case of climate shocks. The governments of Fiji and the Philippines have used MM to reach vulnerable populations in the aftermath of extreme climate events and to disburse cash to emergency workers helping to clear and repair roads, buildings, schools, and hospitals.

**99 Mauritania is well prepared to ensure the safe deployment of ICT infrastructure that could result from additional investments stemming from reforms under Pillar 2.** While the development and deployment of new retail broadband infrastructure (fiber optic network, telecom towers, etc.) comes with potential negative environmental and social risks, the country has developed capacity for carrying out environmental and social due diligence to ensure the safe deployment of ICT infrastructure. This capacity was well illustrated under the WARCIP project which has built a 1,600 km terrestrial fiber optic backbone all over the territory. In fact, the development and deployment of telecom infrastructure is well regulated and monitored. Each infrastructure deployment requires authorization to be provided by public authorities in view of expected social and environmental impacts, and those impacts are closely monitored by several government agencies that have accumulated experience and expertise over time.

**100 PA#7 regarding the permanent mechanism to respond to climate-related shocks affecting food and insecurity will directly enhance Mauritania’s capacities to adapt to climate change.** Temperatures in the Sahel region are expected to rise 1.5 times faster than the mean global temperatures, while increases in frequency, duration, and intensity of heat waves are also expected (Diedhiou et al 2018, Niang et al. 2014, Barry et al., 2018). Higher temperature increases water needs of crops and vegetation, intensifying evapotranspiration and, eventually, markedly affecting the severity and frequency of droughts (Breshears et al. 2005, Lobell et al. 2011). Climate change is thus likely to further exacerbate drought episodes and flood risk in Mauritania as global temperature increases. The proposed PA seeks to strengthen the Government’s capacity to prepare for and respond in a timely and efficient manner to disaster and climate-related shocks, thus helping to better managed the impact of climate change. It will lay the foundation to develop shock-responsive public policies and a sovereign coordination mechanism that can effectively lead the response to climate-related shocks triggering food insecurity episodes. This reform will also make it possible to control and carry out the entire cycle of preparation, implementation, coordination, monitoring and capitalization of responses to climate change related shocks.

**101 PA#10 on ameliorating the quality of the TVET sector will ensure that climate change adaptation and “green sectors” are key criteria when assigning the 2FTP funding for training programs.** In the past, there has been no focus on climate change adaptation as part of the national training and vocational education sector. This PA aims to change this paradigm by institutionalizing procedures to promote climate change adaptation. As such, the 2FTP manual of procedures was revised to include additional funding allocation criteria that favor performance contracts promoting training to mitigate the effects of climate change. These criteria could be linked for example to the number of people trained in green-

<sup>50</sup> <https://openknowledge.worldbank.org/handle/10986/33803>



related sectors and/or the type of training modules dedicated to environmental protection (the efficient use of energy, water, and inputs; the application of energy-efficient technologies in the agriculture sector; advanced wastewater treatment practices in the fishing sector, etc). In addition, it is proposed that all TVET training shall have some form of awareness modules on climate change.

### 5.3. PFM, DISBURSEMENT AND AUDITING ASPECTS

**102 The Government is pursuing the public financial management (PFM) reform agenda set forth in the PFM Master Plan, which was updated in 2017.** PFM reforms have brought some results in recent years. Notably, budget execution has improved prior to the COVID-19 crisis, tax reforms helped increased revenues, undocumented salary payments were eliminated, and public entities were brought on budget. Despite these improvements, the 2020 Public Expenditure and Financial Accountability (PEFA) revealed several weaknesses in Mauritania's PFM system. These include poor selection and budgeting of public investment projects, weak audit due to the ineffectiveness of external scrutiny 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. Second stage tax reforms should focus on broadening the tax base, optimizing tax performance, and simplifying and modernizing the tax system.

**103 With the advent of the 2018 Organic Finance Law, existing processes for medium-term-programming (medium term-expenditure frameworks [MTEF]) and budgeting need to be reinforced.** The Government is implementing the provisions of the Organic Finance Law No. 039-2018 of October 9, 2018 (LOLF). This law redirects the public financial system toward a more results-based approach in budgetary management to improve the effectiveness of expenditures. As part of the reforms linked to the LOLF, the Government started since 2018 including externally financed capital expenditure in the budget and annexing a report on tax expenditures. A new methodology for the preparation of the 2021 budget has been adopted, which has made it possible to link the sub-chapters to specific activities. Furthermore, a geographical classification has been introduced to the 2021 budget, rendering it possible to track spending on a spatial dimension. The World Bank Public Sector Governance Project (P146804) is supporting the Government to address critical bottlenecks to effective and transparent fiscal management by (i) reinforcing the alignment between evidence-based policies, medium term programming and annual budgeting of resource allocations; (ii) reinforcing government PFM information systems and consolidating the public procurement system; and (iii) facilitating improved public access to fiscal information to enhance the transparent management of public resources.

**104 The authorities have implemented several initiatives in 2019 and 2020 to increase budget accountability and fiscal transparency.** The *Direction General du Budget* (Directorate General of the Budget) has operationalized its website where it publishes all draft and finalized budget laws as approved.<sup>51</sup> In terms of fiscal accountability, the Court of Accounts published on its *website*, in December 2019, all the annual audited fiscal reports for 2007-2018 for the first time in the history of Mauritania.<sup>52</sup> The Treasury has been publishing regularly and within six weeks on its *website* reports on government financial statements. The MF has also updated the BOOST data up to 2020 which is accessible online to

<sup>51</sup> <http://www.budget.mr/>

<sup>52</sup> <http://www.cdcmr.mr/fr/2017/02/10/accueil/>



the public.<sup>53</sup> Finally, to ensure transparency related to managing COVID-19, MF has been publishing bi-monthly reports on its website. These reports include details of all revenues of the Emergency Fund and all the spending that has been executed through the Emergency Fund to mitigate the impact of COVID-19.

**105 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 through 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. BCM is regularly audited by an international auditing firm. It regularly publishes the audited financial statements on its website in a timely manner. The 2019 audit was conducted in accordance with International Standards on Auditing as promulgated by the International Federation of Accountants (IFAC) and the auditors issued an unqualified opinion (clear certification) on the financial statements. However, the adoption of the International Financial Reporting Standards (IFRS) planned for 2020 was delayed due to the confinement and is now envisaged for 2021 with support from the IMF.<sup>54</sup>

**106 The proposed grant will be disbursed following IDA procedures for DPOs.** A grant in the amount of SDR 20.8 million (US \$30.0 million equivalent) will be made available upon effectiveness. Provided that IDA is satisfied with the implementation of the development policy program and the adequacy of the Recipient's macroeconomic policy framework, it will be disbursed as a single tranche following the submission of an acceptable withdrawal application by the Government. Given the assessment of the fiduciary system, IDA will deposit the proceeds 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 grant 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 the Government within 30 days of the grant's disbursement that (i) the grant 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.

**107 If the proceeds of the grants are used for ineligible purposes as defined in the Financing Agreement, IDA will require that the Recipient refund to IDA promptly upon notice an amount equal to the amount of the ineligible payment.** Amounts refunded to the World Bank upon such a request shall be cancelled. The World Bank reserves the right to seek an audit of the dedicated account by independent auditors acceptable to the World Bank.

#### 5.4. MONITORING, EVALUATION AND ACCOUNTABILITY

**108 A negotiation committee will be responsible for managing DPF2.** Following the division of the previously known MEF in August 2019, the day-to-day coordination, program M&E, and the measurement of specific outcome indicators will be the responsibility of the negotiation committee headed by the MF

<sup>53</sup> <http://boost.budget.mr/>

<sup>54</sup> IMF Country Report No. 2021/052.



and co-chaired by the Ministry of Economic Affairs and Promotion of Productive Sectors (*Ministère des Affaires économiques et de la Promotion des Secteurs productifs*, MAEPSP). The negotiation committee will verify the completion of all DPF prior actions with participating ministries, departments, and agencies. The Government will review the status of the overall reform program.

**109 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 WB'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 WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. 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 World Bank Inspection Panel, please visit [www.inspectionpanel.org](http://www.inspectionpanel.org).

## 6. SUMMARY OF RISKS AND MITIGATION

**110 The overall risk rating for the DPF is Substantial.** This reflects a range of political and governance, macroeconomic, implementation capacity, fiduciary, and stakeholders' risks, all of which could compromise the success of the proposed operation. The rest of this section describes risks that are considered high and substantial, after proper mitigation measures that have been put in place.

**111 Political and governance risks are Substantial.** Mauritania has been a bulwark against growing regional instability. However, in an unstable region, the risks and spillovers from transnational conflicts are high. While this risk cannot be mitigated directly, the focus of the new administration on strengthening social cohesion following the calm and open presidential elections in June 2019 would help reduce local tensions. Beyond security, the political economy remains complex. While the Government has committed to the DPF-supported reforms, the effectiveness of this commitment and the Government's ability to manage political and institutional pressures are not assured. In fact, reforms like those on improving commercial justice, boosting competition in the ICT sector, or reforming the vocational training sector would most likely infringe on the privileges of vested interests, including within some political groups. This could create political pressure to reverse the reforms or hinder their implementation, which could prevent reaching the results targets set. To mitigate these risks, the measures supported by the DPF have been carefully selected to focus on areas where the Government has already initiated reforms, or which are subject to ongoing TA projects by the World Bank and other development partners.

**112 Macroeconomic risks are Substantial.** This is due to the large public debt stock, the potential for fiscal risks emerging from the broader public sector, and monetary policy constraints in managing liquidity and minimizing financial sector risks. A slower recovery due to COVID-19 pandemic and a delay in acquiring the vaccine could reverse the gains in fiscal and debt sustainability achieved in recent years. Exogenous shocks, from climate change or volatile commodity prices, could prevent the Government from meeting its fiscal objectives or maintaining adequate foreign exchange reserves. This could derail the



structural reforms agenda, erode fiscal space, and weaken the appetite for private sector investment, which could jeopardize the expected results from the DPF program. The Government’s commitment to maintain its strong track record of prudent macroeconomic policy, as shown by the successful completion of the IMF ECF, mitigates these risks. A zero ceiling on non-concessional external debt under the SDFP is another important mitigation measure.

