

**AFRICAN DEVELOPMENT BANK  
AFRICAN DEVELOPMENT FUND**



**ISLAMIC REPUBLIC OF MAURITANIA**

**COUNTRY STRATEGY PAPER**

**(CSP 2006-2007)**

**NB : This document contains errata or corrigenda (see Annexes)**

**REGIONAL DEPARTMENT NORTH 2  
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## **CURRENCY EQUIVALENTS**

(August 2006)

Currency unit	=	Ouguiya (MRO)
UA 1	=	MRO 397.994
UA 1	=	US\$ 1.48386
UA 1	=	Euro 1.16226

## **FISCAL YEAR**

1 January – 31 December

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**ACRONYMS AND ABBREVIATIONS**

ADB	:	African Development Bank
ADF	:	African Development Fund
AGOA	:	African Growth and Opportunity Act
AMU	:	Arab Maghreb Union
ANEPA	:	Agence nationale d'eau potable et d'assainissement (National Drinking Water and Sanitation Agency)
ASYCUDA	:	Automatic System for Customs Data
BADH	:	Arab Bank for Housing Development
BCM	:	Banque centrale de Mauritanie (Central Bank of Mauritania)
BMCI	:	Banque Mauritanian pour le commerce et l'industrie
CFAA	:	Country Financial Accounting Assessment
CILSS	:	Permanent Inter-State Committee for Drought Control in the Sahel
CMAP	:	Centre Mauritanian d'Etudes des Politiques (Mauritanian Policy Studies Centre)
CNRE	:	Centre National de Recherche en Eau (National Water Research Centre)
CNTS	:	Centre national de transfusion sanguine (National Blood Transfusion Centre)
CPIA	:	Country Policy and Institutional Assessment
CPPR	:	Country Portfolio Performance Review
CSP	:	Country Strategy Paper
EEZ	:	Exclusive Economic Zone
EPCV	:	Enquête permanente des conditions de vie (Permanent Living Conditions Survey)
EU	:	European Union
FAO	:	United Nations Food and Agriculture Organization
FHH	:	Female-Headed households
GBM	:	Générale de Banque en Mauritanie
HDI	:	Human Development Index
HIPC	:	Heavily Indebted Poor Countries
IDA	:	International Development Association
IDB	:	Islamic Development Bank
IMF	:	International Monetary Fund
ITS	:	Dues and income tax
MDG	:	Millennium Development Goals
MRO	:	Ouguiya (Mauritania's currency unit)
MTEF	:	Medium-Term Expenditure Framework
NICT	:	New Information and Communication Technologies
NTF	:	Nigeria Trust Fund
OHADA	:	Organization for the Harmonization of Business Law in Africa
OMVS	:	Senegal River Development Organization
ONS	:	Office national des statistiques (National Statistics Authority)
OPEC	:	Organization of Petroleum Exporting Countries
PIP	:	Public Investments Programme
PNADH	:	Plan d'actions pour la promotion et la protection des Droits de l'Homme (Human Rights Promotion and Protection Action Plans)
PNBG	:	Programme national de bonne gouvernance (National Good Governance Programme)
PNDSE	:	Programme national de développement du secteur de l'éducation (National Education Sector Development Programme)
PNLS	:	National AIDS Control Programme
PRGF	:	Poverty Reduction and Growth Facility
PRSP	:	Poverty Reduction Strategy Paper
RBCSP	:	Results-Based Country Strategy Paper
RPRSP	:	Regional Poverty Reduction Strategy Paper
SECF	:	Secrétariat d'Etat à la condition féminine (Secretary of State for Women's Affairs)
SMH	:	Société Mauritanian des Hydrocarbures (Mauritanian Hydrocarbons Corporation)
SNDE	:	Société national dead (National Water Company)
SNIM	:	Society national industrially ET miner (National Industrial and Mining Corporation)
SOMELEC	:	Society Mauritanian d'électricité (Mauritanian Electricity Corporation)
SYPSIM	:	Système de Programmation et de Suivi des Investissements Publics en Mauritanie (Public Investments programming and Monitoring System in Mauritania)
UA	:	Unit of Account
UNDP	:	United Nations Development Programme
VAT	:	Value Added Tax