**113 Institutional capacity risks are Substantial, exacerbated by the COVID-19 crisis.** 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 COVID-19 constraints, compound existing capacity risks. This could affect achieving the targets set under all three pillars of the program, which requires deep collaboration across line ministries and the acquisition of technical expertise. However, the established technical coordination committee co-headed by the MF and MAEPSP should enable the authorities to implement its reforms more effectively and comprehensively. While not all identified risks can be mitigated directly, the TA and capacity building supported by ongoing World Bank projects should help mitigate capacity risks.

**114 Mauritania’s fiduciary risks are Substantial, and IDA reserves the right to request an audit of the dedicated foreign currency account.** The substantial fiduciary risk rating is based on the status of the PFM system and the central bank’s safeguard framework, accounting systems and auditing arrangements. However, the dedicated US-dollar account at the BCM for the operation and the continuing efforts to reinforce public financial and budgetary management through the World Bank Public Sector Governance Project are important risk mitigation measures as described in section 5.3.

**115 Stakeholders risks are Substantial.** Efforts to move low-performing teachers out of the classroom to administration jobs within the public sector may create tensions especially with the unions. This risk is partially mitigated by activities in ongoing education project (P163143). The project is supporting a national teacher assessment to identify teachers’ strength and weakness and set up a teacher professional development (TPD) plan for all teachers with a focus on those identified with the least content and pedagogical content knowledge. In addition to TPD, the project will offer positive incentives to those identified as the best teachers through the organization of a high-level “Teacher Day” event. This will help mitigate the effect of teachers’ potential discontent with the national assessment. Other mitigation measures embedded in the project are (i) the reform of the pre-service teacher training institutes; (ii) the revision of the curriculum, (iii) the training of the trainers; and (iv) the strengthened HR management function of the EMIS. All these measures contribute to enhance the quality of teachers and reduce the likelihood of future teachers being removed from the classroom because of their lack of capacity to teach.

Table 6: Summary Risk Ratings

Risk Categories	Rating
1. Political and Governance	● Substantial



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2. Macroeconomic	● Substantial
3. Sector Strategies and Policies	● Moderate
4. Technical Design of Project or Program	● Moderate
5. Institutional Capacity for Implementation and Sustainability	● Substantial
6. Fiduciary	● Substantial
7. Environment and Social	● Moderate
8. Stakeholders	● Substantial
9. Other	
<b>Overall</b>	● Substantial



**ANNEX 1: POLICY AND RESULTS MATRIX**

**Table A.1: Policy Matrix for DPF-2**

Prior Actions and Triggers			Results		
Prior Actions under DPF1	Prior Actions for DPF2	Indicative Triggers for DPF3	Indicator Name	Baseline	Target
<b>Pillar 1 – Improving the business environment and strengthening financial inclusion</b>					
<b>Prior Action # 1:</b> The Recipient’s Council of Ministers has submitted to Parliament a draft revised Arbitration Law.	<b>Prior Action #1.</b> To improve access to reliable information on companies and collateralized assets, the Recipient’s Council of Ministers has approved a decree regulating the organization and the functioning of the local and central business and collateral registries.	<b>Trigger #1.</b> To improve commercial justice, the Recipient has promulgated an organic law reinforcing the independence and specialization of commercial justice.	Results Indicator #1: Number of cases solved through alternative dispute resolution mechanisms	0 (2018)	3 (2023)
<b>Prior Action #2:</b> The Recipient has issued Ministerial Decree No. 2019-032 and Ministerial Order No. 0000138 establishing and regulating the High Council for Improving Business Environment (vested with executive power) and its technical body, the Business Reforms Monitoring Committee.	<b>Prior Action #2.</b> To improve the efficiency, reliability and transparency of the creditor and debtor regimes, the Recipient has promulgated amendments to the Insolvency Law section of the Commercial Code.	<b>Trigger #2.</b> The Recipient has promulgated a revised secured transactions law.	Results Indicator #2: Number of insolvency cases brought to the courts	2 (2018)	7 (2023)
	<b>Prior Action #3.</b> To increase financial inclusion and encourage banking and non-banking actors to offer electronic money and payment services, the Recipient’s Council of Ministers has submitted to Parliament a draft law on electronic payment services and means of payment.	<b>Trigger # 3.</b> The Central Bank of Mauritania has adopted the implementing legislation for the law on electronic payment services and means of payment.	Results Indicator #3a: Percentage of adult population with an electronic money account  Results Indicator #3b: Percentage of women having used a mobile phone or the internet to conduct a financial transaction	4% (2017)  1.6% (2017)	15% (2023)  15% (2023)
<b>Pillar 2 – Developing competitive and inclusive broadband services</b>					
<b>Prior Action #4:</b> Pursuant to its Telecom Law, the Recipient’s National Regulatory Council has adopted a regulatory decree (decision No. 026/19/ANE/CNR/DTP), subjecting internet service providers to a general authorization regime.	<b>Prior action #4.</b> To increase competition on the retail and wholesale broadband markets, the Recipient’s telecom regulator (ARE) has published a new regulation policy for attributing authorizations to new internet service providers	<b>Trigger #4.</b> The Government has adopted a decree to regulate access of telecom operators to public digital infrastructure owned by public network utilities like SNIM and SOMELEC.	Results Indicator #4: Average monthly retail price of one-megabit mobile internet subscription	US\$2.3 (2018)	US\$1.0 (2023)



Prior Actions and Triggers			Results		
<p><b>Prior Action #5:</b> Pursuant to its 2013 Telecom Law, the Recipient’s National Regulatory Council has adopted a regulatory decree (decision No. 225/18/ARE/CNR/DTP) to operationalize telecom infrastructure-sharing between operators.</p>	<p><b>Prior action #5.</b> To better regulate access to the dominant operators’ essential infrastructure, the Recipient’s telecom regulator (ARE) (i) has adopted and published two decisions that set the technical and financial conditions under which dominant players must rent access to their digital infrastructure for competitors , and (ii) has approved the dominant players’ wholesale catalogs.</p>	<p><b>Trigger #5.</b> The Government has adopted a decree revising the public domain occupation fees and establishing rules for mutualizing civil works between linear infrastructure public projects.</p>	<p>Results Indicator #5: <b>Average monthly retail price of one-megabit fixed internet subscription</b></p>	<p>US\$11.6 (2018)</p>	<p>US\$3.0 (2023)</p>
<p><b>Prior Action #6:</b> The Recipient’s Council of Ministers has adopted a national strategy and an action plan for universal access to broadband, and the Committee on Public Investment has formally integrated it into the Public Investment Program.</p>	<p><b>Prior action #6.</b> To improve the institutional mechanisms and involve the private sector in the governance of the digital sector, the Recipient has adopted a decree and two arrêtés, establishing and operationalizing the High Digital Council.</p>	<p><b>Trigger #6.</b> The Government has implemented, in consultation with the private sector, the universal access strategy’s investment plan.</p>	<p>Results Indicator #6: <b>Percentage of rural households with access to the Internet</b></p>	<p>18% (2017)</p>	<p>35% (2023)</p>
<p><b>Pillar 3 – Strengthening human capital and promoting climate resilience</b></p>					
<p><b>3.1 Social Protection in face of climate related shocks</b></p>					
	<p><b>Prior action #7.</b> To better manage the impact of climate-related shocks, the Recipient has adopted a decree establishing the institutional framework to respond to shocks affecting food and nutrition security.</p>	<p><b>Trigger #7.</b> To better manage the impact of climate-related shocks, the Recipient has established a common financing vehicle related to the permanent institutional framework for responding to shocks affecting food and nutrition security</p>	<p>Results Indicator #7: <b>Percentage of individuals affected by climate-related shocks supported by the annual response plan.</b></p>	<p>0% (2018)</p>	<p>30% (2023)</p>
<p><b>3.2 Basic Education</b></p>					
<p><b>Prior Action #8:</b> The Recipient’s MNEVTT has adopted Decrees No. 2019-038 and No. 2019-039 to (i) create and define the mandate of COGES; and (ii) regulate absenteeism in primary and secondary public-school teachers.</p>	<p><b>Prior Action #8.</b> To strengthen the autonomy, responsibility and efficiency of schools, the Recipient’s MF and MNEVTT have adopted a joint arrêté establishing a direct funding mechanism to schools based on defined criteria.</p>	<p><b>Trigger #8.</b> MEFRSEN has adopted (i) a decree establishing a governance mechanism for evaluating the performance of COGES and (ii) a decree to strengthen the human resource management of teachers.</p>	<p>Results Indicator #8: <b>Public primary school teachers’ absence rate</b></p>	<p>29% (2017)</p>	<p>18% (2023)</p>
<p><b>Prior Action #9:</b> The Recipient’s MNEVTT</p>	<p><b>Prior Action #9.</b> To improve teachers’</p>	<p><b>Trigger #9.</b> The MEFRSEN issued an</p>	<p>Results Indicator #9:</p>	<p>4%</p>	<p>18%</p>



Prior Actions and Triggers			Results		
has adopted Decree No. 2019-040 instituting a strategic skills review for primary school teachers and requiring that all teachers meet minimum standards of competence in order to continue teaching.	quality, the Recipient has adopted a decree instituting the restructuring of ENIs and enhancing the recruitment and training of teachers.	order guaranteeing that teachers who leave ENI and join a school to start teaching in the classroom meet the minimum standards of competence.	Share of in-service teachers who score above the bar on a competence test and are therefore apt to teach	(2017)	(2023)
<b>3.3 Vocational Training</b>					
<b>Prior Action #10.</b> The Recipient’s MEF has adopted Ministerial Decree No. 2019-036 creating and defining the functioning of a new Technical and Vocational Support Fund (2FTP).	<b>Prior Action #10.</b> To improve the quality of TVET services, the Recipient’s MNEVTT has adopted a decree abrogating and replacing Decree 037-19 to institutionalize performance contracts in technical and vocational training and introduce actions to promote the fight against climate change as criteria for allocating 2FTP funding.	<b>Trigger #10.</b> To improve governance of the TVET system, the government: (i) Has adopted a ministerial order to put in place the National Quality Framework for TVET and a manual for functional organization of training establishments (ii) has adopted a decree introducing apprenticeship training and dual training at the BTS, BT and CAP levels.	Results Indicator #10a: Number of TVET graduates from institutions having signed performance contracts Results Indicator #10b: Percentage of female TVET graduates from institutions having signed performance contracts	0 (2017)  0% (2018)	4,500 (2023)  45% (2023)