## **EXECUTIVE SUMMARY**

**Country Context:** The country context is marked by the power take-over in August 2005 by the Military Council for Justice and Democracy (CMJD), which installed a new Government in mid-August 2005 and fixed a 19-month deadline to organize free and democratic elections in which no member of the current team would be eligible. Furthermore, three inter-Ministerial committees were set up to propose a series of measures aimed at implementing CMJD commitments. In this light, the 1991 Constitution, until then in force, was amended through a referendum organized on 25 June 2006. The amendments reduced the President's term of office to 5 years renewable only once. The other recommendations made by the inter-Ministerial committee concern the establishment of a General State Inspection and the creation of a National Independent Electoral Commission to organize local and parliamentary elections on 19 November 2006, senatorial elections on 21 January 2007, and presidential elections on 11 March 2007. The context is also marked by the start of oil production and revitalization of cooperation with the IMF. The challenge facing the country consists in halving poverty which still affects 46.7% of the population, despite the 6 point decline recorded between 1996 and 2004. The results of the Permanent Living Conditions Survey showed the continued high level of poverty in rural areas and insufficient access to essential services. Recent economic developments show the efforts made by the authorities to diversify the economy. The CMJD is busy conducting reforms, with increased participation of the population in the decision-making and policy implementation process, particularly in light of the opportunities offered by oil production.

**National Development Agenda and Perspectives:** The main thrusts of the Government Agenda are still those of the PRSP, namely: (i) acceleration of growth while maintaining a stable macro-economic framework, (ii) anchoring of growth on the economic sphere of the poor, (iii) development of human resources and expansion of essential services, (iv) improvement of governance and capacity building, and (v) improvement of management, monitoring/evaluation and coordination. Emphasis will be placed on consensus building and the full involvement of all actors around 3 essential requirements: (i) the development of growth-oriented sectors, while ensuring environmental protection and regeneration, (ii) the preservation of macro-economic balances, and (iii) carrying out actions based on the following 4 types of priorities: (a) 3 priority sectors (Education, Health and Water Resources); (b) 2 priority zones (arid rural areas and poor districts); (c) 2 cross-cutting priority actions (land-use management and environmental protection); and (d) a priority working method (consultation, coordination, and monitoring of the PRSP).

**Portfolio Management and Lessons Learnt:** The last 2 project portfolio reviews (PPR), conducted in 2004 and 2006 respectively, show that the portfolio performance is satisfactory, with a satisfactory overall rating (2.12 out of 3). The portfolio's average age is 3.9 years as against 6.4 years in January 1998 and a Bank average currently standing at 4.2 years. Such an improvement was possible over the years thanks to efforts made by the Government to improve project preparation and planning, contract awards and control of project implementation. The Bank also contributed to it through more frequent project supervision and closure of old projects. The disbursement rate of active projects is currently around 37.3%. The Portfolio Performance Annual Report identified two problem projects (PP) (both in the agriculture and rural development sector) and one potentially problem project (PPP) as against five in the preceding review. The experiences of preceding CSP, PPR, project completion reports, post-evaluation reports, Bank assistance evaluation report for Mauritania and consultations with stakeholders and donors show the need to lay more emphasis on the following points: (i) promotion of activities relating to the monitoring-evaluation of policies and programmes applied by the Bank; (ii) improvement of participation by the beneficiary populations in the project design; (iii) efforts to develop the activities of the poor; (iv) preparation of exhaustive preliminary studies on sectors in which the Bank concentrates its assistance to strengthen selectivity and formulation of new projects and programmes, and (v) enhancement of cooperation, harmonization and coordination with the other donors.

**Selectivity:** The interventions proposed for the Bank Group were based on four key criteria, namely: (a) the CSP horizon and country context; (b) alignment with the country's key development priorities; (c) implementation of the recommendations made following evaluation of Bank assistance in Mauritania, and improvement of effectiveness of Bank activities; and (d) improvement of harmonization of donor interventions.

**Bank Group Country Assistance Strategy:** Following the general evaluation based on the above-mentioned criteria, the Bank's intervention strategy proposed for Mauritania is structured around 2 pillars, namely 'development of micro-finance' and 'improvement of access to water and sanitation services in rural areas'. To that end, the strategy seeks to: (i) support the government in its policy to improve the living conditions of the poor (increase income in rural areas, develop micro-finance and improve the rate of access to water and sanitation); (ii) improve the active portfolio's performance; (iii) maintain dialogue on efforts to strengthen economic governance, especially the management of oil resources, on private sector development, on the future strategy to progressively take Mauritania out of the group of Least Developed Countries (LDC) and put it that of Middle Income Countries to be envisaged following the expected increase in per capita income; and (iv) strengthen alignment, harmonization and coordination with development partners within the framework of the principles of the Paris Declaration.

**Harmonization of Donor Interventions:** The 2006-2007 CSP seeks to improve harmonization of donor interventions. A number of measures taken in this regard will be consolidated. Consultation with other donors also lays emphasis on new development initiatives, such as the Bank's Rural Water Supply and Sanitation Initiative (RWSSI) and NEPAD, to obtain support and mobilize resources required for their implementation. The Arab countries and funds, which constitute Mauritania's most important group of partners in terms of volume of financing granted, are regularly contacted for co-financing. Some of them, notably the IDB and OPEC Fund, base their appraisal of operations co-financed by the Bank on documents produced by the latter. The Bank pursues its consultations with the BWIs on macro-economic reforms, sectoral studies in the preparation and implementation of co-financed operations, and annual public expenditure reviews in PRSP priority sectors. The ongoing projects in the social sector and the Nouakchott DWS Project have been implemented in close cooperation with the Bank, in order to achieve more complementarity and greater effectiveness. More generally, within the framework of the implementation of the Paris Declaration, the Bank participated in the Bamako Workshop, held in March 2006, on the alignment and harmonization of procedures used by donors and countries. In this regard, Mauritania is participating in the ongoing survey in this sector.

**Country Dialogue:** Dialogue with the Government will focus on: (i) the next phase of reforms focused on governance and capacity building; (ii) private sector development; (iii) the quality of Bank portfolio; and (iv) coordination of donor interventions.

**Recommendations:** The Board is invited to consider and adopt Mauritania's Results-Based Strategy Paper for 2006 and 2007 on the basis of an indicative basic allocation of UA 17.7 million in the form of loans under ADF-X. This basic financing could be supplemented by resources allocated for multinational projects involving Mauritania in the transport and energy sectors and considered as priorities under this CSP.

## 1. INTRODUCTION

1.1 The last Country Strategy Paper (CSP) for Mauritania was approved by the Boards of Directors of the Bank Group on 29 April 2003 (ADF/BD/WP/2003/37) and updated (ADF/BD/WP/2004/37/Add.1) on 9 November 2004. For the 2002-2004 period, the CSP proposed an intervention strategy focused on poverty reduction, and structured around the following priorities: (i) support for rural development, and (ii) support for road infrastructure and drinking water supply. The Bank was also expected to pursue its policy-based lending operations.

1.2 The Boards noted the country's satisfactory performance with respect to economic growth and management, as well as implementation of reforms in public resources management and privatization of telecommunications and air transport. Despite this performance, the Boards underscored the fact that the poverty level was still a cause for concern. Consequently, the Boards urged the Government to pay attention to the consolidation of macro-economic management and structural reforms, the continued implementation of education and health programmes, the preparation and implementation of the regional poverty reduction programmes, the reform of the financial sector and private sector development, the promotion of good governance and application of the law abolishing the trafficking of human beings. Moreover, the Boards appreciated the improvement of Bank portfolio performance, while insisting on the need for better planning of project activities, improvement of the public procurement system, and more effective control of operations implementation.

1.3 On the whole, the implementation of Board recommendations was inadequate. Indeed, the preparation of the second phase of the PRSP was far behind schedule. It took place at a time when the review of the 2<sup>nd</sup> Poverty Reduction and Growth Facility (PRGF), approved by IMF in July 2003 and covering the 2003-2006 period, raised disturbing issues relative to pursuance of reforms required to strengthen the macro-economic framework in order to adequately reduce the poverty level. These concerns, which have not yet had any satisfactory solutions, were aggravated by the fact that the budget data and BCM accounts provided to the IMF by the Government were erroneous, and thus constituted a reason for the cancellation of the 2<sup>nd</sup> PRGF in October 2004. Furthermore, the IMF Board of Governors declared that the drawing made under the 2<sup>nd</sup> PRGF was contrary to the Agreement which bound the two parties and demanded its reimbursement, which was done. Thus, cooperation between the country and IMF, which had been interrupted since December 2004 and had, among other things, led to delays in the preparation of the 2<sup>nd</sup> phase of the PRSP, was reactivated.