Table A.2: Changes between DPF1 indicative triggers and DPF2 prior actions

Indicative Triggers under DPF 1	Prior Actions Under DPF 2	Descriptions of Changes
<b>Pillar 1 – Improving the business environment and strengthening financial inclusion</b>		
<b>(Indicative) Trigger # 1:</b> The Council of Ministers has submitted to Parliament modifications to the Civil, Commercial and Administrative Proceedings law		This trigger has been dropped because the Government implemented this reform faster than expected in April 2019.
<b>(Indicative) Trigger # 2:</b> The Council of Ministers has submitted to Parliament modifications to the Insolvency Law.	<b>Prior Action #2:</b> To improve the efficiency, reliability and transparency of the creditor and debtor regimes, the Recipient has promulgated amendments to the Insolvency Law section of the Commercial Code.	Unchanged. The legal evidence was just strengthened as the law has been approved by parliament.
<b>(Indicative) Trigger #3:</b> The Council of Ministers has revised regulations providing for the organization of the business and collateral registry	<b>Prior Action #1:</b> To improve access to reliable information on companies and collateralized assets, the Recipient’s Council of Ministers has approved a decree regulating the organization and the functioning of the local and central business and collateral registries.	The planned PA was moved to trigger 1, replacing planned PA for DPF2 with the organization of the commercial and collateral registry. The organization of the registry is essential for the commercial justice as a tool and reliable source of information for commercial justice while facilitating research on parties in litigation or during bankruptcy proceedings.
	<b>Prior Action #3:</b> To increase financial inclusion and encourage banking and non-banking actors to offer electronic money and payment services, the Recipient’s Council of Ministers has submitted to Parliament a draft law on electronic payment services and means of payment.	A new PA 3 for DPF2 was added to focus on reform on electronic payments. Given the importance of the financial inclusion agenda, especially in the context of COVID-19, it was deemed critical to support the digital agenda reform as part of this DPF series.
<b>Pillar 2 - Development of competitive and inclusive broadband services</b>		
<b>(Indicative) Trigger # 4:</b> The telecom regulator (ARE) has facilitated the implementation of competitive general “authorization” regime for new internet providers <sup>55</sup> by publishing on its website a standard model and guidelines to be used requesting such authorizations.	<b>Prior Action #4:</b> To increase competition on the retail and wholesale broadband markets, the Recipient’s telecom regulator (ARE) has adopted and published a new regulation policy for attributing authorizations to new internet service providers.	Unchanged. The write-up for these three triggers was slightly reworded to better describe the institutional aspect of the planned reform.
<b>(Indicative) Trigger # 5:</b> To increase competition in ICT service delivery, the regulator ARE has published three decrees, related to access to dominant operator’s essential infrastructure, including the list of relevant markets, the list of dominant players on the relevant markets, and the approbation of the dominant players’ wholesale catalogs.	<b>Prior Action #5:</b> To better regulate access to the dominant operators’ essential infrastructure, the Recipient’s telecom regulator (ARE) (i) has adopted and published two decisions that set the technical and financial conditions under which dominant players must rent access to their digital infrastructure for competitors , and (ii) has approved the dominant players’	The result indicators for line of reforms 4 and 5 were changed to measure the improved quality of service that would result from increased competition at the level of fixed and mobile internet markets as measured by the regulator.

<sup>55</sup> There are three types of internet providers: (i) Local loop radio internet providers offering fixed and mobile services; (ii) internet services providers with no radio frequencies; (iii) infrastructure wholesale operators with no radio frequencies.



	wholesale catalogs.	
<b>(Indicative) Trigger #6:</b> The Government has adopted a decree creating the High Digital Council ( <i>Haut Conseil du Numérique</i> ), in charge of providing recommendations to government on competition and regulation issues as well as monitoring the implementation of the national digital and universal access strategy.	<b>Prior Action #6:</b> To improve the institutional mechanisms and involve the private sector in the governance of the digital sector, the Recipient has adopted a decree and two arrêtés, establishing and operationalizing the High Digital Council.	
<b>Pillar 3 - Strengthening human capital and promoting climate resilience</b>		
	<b>Prior Action #7:</b> To better manage the impact of climate-related shocks, the Recipient has adopted a decree establishing the institutional framework to respond to shocks affecting food and nutrition security.	The COVID-19 crisis has compounded the effects of climate change and demonstrated the urgent need to strengthen preparedness and boost resilience to future shocks. Hence, this line of reform was added to effectively manage climate related shocks to protect vulnerable households which is key to increase resilience, enable human capital development, and build back better.
<b>(Indicative) Trigger # 7:</b> To strengthen the autonomy, accountability and effectiveness of schools and to improve the quality of education, the Council of Ministers (i) promulgates a decree establishing a program for school grants; and (ii) the MNEVTT issued regulations giving the school principal, in coordination with the COGES, the power to sanction absent teachers and report to the IDEN.	<b>Prior Action #8:</b> To strengthen the autonomy, responsibility and efficiency of schools, the Recipient’s MF and MNEVTT have adopted a joint arrêté establishing a direct funding mechanism to schools based on defined criteria.	This write-up of this trigger was revised to reflect the actual reform impact more accurately, namely, to increase school autonomy through direct financing and ability to better manage teacher absenteeism effectively.  The result indicator was adjusted to take into account the delayed start of the education project and the effects of COVID-19 which disrupted the activity schools and the public administration.
<b>(Indicative) Trigger #8:</b> The MNEVTT has i) implemented a fully operational HR function integrated to the Education Management Information System; (ii) signed performance contracts with each preservice teacher training institutes ( <i>Ecoles Normales de Instituteurs</i> , ENI) after carrying out the first national evaluation of primary-school teachers.	<b>Prior Action #9:</b> To improve teachers’ quality, the Recipient has adopted a decree instituting the restructuring of ENIs and enhancing the recruitment and training of teachers.	This trigger was reformulated and strengthened to put in place an institutional reform that sets the governance structure of ENIs.  The result indicator was adjusted to take into account the delayed start of the education project and the effects of COVID-19 which disrupted the activity schools and the public administration.
<b>(Indicative) Trigger #9:</b> To improve quality of TVET services, the MNEVTT signs performance contracts with each public technical and vocational training institution, with targets on the number of trainees and on the quality of training programs.	<b>Prior Action #10:</b> To improve the quality of TVET services, the Recipient’s MNEVTT has adopted a decree abrogating and replacing Decree 037-19 to institutionalize performance contracts in technical and vocational training and introduce actions to promote the fight against climate change as criteria for allocating 2FTP funding.	This trigger was revised to ensure that a sustainable mechanism is in place to promote results-based financing through performance contracts and to integrate climate-change adaptation as a criterion in the allocation of the 2FTP



<p><b>(Indicative) Trigger #10:</b> To align services with labor market demand, the MNEVTT has established a formal consultation mechanism between the private sector and the employment and vocational training government services.</p>	<p><b>Prior Action #11:</b> dropped</p>	<p>This line of reform was dropped because the Government has implemented all this line of reform faster than expected by created a tripartite consultation mechanism and established several training partnerships.</p>
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## ANNEX 2: IMF RELATIONS ANNEX

### **IMF Executive Board Completes Sixth Review Under the Extended Credit Facility Arrangement with the Islamic Republic of Mauritania**

*Press release March 3, 2021*

<https://www.imf.org/en/News/Articles/2021/03/03/pr2157-mauritania-imf-exec-board-completes-6th-review-under-ecf-arrangement-approves-disbursement>

- The COVID-19 pandemic continues to impose severe human and social hardships on Mauritania, and the economy contracted by about 2 percent in 2020.
- The authorities have responded swiftly to mitigate the impact of the pandemic while international partners have provided sizable financing and debt service suspension. This, together with high commodity exports, has placed Mauritania in a stronger position to support the recovery.
- Performance has been strong despite delays and the program has helped to support growth, improve fiscal balances and stabilize debt, increase foreign exchange reserves, and implement institutional reforms in the fiscal, monetary, and financial sector policy areas.

Today, the Executive Board of the International Monetary Fund (IMF) completed the sixth and final review of the arrangement with the Islamic Republic of Mauritania under the Extended Credit Facility (ECF) covering 2017–21, allowing the disbursement of SDR 16.56 million (12.9 percent of quota, about US\$23.8 million). The arrangement was approved on December 6, 2017 with total access of SDR 115.92 million (about US\$167 million at current exchange rates), or 90 percent of Mauritania’s quota, to help the authorities meet social and infrastructure needs while maintaining macroeconomic stability and increasing resilience to shocks. It was augmented by SDR 20.24 million (15.7 percent of quota) on September 2, 2020 to address higher-than-anticipated financing needs due to the COVID-19 pandemic and was extended by three months on December 1, 2020.

Earlier last year, the Executive Board also approved on April 23, 2020 a disbursement of SDR 95.68 million (74.3 percent of quota) under the Rapid Credit Facility (RCF), which provided space to increase spending on health services and social protection programs in response to the pandemic and helped catalyze donor financing. Altogether, total access reached SDR 132.48 million (102.9 percent of quota) in 2020.

In completing the review, the Executive Board also approved the authorities’ request for a waiver for the non-observance of the June 2020 performance criterion on net domestic assets of the central bank.

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

“The COVID-19 pandemic continues to impose severe human, economic, and social hardships in Mauritania. The economy contracted in 2020 and the crisis generated additional financing needs. The authorities responded swiftly to mitigate the impact of the pandemic while international partners provided sizable financing and debt service suspension. This, together with high commodity exports, has placed Mauritania in a stronger position to address upcoming challenges and support the recovery. The outlook remains highly uncertain and dependent on volatile commodity markets, with sizable downside risks in case new waves of the pandemic spill over.

“The authorities’ response to the pandemic is appropriate. The expansionary 2021 budget is justified to boost the recovery and longer-term inclusive growth, and could be supported by the external financing saved from last year.



Prioritizing health and education spending and targeted support to the most vulnerable households, as well as stepping up infrastructure spending, should support livelihoods and limit post-pandemic scarring. Continued prudent monetary policy and careful monitoring of banking sector developments are needed. The authorities are appropriately channeling crisis-related spending through the budget, reporting transparently on the use of emergency resources, and publishing the names and legal owners of companies awarded emergency contracts. They are committed to auditing emergency spending and strengthening disclosure requirements on beneficial ownership.