1.4 The formulation of the Bank's new CSP for Mauritania was delayed in order to maintain its consistency with the second phase of the 2006-2010 PRSP, a semi-final version of which was available only in May 2006. A new context also emerged with: (i) the installation of a transition government led by a Military Council for Justice and Democracy (CMJD) following the coup d'Etat on 3 August 2005; (ii) the implementation, from January to June 2006, of a 6-month IMF staff-monitored programme (SMP) required for the normalization of relations between Mauritania and the IMF; and (iii) the start of oil exploitation. Consequently, the Bank Group proposed to prepare a CSP for the 2006-2007 period. The ultimate objective is to support the Government during this critical transition phase which coincides with ADF X, and subsequently prepare, as from the second half of 2007, a CSP covering a longer period (2008-2012). This Paper is based on two (2) pluri-

disciplinary missions to Mauritania in February and November 2005, following broad consultations with the concerned actors, on the one hand, and on various documents provided by the authorities and, in particular, on the PRSP and the Government's memorandum for the SMP. The strategy was formulated following a results-based approach and is therefore a tool for scheduling Bank activities and monitoring their impact.

1.5 The interventions mentioned in the strategy take into account the country's current context, Government strategies and those of donors consulted during the preparation. The purpose of this CSP is, on the one hand, to inform the Boards of Directors about recent developments in the country and the national development agenda and medium-term perspectives, as well as propose an assistance strategy in Mauritania for the 2006-2007 period. It further examines the mechanism for monitoring-evaluating operations resulting from Bank support and the management of risks incurred during its implementation, proposes mitigation measures and dialogue issues, and finally makes recommendations to the Board.

## 2. COUNTRY CONTEXT

Mauritania has, since the beginning of the 1990s, embarked on a transition towards economic and political liberalization, and has thus implemented a series of reforms. After spending 4 years implementing the Poverty Reduction Strategy Paper (PRSP), progress towards the achievement of the Millennium Development Goals (MDG) are perceptible. The country hopes that the prospects opened by the advent of oil resources and the democratic transition will help to accelerate progress and meet the challenge of poverty reduction. This chapter presents the most recent developments in the macro-economic framework, as well as sectoral and social development and cross-cutting issues.

### Box 1 : Basic Information on Mauritania

Mauritania is a large country with a surface area of 1 030 700 km<sup>2</sup>, 90% of which is arid. It is located along the Atlantic shoreline between West Africa and the Maghreb. Mauritania has a multi-ethnic population, which used to be nomadic but has become highly sedentary. In 2005, the population was estimated at 2.9 million inhabitants (with a density of 2.7 inhab./km<sup>2</sup> and an urbanization rate of 47%). The population is characterized by its youthfulness (44.5% are under 15). Life expectancy is 54.4 years and the total fertility rate is 4.7 children per woman aged between 15 and 49 years, i.e. a level slightly lower than the African average (5.4). If this trend is maintained, the population will reach 7.497 million in 2050.

The climate is desert arid, with a dry season of 9 months on average. The country's economy is highly dominated by the rural sector, fisheries, livestock and mining. The per capita GNP was US \$ 398 in 2004. The HDI ranks the country 154th out of 175. In 2004, 46.7% of the population was considered as poor, against 51% in 1996, which is a slight improvement. The incidence of poverty is more pronounced in the rural areas of the River Senegal plain where it is estimated at 66.3% against 59%, 25.9% and 33.4 % for the other rural areas, Nouakchott and the other cities respectively. In 2004, 31.2% of the working populations were unemployed. In 2005, the gross school enrolment rate was 95% and the literacy rate was 42.5%. The country had 34.5% health coverage within a radius of 5 km, while 18% of the population had access to tap water supply at home. The HIV/AIDS prevalence rate was estimated at 0.6% in 2004.

Between 1960, when it attained independence, and 2005, Mauritania experienced a series of politico-military events. In August 2005, a Military Council for Justice and Democracy (CMJD) took over power and promised a 19-month transition at the end of which free and democratic elections would be organized; no member of the CMJD and its Government will be candidate for the elections. The Constitution was amended by referendum on 25 June 2006. One of the amendments limits the term of office of the Presidential to 2 of five years each, and fixed the maximum age for the President at 75.