“The authorities remain committed to the objectives of the economic reform program supported by the 2017–21 ECF arrangement concluded now. Despite delays, performance has been strong and the program has helped to support growth, improve fiscal balances and stabilize debt, increase foreign exchange reserves, and implement important institutional reforms in the fiscal, monetary, and financial sector policy areas. However, considerable challenges remain, and the authorities have requested a successor arrangement.

“In the context of massive developmental needs—including to achieve the Sustainable Development Goals—the authorities should continue to create fiscal space to increase priority spending on education, health, social protection, and infrastructure by mobilizing domestic revenues and strengthening PFM. Given the high risk of debt distress, the authorities are encouraged to seek further grants and concessional resources to finance their development plans, maintain buffers, and safeguard debt sustainability.”

	2017	2018	2019e	2020p	2021p
<b>National accounts and prices</b>					
Real GDP	3.5	2.1	5.6	-2.2	3.1
Real extractive GDP	-6.2	-9.5	27.2	0.9	5
Real non-extractive GDP	4.7	3.5	3.2	-2.9	2.5
GDP deflator	3.7	1.8	9.6	7.8	12.1
Consumer prices (period average)	2.3	3.1	2.3	2.3	2.4
<b>Central government operations</b> (In percent of non-extractive GDP; unless otherwise indicated)					
Revenues and grants	22.8	25	24.4	27.2	24.5
Nonextractive	20	21	20.5	21.6	20.7
Taxes	14.1	15.5	15	14.3	15.1
Extractive	2	3.5	1.9	2.8	3.2
Grants	0.8	0.5	1.9	2.7	0.6
Expenditure and net lending	22.9	22.3	21.9	24.4	28.2
Current	14	14.3	13.7	15.8	18.2
Capital	8.7	8	8.3	8.7	10
Primary balance (excl. grants)	0.2	3.5	1.7	1.3	-3
Overall balance (in percent of GDP)	0	2.5	2.1	2.1	-2.5
Public sector debt (in percent of GDP) 1/ 2/	55.1	61.4	56.5	59.5	56.3
<b>Money and Credit</b>					
Broad money	13.7	13.8	11.8	21	14.9
Credit to the private sector	7.5	19.4	12.9	6.8	9.4
<b>Balance of Payments</b>					
Current account balance (in percent of GDP)	-10	-13.8	-10.6	-11.6	-11.8
Excl. externally financed extractive capital imports	-5	-8.6	-3.8	-3.3	-7
Gross official reserves (in millions of US\$, eop) 3/	849	918	1135	1542	1654
In months of prospective non-extractive imports	4.6	4.4	5.7	5.9	6.7
External public debt (in percent of GDP)	52.7	51.3	47.6	51.2	48.2
<b>Memorandum items:</b>					
Nominal GDP (in millions of US\$)	6,784	7,048	7,930	8,176	9,239
Price of iron ore (US\$/Ton)	71.1	70.1	93.6	108.1	152.6

Sources: Mauritanian authorities; and IMF staff estimates and projections. 1/ Including government debt to the central bank recognized in 2018. 2/ Excluding passive debt to Kuwait under negotiation. 3/ Excluding hydrocarbon revenue fund.



ANNEX 3: LETTER OF DEVELOPMENT POLICY

الجمهورية الإسلامية الموريتانية  
شرف - إخاء - عدل



وزارة الشؤون الاقتصادية وترقية القطاعات الإنتاجية  
MINISTRE DES AFFAIRES ECONOMIQUES  
ET DE LA PROMOTION  
DES SECTEURS PRODUCTIFS

RÉPUBLIQUE ISLAMIQUE DE MAURITANIE  
Honneur - Fraternité - Justice

N°: ..... / M.A.E.P.S.P / M

00 04 26

Date : 26 MAY 2021 التاريخ

Le Ministre

الوزير

A Monsieur David Malpass  
Président du Groupe de la Banque Mondiale  
- Washington D.C. -

**Objet :** Lettre de politique de développement

**Monsieur le Président,**

J'ai l'honneur de vous adresser la présente lettre de politique de développement (LPD) qui expose (1) l'évolution récente de la situation économique en Mauritanie, (2) le Programme Prioritaire Elargi du Président (ProPEP), et (3) les progrès accomplis dans la mise en œuvre des réformes structurelles.

**1) Evolution économique et sociale récente**

L'année 2020 a été marquée par une crise sans précédent : à la crise sanitaire s'est ajoutée une crise économique, puis une crise sociale profonde dont les effets risquaient de s'accroître dans les temps à venir. La situation économique en Mauritanie a été fortement impactée par la crise liée au Covid-19 à travers les principaux canaux de transmission que sont les échanges extérieurs et la demande intérieure.

Selon les dernières prévisions, la croissance du PIB réel en 2020 s'est contractée s'établissant à -2,2% sous l'effet d'un double choc d'offre (lié à la baisse de la production) et de demande (notamment sur les services). Les sources de cette croissance prévue en 2020 ont été essentiellement tirées par (i) une dynamique favorable du sous-secteur minier grâce à la forte demande mondiale de minerai de fer et d'or, ainsi qu'à la poursuite des investissements dans les capacités d'extractions ;(ii) une contraction du secteur primaire consécutive dû à une forte baisse de la demande mondiale de poisson et à des problèmes climatiques liés à l'agriculture (iii) une baisse de l'activité des services privés (Transports, Commerce, etc.) liées aux mesures de confinement. Dans l'ensemble, l'expansion du sous- secteurs extractifs a limité la contraction globale du PIB.

Pour atténuer les effets de la crise engendrée par la COVID19 sur les ménages et les opérateurs économiques les plus touchés, un Plan National Multisectoriel de Riposte a été élaboré et adopté. Il a été suivi par l'élaboration et l'adoption du Programme Prioritaire Elargi du Président (ProPEP) pour la relance économique, ambitieux programme visant à

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promouvoir une croissance forte, durable et inclusive, à accélérer l'atteinte de l'autosuffisance alimentaire et à accompagner l'essor du secteur privé national.

A cela s'ajoute la préparation des instruments financiers permettant de mieux lutter contre le coronavirus à travers l'instauration d'un Fonds Spécial de Solidarité Sociale et de Lutte Contre le Coronavirus (F3SL2C), doté de 5,92 milliards d'Ouguiya pour financer le plan d'aide sociale et de riposte à la pandémie de la COVID19, sous la supervision d'une commission nationale désignée à cet effet.

Face à la crise, le gouvernement a renforcé son soutien direct aux populations les plus vulnérables à travers des cash transferts. La Délégation Générale TAAZOUR, à travers le Registre Social, a ciblé les ménages pauvres et vulnérables dans le pays à l'exception de Nouadhibou et de Nouakchott. Cette opération bénéficie 186 293 ménages dans 8 119 localités réparties dans tout le pays. Les montants à transférer sont de 2 250 MRU par ménage, soit un total de 419 159 250 MRU. De même, le gouvernement a distribué des kits alimentaires à Nouakchott au profit des ménages vulnérables affectés par les mesures préventives contre la propagation de la pandémie. Un second passage de cash transfert de 291.627.844 MRU au profit de 210 000 ménages pauvres soit 1.460.308 personnes réparties dans les 8119 localités du pays a été complété en Janvier 2021. Sur les 210 000 ménages éligibles 207 015 ont reçu une aide 2 250 MRU. Les ménages n'ayant pas reçu le transfert d'argent n'ont pas pu être desservis et sont concentrés essentiellement à Nouakchott et Nouadhibou.

## **2) Le Programme Prioritaire Elargi du Président (ProPEP)**

Le Programme Prioritaire Elargi du Président (ProPEP) vise à relancer l'économie nationale et à poursuivre et à consolider le Programme Prioritaire N°1 lancé le 29 janvier 2020 pour l'amélioration du pouvoir d'achat, la création d'emploi et l'accès aux services de base et le Plan National Multisectoriel de Riposte à la COVID-19 pour atténuer l'impact de la pandémie sur les populations et les acteurs économiques.

Le ProPEP, lancé en septembre 2020 par le Président de la République, s'articule autour de 6 principaux axes : (i) Développement d'infrastructures de soutien à la croissance ; (ii) Amélioration de l'offre sociale et soutien à la demande ; (iii) Valorisation du potentiel des secteurs productifs et accélération de l'atteinte de l'autosuffisance alimentaire ; (iv) Appui au secteur privé (formel et informel) ; (v) Reboisement, Création d'Emplois ; et (vi) Gouvernance et mise en œuvre du programme.

Le ProPEP, qui sera exécuté sur 30 mois avec un coût de 24,162 milliards MRU, vise la mise en place des conditions d'une reprise économique suivant une approche durable et inclusive par un soutien à la croissance et à la création d'emplois. Il prévoit un taux de croissance passant de 2% en 2021 à 4,2% en 2022 ainsi que la création d'environ 50 000 emplois directs durant sa période de mise en œuvre.

Le premier axe de ce programme englobe toutes les mesures liées au développement et à la maintenance d'infrastructures de soutien à la croissance. Il jouera également un rôle majeur dans cette stratégie de relance, par la programmation de projets d'infrastructures structurants à exécution rapide et dont le contenu en travaux de constructions devrait favoriser la création d'emplois massifs.

Le deuxième axe porte sur la mise à niveau des secteurs sociaux et de soutien à la demande. Il fait de l'amélioration des conditions de vie des citoyens, notamment les plus démunis, la principale priorité du Gouvernement. Les activités prévues dans cet axe viendront compléter et renforcer les importants programmes de soutien des ménages vulnérables sur l'étendue du



territoire déjà exécutés par TAAZOUR et certains Départements compétents dans le cadre du Plan de Riposte Covid-19. Aussi, l'amélioration de l'offre de services de santé, le soutien à la mise en place d'une école républicaine et les perspectives d'employabilité des jeunes sont des composantes prioritaires de cet axe.

Le troisième axe porte sur la valorisation du potentiel des secteurs productifs et l'accélération de l'atteinte de l'autosuffisance alimentaire. Il consistera à intensifier l'exploitation des potentialités locales offertes par les secteurs de l'agriculture de l'élevage et de la pêche et à réduire la dépendance du pays de l'extérieur. Ces secteurs bénéficieront également d'un montant substantiel affecté aux infrastructures rurales.

Le quatrième axe porte sur l'appui au secteur privé à travers des mesures de soutien visant à faire face aux effets de la pandémie, particulièrement subis par les différents segments de ce secteur (PME, hôtels et restaurants, tourisme, transports, etc.) et des actions de promotion de l'entrepreneuriat et de l'emploi.

Le cinquième axe porte sur les programmes de reboisements et de création d'emplois verts. Il vise à restaurer et assurer une gestion durable des espaces forestiers et des terres dégradées en vue d'améliorer les moyens de subsistance des populations locales. Il contribue également à une meilleure gestion de la pollution et la promotion des filières de valorisation des déchets à même de créer des emplois durables, notamment pour les jeunes.

Le sixième et dernier axe porte sur la gouvernance et la mise en œuvre du programme, qui seront soutenues par un dispositif efficace de suivi-évaluation.

Le démarrage du programme a connu une intense activité qui a été, cependant, ralentie par la survenue de la deuxième vague de la Covid-19. En dépit de cette situation, l'ensemble des activités inscrites au ProPEP ont démarré ou en phase avancée de lancement. Les améliorations apportées au mécanisme de passation des marchés publics auront un impact positif sur le rythme de réalisation des activités programmées.

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

**En matière de réformes des finances publiques**, une nouvelle méthodologie de préparation du budget de l'Etat pour l'année 2021 a été adoptée, ce qui a permis de faire le lien entre les sous-chapitres et les activités et permettre une meilleure lisibilité du budget. Une planification obligatoire des activités inscrites dans les plans d'actions a été instituée avant l'ouverture des crédits qui met en évidence les activités liées au programme «Taahoudaty» et au programme prioritaire élargi du Président. Un rapport sur le niveau de mise en œuvre des budgets sera préparé tous les trois mois et la nécessité d'utiliser la classification géographique lors de l'exécution de chaque dépense a été retenue. En matière de rationalisation des allocations budgétaires et d'amélioration de la qualité de la dépense, le Ministère des Finances veillera à s'assurer de l'efficacité de la dépense publique et de sa contribution à l'atteinte des objectifs des politiques publiques. En matière de gestion de l'administration et de ses relations avec les usagers, les mesures engagées pour mettre l'utilisateur au cœur de l'action se poursuivront et s'accroîtront avec le déploiement d'une administration digitale et multi-accès. L'intégration des systèmes d'information et de la gestion des finances publiques sera finalisée afin de garantir la bonne exécution des opérations, la transparence financière et la traçabilité des opérations.

Le Schéma Directeur des Réformes des Finances Publiques (SD-RFP 2021-2025) constituera le document de référence de toutes ces réformes et mettra l'accent sur l'amélioration du processus de budgétisation, l'optimisation des recettes de l'Etat et la modernisation des



finances publiques. Ce faisant, ces réformes s'inscrivent dans la poursuite de la déconcentration du processus budgétaire et le recentrage de la mission du Ministre chargé des Finances vers un rôle de régulation, de centralisation de la préparation et la bonne exécution des lois de finances. Elles constituent, en outre, une réponse aux faiblesses mises en évidence par les différentes évaluations.

**En matière de la transparence et de la gestion de la dette**, nous avons publié le premier bulletin statistique de la dette en Décembre 2020 et nous continuerons à publier ce bulletin sur une base annuelle. Pour maintenir la dette sur une trajectoire viable, nous maintiendrons la stratégie d'emprunt prudente qui consiste à ne pas contracter de prêts non concessionnels comme convenu dans le cadre de l'initiative de suspension du service de la dette (ISSD) et la politique de financement durable (SDFP). Parallèlement, nous espérons finaliser un audit de l'ensemble de notre dette extérieure et partager le rapport avec votre institution.

**Pour assurer la transparence des dépenses liées à la COVID-19**, le gouvernement a mis en place un mécanisme de gouvernance et une commission nationale de suivi de l'exécution du Fonds Spécial de Solidarité et de lutte contre le coronavirus. Le gouvernement a institué par décret présidentiel n° 84-2020/PR portant modification du décret N°066-2020 du 4 Mai 2020 une commission nationale de suivi présidée par le Ministre des Finances (MF) et comprenant vingt-quatre membres représentant l'Assemblée Nationale, l'opposition démocratique, le Conseil Economique, Social et Environnemental, les conseils régionaux, l'association des maires de Mauritanie, les Oulémas et Imams, le patronat, les centrales syndicales des travailleurs, la société civile, les partenaires techniques et financiers, la presse, la diaspora et les partis politiques. Dans ce contexte de transparence, le MF publie tous les deux mois un rapport qui détaille toutes les recettes et les dépenses du FSS. Les informations sur les marchés publics attribués en rapport avec la réponse COVID-19 ont également été publiés. Nous demanderons à la Cour des comptes de contrôler les dépenses d'urgence et de publier les conclusions de ces contrôles avant septembre 2021.

**Le cadre légal des PPP a été renforcé.** L'Etat accorde une importance particulière au développement du Partenariat public-privé (PPP), en vue d'accroître les investissements directs étrangers dans un contexte de maîtrise des dépenses publiques et de soutien au développement du secteur privé. La récente révision de la Loi PPP, adoptée par le Conseil des Ministres en 2021, offre aux investisseurs un cadre juridique et institutionnel attrayant comportant toutes les garanties pour la réalisation de ses projets PPP. Cette modification de la Loi prévoit d'étendre le champ d'application de celle-ci à l'intégralité du territoire national, y compris la Zone Franche de Nouadhibou. L'extension de la loi PPP à la Zone Franche de Nouadhibou apportera de nombreux avantages pour cette dernière. Les projets PPP de la Zone Franche seront attribués sur la base d'un régime juridique national sécurisé. Cela attire les investisseurs internationaux qui sont incités par de telles conditions. Les bailleurs de fonds seront également confortés par le caractère unique du régime des PPP. Ce changement permettra de faire de la zone franche un instrument pour la valorisation des produits mauritaniens, la création d'emplois et l'augmentation sensible du volume des exportations à partir de Nouadhibou.

**En matière de lutte contre la corruption**, le comité tripartite (Etat, secteur privé et société civile) de suivi de la mise en œuvre de la stratégie, créé en 2014, sera opérationnalisé ; ses membres seront nommés par décret et les moyens nécessaires seront mis à sa disposition afin qu'il puisse produire son premier rapport sur la mise en œuvre de la stratégie, ainsi qu'un plan d'actions spécifiques pour la période 2022-24.

**En matière de protection sociale**, un système d'appui social ciblé avec l'aide de la Banque Mondiale sur la base d'un registre social (RS) unique des ménages vulnérables a été mis en



place et s'ambitionne de couvrir l'ensemble du territoire afin de permettre un meilleur ciblage des transferts envers les plus vulnérables. Ce système va être élargi en 2021 pour inclure Nouakchott et Nouadhibou. Ainsi, il couvrira l'ensemble du territoire mauritanien.

**Afin de renforcer la participation du secteur privé**, le gouvernement s'engage à opérationnaliser le Fonds de Garantie pour les PME qui a été institué en mai 2020 et réviser la loi de magistrature pour intégrer des réformes afin d'améliorer la justice commerciale et le climat des affaires.

#### **Evolution du cadre organisationnel et institutionnel**

En vue d'améliorer la performance générale du Ministère des Affaires Économiques et de la Promotion des Secteurs Productifs et de ses démembrements, pour concevoir, coordonner et assurer le suivi de l'exécution de la politique économique et sociale du Gouvernement, une restructuration et une réorganisation ont été effectuées au mois de février et mars dernier.

Ces ajustements ont consisté, notamment, en la création d'une nouvelle Agence de Promotion des investissements en Mauritanie (APIM), la transformation organisationnelle et institutionnelle de l'Office national de statistiques, en une Agence Nationale de la Statistique et d'Analyse Economique et Démographique (ANSADE), la création d'une Direction générale chargé du Partenariat Public Privé. Par ailleurs, la définition des objectifs des projets du Programme public d'investissements (PIP) a été confiée à la Direction générale chargé des Politiques et stratégies.

#### **Réforme des marchés publics**

Depuis 2010, souvent en partenariat avec les partenaires techniques et financiers et en harmonie avec les standards internationaux reconnus, un ensemble de réformes ont été menées dans le but d'observer les principes de transparence, d'augmenter la capacité d'absorption du pays et d'améliorer la gestion des commandes publiques, notamment. Toutefois, nous avons constaté la persistance de facteurs de retards qui entravent l'atteinte des objectifs visés, cités précédemment.

Aussi, nous avons procédé à des nouveaux aménagements :

En simplifiant l'organisation qui a permis la suppression de la fonction de Secrétaire Permanent, qui n'est pas prévue par la loi et qui introduit un niveau décisionnel inutile et réduit drastiquement le nombre de personnes responsables des marchés publics (PRMP), fonction désormais à plein temps, qui passent de 469 à moins de 30 aujourd'hui avec une optimisation appréciable du budget qui était consacré à leur entretien.

En introduisant des procédures de modification au niveau des dossiers d'appels d'offres et d'ouverture des offres (la possibilité offerte d'introduction précoce des plaintes, la clarification du processus de résolution des différends entre la sous-commission d'évaluation et la commission de passation des marchés publics, la décision de ne plus traiter la révision des prix, dès lors que la formule et ses conditions d'application sont incluses dans le contrat, comme un avenant). De même des mesures en faveur de la transparence ont introduites à travers, notamment, l'implication de la commission nationale de contrôle des marchés publics dans la déclaration d'appel d'offres.



Enfin, en recrutant par appel ouvert à candidatures 25 PRMP avec des compétences techniques validées par l'ARMP. Tous ces agents ont prêté serment devant la cour d'appel de Nouakchott et ont été affectés dans les différents Départements du Gouvernement. Une cérémonie solennelle d'orientation en faveur des PRMP a été organisée le 12 avril 2021 en présence du Premier Ministre des membres du Gouvernement et de certains partenaires techniques et financiers.

Enfin, nous restons convaincus que la poursuite des réformes entamées en matière de l'amélioration du climat des affaires, des finances publiques, de la gestion et la transparence de la dette, de gouvernance, d'éducation de base et de formation professionnelle, nous mènera, avec l'appui notamment de votre institution, à atteindre nos objectifs communs de réduction de la pauvreté et de développement durable. Je vous prie, Excellence Monsieur le Président, de recevoir mes salutations les plus chaleureuses.