The recent discovery of oil in the country and its production since February 2006 provide additional investment opportunities, notably in the construction and public works sector, as well as in the manufacturing businesses in support of this sector, such as screw threads, metallic works, technical welding, plumbing and electricity. Within the framework of the fight against corruption, measures have been taken to ensure that the resources emanating from oil production are properly managed. Mauritania has adhered to the Extractive Industries Transparency Initiative (EITI).

## 2.1 Political Context

2.1.1 The Military Council for Justice and Democracy (CMJD) took over power on 3 August 2005. The Council, which installed a new government in mid-August 2005, decided to organize free and democratic elections within about 19 months; no member of the current team in charge of the transition will be eligible. Furthermore, three inter-ministerial committees were set up to propose a series of measures aimed at achieving the CMJD's commitments, namely: (i) establish more democratic institutions, (ii) reform the judiciary, and (iii) ensure more strict application of the principles and rules of good governance. Consequently, the 1991 Constitution, in force until then, was amended through a referendum organized on 25 June 2006. The amendments reduced the President's term of office 5 years, renewable only once. The other recommendations made by the inter-ministerial committees concern the establishment of a General State Inspection and the creation of a National Independent Electoral Commission to organize local and parliamentary elections on 19 November 2006, senatorial elections on 21 January 2007, and presidential elections on 11 March 2007.

2.1.2 The political context is also marked by progress in the participation of other stakeholders, notably the civil society and private sector, in decisions on the country's development programmes (PRSP II 2006-2010). In August 2006, the CMJD reiterated its determination to promote good governance and fulfil commitments made. However, the Military Council's capacity to promptly and satisfactorily satisfy strong social expectations triggered by the oil revenues will depend on the populations' support. The good governance of oil revenues is a challenge to the political stability, as well as economic and social development of Mauritania.

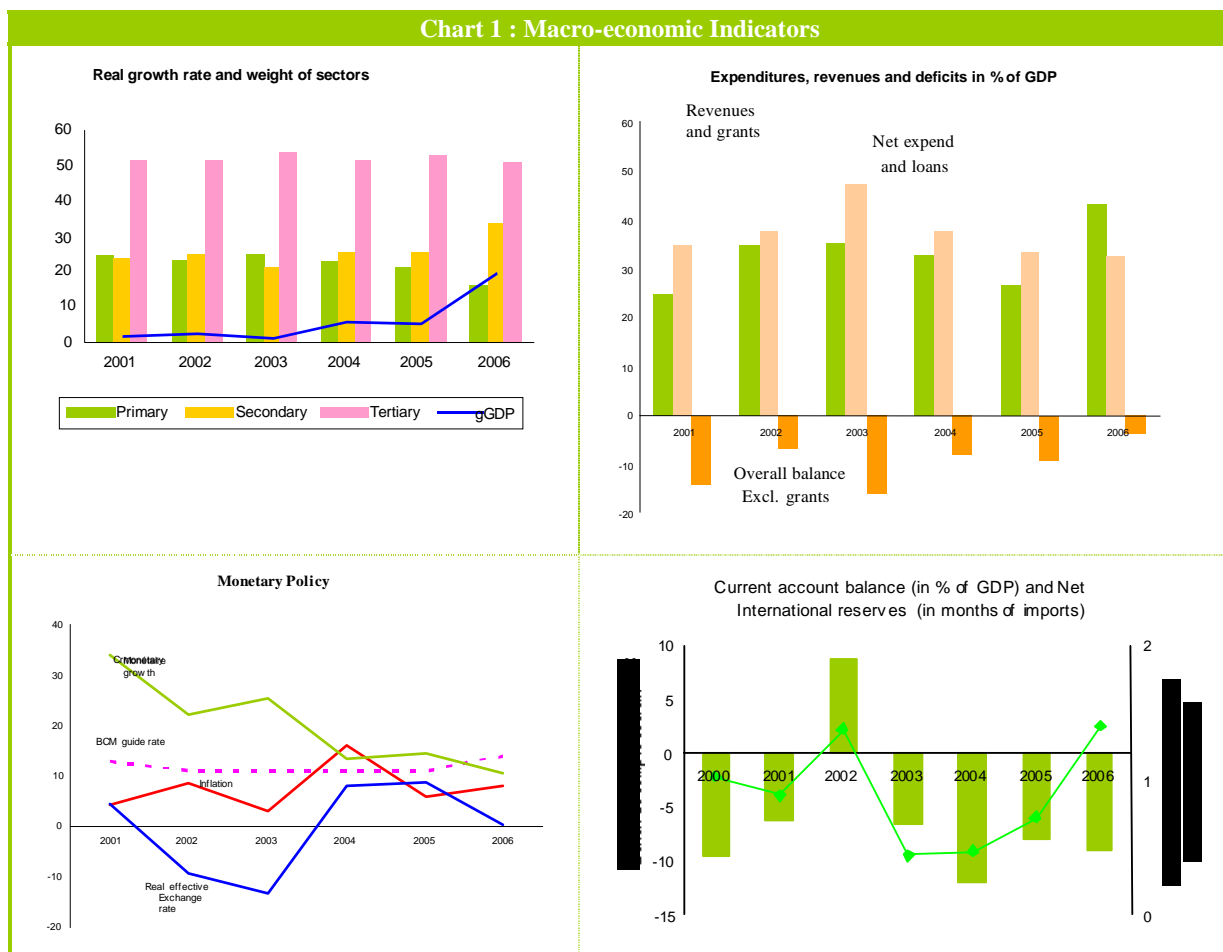
## 2.2 Macro-economic and Structural Context Issues