**Ousmane Mamoudou KANE**





**Letter of Development Policy – Unofficial translation in English**

Minister of Economic Affairs and Promotion of Productive Sectors

**To Mr. David Malpass  
President of the World Bank Group  
- Washington D.C. -**

**Subject:** Letter of Development Policy

**Mr. President,**

I have the honor to submit this Letter of Development Policy (LDP) outlining (1) recent economic developments in Mauritania, (2) the President's Expanded Priority Program (EPP), and (3) progress in the implementation of structural reforms.

**1) Recent economic and social developments**

The year 2020 was marked by an unprecedented crisis: the health crisis was followed by an economic crisis, and then by a deep social crisis whose effects are likely to become more pronounced in the future. The economic situation in Mauritania has been strongly impacted by the COVID19 crisis through the main transmission channels of foreign trade and domestic demand.

According to our latest forecasts, real GDP growth in 2020 has contracted by -2.2% as a result of a double shock to supply (linked to the fall in production) and demand (particularly in services). The sources of this projected growth in 2020 were essentially driven by a contraction in the primary sector due to a sharp drop in global demand for fish and climatic problems related to agriculture; and a drop in private service activity (transport, trade, etc.) linked to containment measures. Overall, the expansion of the extractive sector limited the overall contraction in GDP.

To mitigate the effects of the crisis caused by COVID19 on the most affected households and firms, a National Multisectoral Response Plan was developed and adopted. This was followed by the development and adoption of the President's Expanded Priority Program (ProPEP) for economic recovery, an ambitious program aimed at promoting strong, sustainable and inclusive growth, accelerating the achievement of food self-sufficiency and supporting the development of the private sector.

In addition, financial instruments were prepared to better fight the coronavirus through the establishment of a Special Fund for Social Solidarity and the Fight against the Coronavirus (F3SL2C), endowed with 5.92 billion Ouguiya to finance the COVID19 pandemic social assistance and response plan, under the supervision of a national commission appointed for this purpose.

In response to the crisis, the government has increased its direct support to the most vulnerable populations through cash transfers. The General Delegation TAAZOUR, through the Social Registry, has targeted poor and vulnerable households in the country with the exception of



Nouadhibou and Nouakchott. This operation benefits more than 186,293 households in 8,119 localities throughout the country. The amounts to be transferred are MRU 2,250 per household, for a total of MRU 419,159,250. Similarly, the government has distributed food kits in Nouakchott for the benefit of vulnerable households affected by the preventive measures against the spread of the pandemic. A second cash transfer of 291,627,844 MRU to 210,000 poor households, i.e. 1,460,308 people in the country's 8,119 localities, was completed in January 2021. Of the 210,000 eligible households, 207,015 received 2,250 MRU of assistance. Households that did not receive the cash transfer could not be served and are concentrated mainly in Nouakchott and Nouadhibou.

## **2) The President's Expanded Priority Program (ProPEP)**

The President's Expanded Priority Program (ProPEP) aims to revive the national economy and to continue and consolidate the Priority Program N°1 launched on January 29, 2020 for the improvement of purchasing power, job creation and access to basic services and the National Multisectoral Plan of Response to COVID19 to mitigate the impact of the pandemic on the population and economic actors.

The ProPEP, launched in September 2020 by the President of the Republic, is structured around 6 main axes: (i) Development of infrastructure to support growth; (ii) Improvement of social supply and support for demand; (iii) Development of the potential of the productive sectors and acceleration of the achievement of food self-sufficiency; (iv) Support for the private sector (formal and informal); (v) Reforestation, Job Creation; and (vi) Governance and implementation of the program.

The ProPEP, which will be implemented over 30 months at a cost of MRU 24.162 billion, aims to create the conditions for a sustainable and inclusive economic recovery by supporting growth and job creation. It foresees a growth rate increasing from 2% in 2021 to 4.2% in 2022 as well as the creation of approximately 50,000 direct jobs during its implementation period.

The first axis of this program encompasses all measures related to the development and maintenance of infrastructure to support growth. It will also play a major role in this recovery strategy, through the programming of structuring infrastructure projects to be implemented quickly and whose content in construction work should promote the creation of massive employment.

The second axis concerns the upgrading of the social and demand support sectors. It makes improving the living conditions of citizens, especially the poorest, the Government's main priority. The activities planned in this area will complement and reinforce the important programs to support vulnerable households throughout the country that are already being carried out by TAAZOUR and certain relevant departments under the COVID19 Response Plan. Also, the improvement of health services, the support to the establishment of a republican school and the employability prospects of the youth are priority components of this axis.

The third axis concerns the development of the potential of the productive sectors and the acceleration of the achievement of food self-sufficiency. It will consist of intensifying the exploitation of local potential offered by the agriculture, livestock and fisheries sectors and reducing the country's dependence on imports. These sectors will also benefit from a substantial amount allocated to rural infrastructure.



The fourth axis focuses on support to the private sector through measures aimed at coping with the effects of the pandemic, particularly on the various segments of this sector (SMEs, hotels and restaurants, tourism, transport, etc.) and actions to promote entrepreneurship and employment.

The fifth axis focuses on reforestation and green job creation programs. It aims to restore and ensure sustainable management of forest areas and degraded lands in order to improve the livelihoods of local populations. It also contributes to a better management of pollution and the promotion of waste recovery channels that can create sustainable jobs, especially for young people.

The sixth and final axis concerns the governance and implementation of the program, which will be supported by an effective monitoring and evaluation system.

The start of the program has been intense, but this has been slowed down by the occurrence of the second wave of COVID19. Despite this situation, all of the activities included in ProPEP have started or are in the advanced stages of launching. Improvements in the procurement mechanism will have a positive impact on the pace of implementation of the programmed activities.

### 3) Progress in the implementation of reforms

**In terms of public finance reforms**, a new methodology for preparing the state budget for 2021 has been adopted, which has made it possible to link the sub-chapters and activities and to make the budget more comprehensive. A compulsory planning of the activities included in the action plans has been instituted before the appropriation of funds, which highlights the activities related to the "Taahoudaty" program and the President's extended priority program. A report on the level of implementation of the budgets will be prepared every three months and the need to use geographical classification in the execution of each expenditure has been adopted. In terms of rationalizing budget allocations and improving the quality of spending, the Ministry of Finance will ensure that public spending is efficient and contributes to the achievement of public policy objectives. In terms of administration management and relations with users, the measures undertaken to put the user at the heart of the action will continue and will be accentuated with the deployment of a digital and multi-access administration. The integration of information systems and public finance management will be finalized in order to guarantee the proper execution of operations, financial transparency and the traceability of operations.

The Public Finance Reform Master Plan (SD-RFP 2021-2025) will be the reference document for all these reforms and will focus on improving the budgeting process, optimizing government revenues and modernizing public finance. In so doing, these reforms are in line with the continued devolution of the budget process and the refocusing of the mission of the Minister of Finance on a regulatory role and the centralization of the preparation and proper execution of the finance laws. They also constitute a response to the weaknesses highlighted by the various evaluations.

**In the area of transparency and debt management**, we published the first statistical debt bulletin in December 2020 and will continue to publish this report card on an annual basis. To keep the debt on a sustainable path, we will maintain the prudent borrowing strategy of not contracting non-concessional loans as agreed upon under the Debt Service Suspension Initiative (DSSI) and the Sustainable Financing Policy (SFP). At the same time, we hope to finalize an audit of all our external debt and share the report with your institution.



**To ensure transparency of COVID-19 expenditures,** the government has set up a governance mechanism and a national commission to monitor the execution of the Special Solidarity Fund (FSS) and the fight against the coronavirus. The government established by presidential decree No. 84-2020/PR amending decree No. 066-2020 of May 4, 2020 a national monitoring commission chaired by the Minister of Finance (MF) and comprising twenty-four members representing the National Assembly, the democratic opposition, the Economic, Social and Environmental Council, the regional councils, the association of mayors of Mauritania, the Ulemas and Imams, the employers, the workers' trade union centers, civil society, technical and financial partners, the press, the diaspora and political parties. In this context of ensuring transparency, the Minister of Finance publishes a report every two months detailing all FSS revenues and expenditures. Information on public contracts awarded in connection with the COVID-19 response has also been published. We will ask the Court of Auditors to audit the emergency expenditures and publish the findings of these audits before September 2021.

**The legal framework for PPPs has been strengthened.** The State attaches particular importance to the development of Public-Private Partnerships (PPP), with a view to increasing foreign direct investment in a context of controlling public expenditure and supporting private sector development. The recent revision of the PPP law, adopted by the Council of Ministers in 2021, offers investors an attractive legal and institutional framework with all the guarantees for the realization of its PPP projects. This amendment to the law provides for the extension of its scope to the entire national territory, including the Nouadhibou Free Zone. The extension of the PPP law to the Nouadhibou Free Zone will bring many benefits to the latter. PPP projects in the Free Zone will be awarded on the basis of a secure national legal regime. This attracts international investors who are encouraged by such conditions. Donors will also be comforted by the uniqueness of the PPP regime. This change will make the free zone an instrument for adding value to Mauritanian products, creating jobs and significantly increasing the volume of exports from Nouadhibou.

**In terms of the fight against corruption,** the tripartite committee (State, private sector and civil society) for monitoring the implementation of the strategy, created in 2014, will be operationalized; its members will be appointed by decree and the necessary means will be made available to it so that it can produce its first report on the implementation of the strategy, as well as a specific action plan for the period 2022- 24.

**In terms of social protection,** a targeted social support system has been set up with the help of the World Bank, based on a single Social Registry (SR) of vulnerable households, which aims to cover the entire country in order to better target transfers to the most vulnerable. This system will be expanded in 2021 to include Nouakchott and Nouadhibou, thus covering the entire Mauritanian territory.

**To strengthen private sector participation,** the government is committed to operationalizing the SME Guarantee Fund that was established in May 2020 and revising the Judiciary Act to incorporate reforms to improve commercial justice and the business climate.

**Evolution of the organizational and institutional framework.** In order to improve the overall performance of the Ministry of Economic Affairs and Promotion of Productive Sectors to design, coordinate and monitor the implementation of the Government's economic and social policy, a restructuring and reorganization was carried out last February and March.



These adjustments included the creation of a new Mauritanian Investment Promotion Agency (APIM), the organizational and institutional transformation of the National Statistics Office into a National Agency for Statistics and Economic and Demographic Analysis (ANSADE), and the creation of a Directorate General in charge of Public-Private Partnerships. In addition, the definition of the objectives of the Public Investment Program (PIP) projects has been entrusted to the General Directorate in charge of Policies and Strategies.