2.2.1 **Growth and Inflation:** The *real GDP growth rate* during the 2001-2004 period rose to an average of 4.6%, which is lower than the initial forecasts of 6% per annum considered necessary for the reduction of poverty. However, the results obtained for 2003 and 2004, (5.6% and 5.2%) were encouraging. Growth essentially benefited from the results obtained in the Construction and Public Works sectors (15.1% on average during the 2001-2004 period) and Transports and Telecommunications (14.7%) sectors which contributed 17% to GDP formation over that period. However, the growth of domestic production was affected by the poor performance of agriculture (-11.2%), mining (-2.0%), and, to a lesser extent, livestock (1.1%) and manufacturing industries (2.2%). In 2005, the performance recorded in the agricultural sector was better, and helped to increase real GDP growth to over 5%. As from 2006, the significant increase in GDP (13.7%) would depend on oil production. With respect to *inflation*, the average rate during the 2001-2004 period stood at 6.5%. As from the second semester of 2003, slippages were recorded (10.4% and 12.1% in 2004 and 2005 as against the targets of 2.4% and 3.7%). These developments were generated by agro-climatic shocks, fluctuations in the ouguiya/euro exchange rates, an expansionist budget and monetary policy, as well as the upsurge in world oil prices.

2.2.2 **Public Finance:** Tax revenues represented an average of 13.2% of GDP for current expenditures amounting to an average of 17.2% of GDP over the 2001-2004 period. Significant slippages were recorded in the budget policy implemented in 2003 and during the first half of 2004. Non-budget spending essentially financed by the creation of money, aggravated the budget deficit which rose to 16.4% of GDP in 2003 (against the initial target of 7%). This deficit stood at 9% in 2005, following the transition Government's decision to

tighten the budget as from the 3<sup>rd</sup> quarter of 2005 by maintaining budget spending within the limits set by the amended Finance Act. At the end of 2005, the deficit was reduced thanks to revenues generated by oil-related tax, acceleration of the clearing of goods from customs bonded warehouses, as well as improvement of tax and levy recovery rate.

**2.2.3 Money and Credit:** Mauritania adopted an expansionist monetary policy which generated a high increase in domestic credit, particularly to finance the budget deficit. Thus, the expansion of the key monetary aggregates is still sustained and way above the initial projections. Money supply grew by an average of 24.3% per annum between 2001 and 2004, while credit to the private sector rose by an average of 17.4% over the same period. However, as from the second half of 2004, the monetary policy improved slightly, making it possible to support the exchange rate, reduce pressure on imports and encourage the rapid rebuilding of official reserves. At the end of December 2005, money supply growth was estimated at 14.8%, thereby translating the Mauritanian Central Bank's (BCM) decision not to finance budget deficit directly. The Government set itself the objective of maintaining prudent management by reinforcing banking supervision with a view to increasing confidence in the banking system and ensuring better liquidity control, reducing the gap between the official exchange rate and that of the non-official market, and maintaining a level of reserves that will enable the country to cope with fluctuations in fish and iron export earnings.



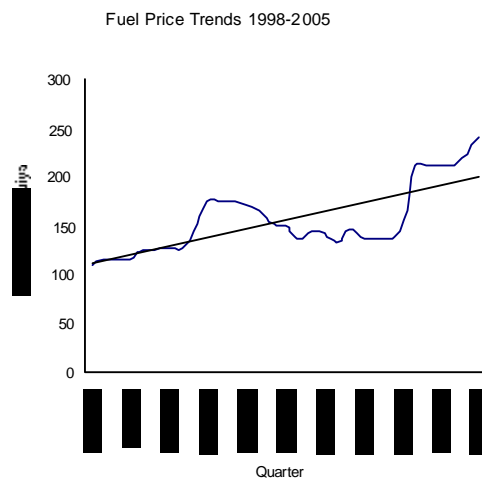
Source: Mauritanian Authorities and IMF

**2.2.4 Balance of Payments:** The country pursues a liberal trade policy, and its exports are almost exclusively made up of fishery products and iron while its imports essentially come from European Union member States. From 2001 to 2003, the trade balance registered a deficit. The decline in the volume of exports of the “Société nationale industrielle et minière” (SNIM) and of the fisheries sector, the increase in imports and the deterioration of the terms of trade triggered by the depreciation of the Dollar against the Euro widened the trade gap. The current account deficit (excluding grants) declined during the period (except for 2002), reaching record levels in 2003 (US\$ 293 million) and especially in 2004 (US\$ 610 million). Over the period, this deficit stood at an average of 23.7% of GDP and was essentially financed through foreign direct investments (FDI), which reached 18.9% of GDP, as well as through debt relief. In 2005, the country’s international investment position was slightly improved. The rise in world market prices of iron in 2005 led to an increase in SNIM exports.

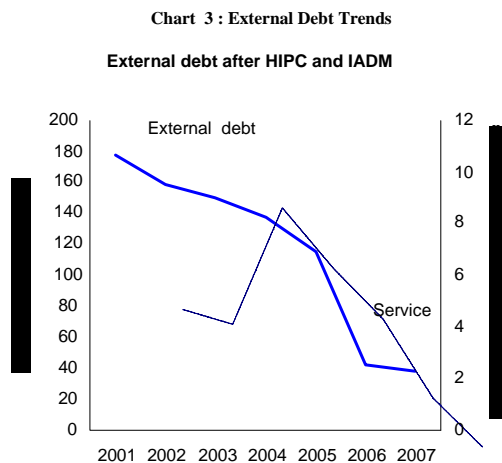
#### Box 2 : Impacts of Upsurge in World Oil Prices on the Mauritanian Economy

Hydrocarbon imports rose by 7.3% between 2004 and 2005. The oil bill thus registered an increase of 40.2%. The rise in oil prices had a serious impact on the 2 main export products, namely fishery products and iron. Fuel expenses thus increased from 45% to 58% of the operating accounts of fishing vessels, while the cost in fuel of a tonne of exported iron rose by 21%. This increase in the oil bill pushed up domestic inflation through the costs of energy, transportation and production, and impacted on the budget by reducing from MRO 2.5 to 1.5 billion (about 3.5% of tax revenues) the recovery of commodity taxes paid by oil distribution companies because it was not reflected in the same proportions to the final consumer. However, the start of oil production in Mauritania since February 2006, suggests that the upsurge in oil prices will have a positive impact on the Mauritanian economy in 2006. Capital gains should be recorded if prices are maintained at over US\$ 65. Indeed, for an annual production initially estimated at 20.9 million barrels and the assumption of a minimal export sale price of US\$ 35 per barrel and a unit production cost of US\$ 10 per barrel, the revenues drawn from oil exports will reach US\$ 732 million in 2006. Direct tax contribution, through oil-related income and profits taxes, will average MRO 26.4 billion, i.e. about 50% of the total income and profits taxes and 21.8% of tax revenues. Oil thus contributes significantly to the overall increase in income and profits taxes.