**Public procurement reforms.** Since 2010, often in partnership with technical and financial partners and in harmony with recognized international standards, a series of reforms have been carried out with the aim of observing the principles of transparency, increasing the country's absorption capacity and improving the management of public orders, in particular. However, we have noted the persistence of delaying factors that hinder the attainment of the objectives mentioned above.

Also, we have proceeded to new developments:

By simplifying the organization, which has allowed the elimination of the function of Permanent Secretary, which is not provided for by law and which introduces an unnecessary level of decision-making and drastically reduces the number of persons responsible for public procurement (PRMP), a function that is now full time, from 469 to less than 30 today with a significant optimization of the budget that was devoted to their maintenance. Introducing procedures for amending tender documents and opening tenders (the possibility of early submission of complaints, clarification of the dispute resolution process between the evaluation sub-committee and the public procurement commission, the decision to no longer treat price revisions as a rider, provided that the formula and its conditions of application are included in the contract). Similarly, measures in favor of transparency have been introduced through, in particular, the involvement of the national commission for the control of public contracts in the declaration of invitation to tender.

In addition, by recruiting 25 PRMPs with technical skills validated by ARMP through a call for applications. All these agents were sworn in before the Court of Appeal of Nouakchott and were assigned to the various Government Departments. A solemn ceremony of orientation in favor of the PRMPs was organized on April 12, 2021 in the presence of the Prime Minister, members of the Government and some technical and financial partners.

Finally, we remain convinced that the pursuit of the reforms initiated to improve the business climate, public finances, debt management and transparency, governance, basic education and vocational training will lead us, with the support of your institution in particular, to achieve our common objectives of poverty reduction and sustainable development. Please accept, Your Excellency, my warmest greetings.

**Ousmane Mamoudou KANE**



**ANNEX 4: ENVIRONMENT AND POVERTY/SOCIAL ANALYSIS TABLE**

Prior Actions	Environmental effects	Poverty, social or distributional effects
<b>Pillar 1: Improving the business environment and strengthening financial inclusion</b>		
<b>Prior Action #1:</b> To improve access to reliable information on companies and collateralized assets, the Recipient’s Council of Ministers has approved a decree regulating the organization and the functioning of the local and central business and collateral registries.	No effect	Positive
<b>Prior Action #2:</b> To improve the efficiency, reliability and transparency of the creditor and debtor regimes, the Recipient has promulgated amendments to the Insolvency Law section of the Commercial Code.	No effect	Positive
<b>Prior Action #3:</b> To increase financial inclusion and encourage banking and non-banking actors to offer electronic money and payment services, the Recipient’s Council of Ministers has submitted to Parliament a draft law on electronic payment services and means of payment.	Positive	Positive
<b>Pillar 2: Developing competitive and inclusive broadband services</b>		
<b>Prior Action #4:</b> To increase competition on the retail and wholesale broadband markets, the Recipient’s telecom regulator (ARE) has adopted and published a new regulation policy for attributing authorizations to new internet service providers.	No effect	Positive
<b>Prior Action #5:</b> To better regulate access to the dominant operators’ essential infrastructure, the Recipient’s telecom regulator (ARE) (i) has adopted and published two decisions that set the technical and financial conditions under which dominant players must rent access to their digital infrastructure for competitors , and (ii) has approved the dominant players’ wholesale catalogs.	No effect	Positive
<b>Prior Action #6:</b> To improve the institutional mechanisms and involve the private sector in the governance of the digital sector, the Recipient has adopted a decree and two arrêtés, establishing and operationalizing the High Digital Council.	Positive	Positive
<b>Pillar 3: Strengthening human capital and promoting climate resilience</b>		
<b>Prior Action #7.</b> To better manage the impact of climate-related shocks, the Recipient has adopted a decree establishing the institutional framework to respond to shocks affecting food and nutrition security.	Positive	Positive
<b>Prior Action #8.</b> To strengthen the autonomy, responsibility and efficiency of schools, the Recipient’s MF and MNEVTT have adopted a joint arrêté establishing a direct funding mechanism to schools based on defined criteria.	No effect	Positive
<b>Prior Action #9.</b> To improve teachers’ quality, the Recipient has adopted a decree instituting the restructuring of ENIs and enhancing the recruitment and training of teachers.	No effect	Positive
<b>Prior action #10.</b> To improve the quality of TVET services, the Recipient’s MNEVTT has adopted a decree abrogating and replacing Decree 037-19 to institutionalize performance contracts in technical and vocational training and introduce actions to promote the fight against climate change as criteria for allocating 2FTP funding.	Positive	Positive



**ANNEX 5: MAURITANIA'S EMERGENCY RESPONSE TO THE COVID-19 PANDEMIC**

**1. Health**

- Put in place the mechanisms needed for the prevention, detection, and treatment of the virus.
- Open a new hospital with a capacity of 100 patients to quarantine confirmed COVID-19 cases.
- Develop appropriate logistics and communication strategy.

**2. Fiscal Policy**

- Exempt import taxes and custom duties on COVID-19 health and medical products for 2020.
- Exempt import taxes and custom duties on basic food imports for 2020.
- Adopt a revised budget reflective of COVID-19 realities/measures.
- Set a governance mechanism for the Special Fund of Social Solidarity and Fight against coronavirus.

**3. Monetary policy**

- Reduced the policy rate from 6.5 percent to 5 percent.
- Reduced the marginal lending rate from 9 percent to 6.5 percent.
- Decreased the reserve requirement ratio from 7 percent to 5 percent.
- Waive deposits in Ouguiya on basic necessities, initially required for opening letter of credits, effective starting 24 March 2020, for a renewable period of two months.

**4. Private Sector support**

- Establish a credit facilitation mechanisms aimed at facilitating access to finance for SMEs (in progress).

**5. Protection of the vulnerable**

- Create the Special Fund of Social Solidarity and Fight against coronavirus with a state contribution of MRU 2.5 billion (US\$67 million) and open to private contributions.
- Subsidize water and electricity bills for the poorest families for April and May 2020.
- Provide cash transfers and food kits for vulnerable households.

Source: Multisectoral Response Plan to respond to the COVID-19 crisis



**ANNEX 6: DPF PRIOR ACTIONS AND ANALYTICAL UNDERPINNINGS**

Prior Actions	Analytical Underpinnings
<b>Pillar 1: Improving the business environment and strengthening financial inclusion</b>	
<p><b>Prior Action # 1:</b> To improve access to reliable information on companies and collateralized assets, the Recipient’s Council of Ministers has approved a decree regulating the organization and the functioning of the local and central business and collateral registries.</p>	<ul style="list-style-type: none"> <li>• Dollmann, C. (2018). Improving Commercial Justice, Developing Alternative Dispute Resolution Mechanisms, and Modernizing the Commercial Registry in Mauritania.</li> <li>• Ouattara, M. (2018). ICT Capacity Assessment for the Computerization of Mauritania’s Business Registry.</li> <li>• Chouari, A. (2018). Diagnostic and Recommendations for the Modernization of the Business and Collateral Registry (draft).</li> <li>• Boli/Djibo, B. (2018). General Report – Support to Mauritania’s International Arbitration and Mediation Center.</li> </ul> <p><b>Key findings:</b> commercial justice is a major constraint for businesses operating in Mauritania as it is costly, inefficient, unreliable, and not accessible to all. It is not complemented by ADR mechanisms; whose practice is currently inexistent in Mauritania. The business and collateral registry is fragmented, ineffective, and paper-based. It does not constitute a source of reliable and transparent information on companies and collateralized assets, thus significantly hampering confidence of businesses and access to finance.</p>
<p><b>Prior Action #2:</b> To improve the efficiency, reliability and transparency of the creditor and debtor regimes, the Recipient has promulgated amendments to the Insolvency Law section of the Commercial Code.</p>	
<p><b>Prior Action #3:</b> To increase financial inclusion and encourage banking and non-banking actors to offer electronic money and payment services, the Recipient’s Council of Ministers has submitted to Parliament a draft law on electronic payment services and means of payment.</p>	
<b>Pillar 2: Developing competitive and inclusive broadband services</b>	
<p><b>Prior Action #4:</b> To increase competition on the retail and wholesale broadband markets, the Recipient’s telecom regulator (ARE) has adopted and published a new regulation policy for attributing authorizations to new internet service providers.</p>	<ul style="list-style-type: none"> <li>• WARCIP TA (completed in October 2018) to support identification and implementation of key legal and regulatory telecom reforms.</li> </ul> <p><b>Key findings:</b> Decrees covering terms and conditions for the granting of authorizations do not cover the case of mobile internet retail providers. As such, no authorizations have been granted. Necessity for the ARE to assume a more dynamic regulatory role in order to encourage the development of broadband. Moreover, Infrastructure sharing dispositions are provided by the law on electronic communications but not reflected in the operators’ cahier des charges. Hence, the adoption of a regulation decision is needed to implement the legal framework. In absence of such decision, operators are facing operational difficulties in implementing infrastructure sharing: quasi-systematic refusals, extremely long delays of response or execution, and absence of formal complaint by operators to the ARE. Finally, the implementation of the UAF requires new terms and condition for financing and new operating procedures. These will not only help mitigate the governance issues but also facilitate the bidding process for the infrastructure projects with significant impact on access and quality of broadband services in underserved areas.</p>
<p><b>Prior Action #5:</b> To better regulate access to the dominant operators’ essential infrastructure, the Recipient’s telecom regulator (ARE) (i) has adopted and published two decisions that set the technical and financial conditions under which dominant players must rent access to their digital infrastructure for competitors , and (ii) has approved the dominant players’ wholesale catalogs.</p>	
<p><b>Prior action #6:</b> To improve the institutional mechanisms and involve the private sector in the governance of the digital sector, the Recipient has adopted a decree and two arrêtés, establishing and operationalizing the High Digital Council.</p>	
<b>Pillar 3: Strengthening human capital and promoting climate resilience</b>	
<p><b>Prior Action #7:</b> To better manage the impact of climate-related shocks, the Recipient has adopted a decree establishing the institutional framework to respond to shocks affecting food and nutrition security.</p>	<ul style="list-style-type: none"> <li>• World Food Programme (2018). “Mauritania Country Strategic Plan (2019-2022).”</li> <li>• OCHA (2018). “Sahel Overview of Humanitarian Needs and Requirements.”</li> <li>• World Bank. 2018. “World Development Report 2018: Learning to Realize Education’s Promise.”</li> <li>• World Bank 2016. Islamic Republic of Mauritania PER: Surfing the wave: public spending during the commodity super-cycle and beyond.</li> </ul>
<p><b>Prior Action #8:</b> To strengthen the autonomy, responsibility and efficiency of schools, the Recipient’s MF and MNEVT have adopted a joint arrêté establishing a direct funding mechanism to schools based on defined</p>	



<p>criteria.</p>	
<p><b>Prior Action #9:</b> To improve teachers' quality, the Recipient has adopted a decree instituting the restructuring of ENIs and enhancing the recruitment and training of teachers.</p>	<ul style="list-style-type: none"><li>• The World Bank 2018 (to be published): Mauritania SDIs in Education.</li><li>• The World Bank 2016: SABER Country Report-Engaging the Private Sector in Education.</li><li>• République Islamique de Mauritanie 2015 : Rapport d'état sur le système éducatif national (RESEN).</li><li>• République Islamique de Mauritanie 2018 : Rapport du groupe de travail sur l'accès équitable à une éducation de qualité.</li><li>• République Islamique de Mauritanie 2018 : Rapport du groupe de travail sur la formation et la professionnalisation des enseignants.</li><li>• Consulting Ingénierie Développement 2017 : Identification d'un mécanisme de financement de la formation technique et professionnelle (FTP).</li></ul>
<p><b>Prior Action #10:</b> To improve the quality of TVET services, the Recipient's MNEVTT has adopted a decree abrogating and replacing Decree 037-19 to institutionalize performance contracts in technical and vocational training and introduce actions to promote the fight against climate change as criteria for allocating 2FTP funding.</p>	<p><b>Key findings:</b> Despite some improvements in access, education outcomes for Mauritania has been below peers when compared to various criteria of quality. This problem is also reverberated in vocational training, which suffers from governance weaknesses and lack of alignment with labor market demand. These have important implication on the productivity of the economy and future potential growth. Major constraints to strengthen the skills agenda in Mauritania include absence of teachers, management of teacher performance, lack of decision making at the school level, inefficient spending, and weak linkages between education and the skills needed for the labor market.</p>



## ANNEX 7: ADJUSTMENTS TO THE COUNTRY PROGRAM IN RESPONSE TO COVID-19

### I. IMPACT OF THE COVID-19 PANDEMIC ON MAURITANIA AND GOVERNMENT RESPONSE

**1. As for most countries in the world, the economic and human impact of the COVID-19 pandemic on Mauritania is severe.** The first COVID-19 case was registered on March 14, 2020. Since then the outbreak spread quickly, with 19,817 cases and 468 deaths registered as of June 6, 2021. As a result of the crisis, economic growth is estimated to have declined from 5.9 percent in 2019 to -1.5 percent in 2020. Despite the crisis, the external and fiscal balances remained resilient in 2020, thanks to increased donor financing, improved ToT, and debt service suspension under the G20 DSSI. The economic contraction was associated with an increase in the international poverty rate (US\$1.9/day in 2011 PPP) from 5.4 percent in 2019 to 6.3 percent in 2020: equivalent to an additional 48,000 individuals falling into extreme poverty. The impact of the crisis was mostly felt in urban areas where social distancing measures reduced economic activity in services and affected widespread-informal jobs.

**2. Recognizing the rapidly contagious nature of the virus, the authorities adopted mitigation measures to contain the spread of the virus.** The first measure was to close all public and private schools and universities on March 14, 2020. On March 17, 2020, Mauritania stopped all commercial flights, quarantined all travelers arriving from “affected areas” and closed land and sea border crossing points while strengthening health surveillance systems at these points. To ensure social distancing, the Government banned all public gatherings, closed restaurants and cafes, and imposed a curfew from 6:00 pm to 6:00 am. These measures were later relaxed on June 9, 2020, to mitigate the economic effects of the lockdown, especially that the proportion of the urban population living in slums is very high (80 percent in 2014); the share of the population working in the informal sector is large (56 percent in 2017); and the risk of food insecurity is significant. On September 1, 2020, schools reopened. The exact impact of the more than five months of school closure is not yet known, but simulations on the impact of the COVID-19 pandemic indicate that the learning-adjusted years of schooling<sup>56</sup> (already very low) can go down from 3.4 to 2.8 in the worst-case scenario; and more than 2,000 children ages 4 to 11 may drop out of school, with potential drop outs doubling this number for children aged 12 to 17. The air space reopened in September 2020 starting with connections opening with West Africa.

**3. In response to the pandemic, the Government took resolute measures to preserve lives and livelihoods and developed a priority program to support the recovery and boost long-term inclusive growth in 2021–22.** The authorities developed in May 2020 a Multisectoral Response Plan (MRP) to contain the health and socio-economic effects of the pandemic. The MRP focused on containing the virus, mitigating the short-run economic effects of the crisis, supporting a long-term recovery, and designing planning and monitoring activities. Based on the MRP, the authorities presented, in September 2020, a new priority program (PRoPEP) to support the recovery and boost long-term inclusive growth in 2021–2022. This plan, whose total cost is estimated at MRU 24.2 billion (about US\$645 million), is centered around six pillars: (i) development of growth-supporting infrastructure; (ii) improvement of social services and support for demand; (iii) development of productive sectors’ potential and achievement of food self-

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<sup>56</sup> Learning-adjusted years of schooling combines quality and quantity of education to allow for a more appropriate measure of the how much learning actually takes place in the time a child attends school.



sufficiency; (iv) support to the private sector (formal and informal); (v) reforestation and creation of green jobs; and (vi) governance and program implementation.

#### WBG SUPPORT FOR RESPONDING TO THE CRISIS

**4. World Bank Group Support for responding to the crisis is aligned with the FY18-FY23 CPF<sup>57</sup> as well as the WBG COVID-19 Crisis Response Approach Paper, *Saving Lives, Scaling-up Impact and Getting Back on Track*.** As outlined in the paragraphs below, a multi-pronged package of WBG support of more than US\$170 million is under implementation and preparation, including: (i) the US\$70 million Mauritania COVID-19 Emergency Development Policy Operation (P174155); (ii) the US\$5.2 million Mauritania COVID-19 Strategic Preparedness and Response Project (P173837); (iii) the US\$45 million Mauritania Social Safety Net System Project II (P171125); (iv) the US\$52 million Mauritania Basic ESSP II (P163143)<sup>58</sup> which aims at supporting reform to relaunch a better quality and more equitable education system as part of the country recovery process; and (v) analytical work on the impact of the pandemic on poverty, macro, financial and private sectors.

**5. Health support to save lives is focused on immediate containment of the outbreak and preparing for a more severe outbreak.** The US\$5.2 million Mauritania COVID-19 Strategic Preparedness and Response Project (P173837) was prepared as part of phase 1 of the Multiphase Programmatic Approach and approved by the Board of Executive Directors on April 2, 2020. The project consists of two components supporting the country's detection and response efforts in the fight against COVID-19. It supports activities aimed at strengthening the country's capacity to: (i) identify, isolate, and provide care for patients with COVID-19 in a timely manner to minimize disease spread, morbidity and mortality; (ii) prepare and strengthen the health system for increasing levels of demand for care; and (iii) provide timely, transparent and evidence-based information to support healthcare interventions. The pipeline includes a proposed additional financing to the Mauritania COVID-19 Response Project (P176526) to support the country to purchase and deploy the COVID-19 vaccines and strengthen relevant health systems that are necessary for a successful deployment.

**6. Support for the social and economic response is focused in the short term on protecting the poor and vulnerable, and in the medium term on limiting the cost to human capital and protecting livelihoods.** The US\$45 million Mauritania Social Safety Net System Project II (P171125) was approved by the Board on March 10, 2020. An advance of US\$5 million is supporting the COVID-19 response with cash transfers to COVID-19-impacted households. Project activities including the regular updating of the Social Registry and cash transfer windows, including transfers to mitigate shocks, will be essential in providing much-needed support to poor households in the short and medium term. An additional financing of US\$13 million, focusing on response to COVID-19 related shocks, is being processed with funds from the Sahel Adaptive Social Safety Nets Trust Fund. To support improved availability of quality and inclusive education services, a US\$52 million project was approved by the Board in October 2020. This project focuses on rebuilding human capital through education, reducing the number of out-of-school children and supporting important health and hygiene practices associated with COVID-19 in schools. The project

<sup>57</sup> Presented to the Board on July 12, 2018.

<sup>58</sup> Includes a Global Partnership for Education grant in the amount of US\$12 million.



will be essential to support the education system as a fundamental piece of the medium- to longer-term recovery of the country.

**7. Support to policies and institutions is focused both on providing urgent fiscal relief and supporting a resilient recovery.** The US\$70 million COVID-19 Emergency Development Policy Operation was approved by the Board on July 31, 2020. This operation helped close the unexpected financing gap and supported the Government's COVID-19 response plan based on three pillars. Pillar 1 supported reforms to protect lives by strengthening the institutional capacity of the health sector, supporting the affordability of COVID-19-related medical products, and lowering the cost of basic food products. Pillar 2 supported measures to ensure accountable and transparent management of COVID-19 emergency spending and to cushion the impact of the crisis on the most vulnerable households by expanding the coverage of targeted cash transfers. Finally, pillar 3 supported reforms to facilitate access to finance for SMEs and to increase debt transparency.

#### **SELECTIVITY, COMPLEMENTARITY, PARTNERSHIPS**

**8. The WBG has worked closely with development partners to support Mauritania's response to COVID-19.** Total WBG support to the Mauritania COVID-19 health sector response to date is US\$12.6 million equivalent (estimated 23 percent of funding for health response), as outlined in paragraph 4 above. This WBG support is part of the overall support mobilized by the UN system, which is aligned with the National Response Plan according to various key pillars for actions, each one under the leadership of a UN agency and its partners (Incident Management System). This support also aims to mitigate the socio-economic impact of the measures taken to contain the epidemic in the country. The overall coordination response is ensured by the Resident Coordinator and the World Health Organization, as the lead agency on the issue, is working closely with the Ministry of Health and providing TA through its various areas of expertise. Part of the funding mobilized through the COVID-19 and REDISSE projects are executed through WHO and UNICEF. Donors such as the French Development Agency and the UN agencies are providing parallel financing of some of World Bank-supported interventions.