Chart 2 : Fuel price trend performance



**2.2.5 Debt Sustainability:** Mauritania reached the completion point under the Heavily Indebted Poor Countries Initiative (HIPCI) in June 2002. In this connection, it benefited from a foreign debt relief of US\$ 622 million in net present value, i.e. 50% of the outstanding debt, which constitutes a good basis for its long-term viability. The debt relief concerns an overall amount of US\$ 989.7 million. The outstanding debt in relation to GDP was estimated at 135.5% in 2004, against 181.4% in 2001; and the debt service (after relief), in export percentage, dropped significantly, from 23% to 9.1% during the 2000-2004 period.



The ADB Group assistance under the HIPCI amounts to US\$ 72.8 million in net present value, US\$ 51.6 million of which were disbursed at the end of March 2006. Mauritania is also eligible for the Multilateral Debt Relief Initiative (MDRI) decided by G8 member States in June 2005, but scheduled for application in mid-2006<sup>1</sup>. The IMF Board of Directors, in its session of 21 June 2006, approved 100% debt relief of US\$ 49 million for Mauritania, including US\$ 4 million under the HIPCI. Similarly, the World Bank cancelled Mauritania's debt to IDA since 1 July 2006. Mauritania will receive US\$ 685 million, which represents the total amount of the new debt relief under MDRI and the portion of debt reduction which IDA has already undertaken to grant under the HIPCI. In the light of the principles of coordination among the three institutions concerned with MDRI (IMF, IDA and ADF) and taking into account the fact that the conditions have been met by Mauritania, the ADB Board of Directors, meeting at the end July 2006, approved Mauritania's eligibility for an amount of UA 177.1 million.

**2.2.6 Implementation of Structural Reforms:** The reforms implemented by the Government these past years concern (i) continuation of tax reform and improvement of public spending management; (ii) pursuance of privatization; (iii) enhancement of institutional capacity and governance; and (iv) strengthening of financial intermediation and improvement of the functioning of the banking system. The implementation of reforms was interrupted following suspension of cooperation between IMF and the country between 2004 and 2005. In accordance with the policy guidelines announced by the CMJD, the transition Government adopted action plans to improve governance and justice. The structural reforms process started with important decisions concerning improvement of economic and financial data of the Central Bank of Mauritania (BCM) and the Treasury. The tax reforms pursued concerned the unification of VAT tariffs, the abolition of exemptions, and the strengthening of the tax administration. This reform which was, among others, supported by the Bank through the Tax Adjustment Programme, was expected to improve public expenditure management through the Medium-Term Expenditure Framework (MTEF). Its preparation started with the MTEF of PRSP priority sectors, and ended up with in a global MTEF which served as a basis for preparing the State's Global Budget. However, the non-existence of regional PRSPs, which are still in the early drafting stages, makes it difficult to reflect the

<sup>1</sup> The ADF Board of Directors had observed that concerning Mauritania, the evaluation at the end of March 2006 showed that this country had registered significant progress as regards macro-economic results and poverty reduction and that Mauritania meets these criteria. But on the other hand, there are still problems as regards the management of public expenditure, which accounted for why the country could not meet these criteria. Consequently, it was decided to defer Mauritania's qualification for eligibility for MDRI until mid-2006, and await a fresh evaluation to determine whether its public expenditure management system was appropriate.

proposals of the decentralized structures of the administration. The Government established a system for monitoring the use of HIPC resources in order to ensure greater efficiency in the financing of priority programmes. Concerning the *privatization programme*, satisfactory results were obtained in the telecommunications, fisheries and mining sectors. However, the management of the National Electricity Corporation (SONELEC) could not be privatized for lack of buyers due mainly to the world crisis in this sector of activity.

### 2.3 Sectoral Context Issues

2.3.1 Primary Sector: Over the 2001-2004 period, the sector contributed an average of 15.7% per annum to GDP. Agriculture contributed 4.1% of GDP. Production fluctuated a lot as a result of unfavorable climatic conditions (floods and drought) and locust invasions. The coverage of cereal requirements is about 30%, which reflects a high dependence on food imports. Furthermore, measures have been taken to rehabilitate the irrigated areas, supervise and train farmers, as well as pursue land reform. Over the 2001-2004 period, irrigated farming represented 70% to 80% of public investments. However, it is still confronted with structural constraints, notably poor farmer organization and low productivity. The livestock sub-sector contributes 77.2% of the added value of the primary sector (excluding traditional fishing). Fisheries, one of the pillars of the economy, contributed up to 30% of budget revenues, about 50% of export earnings and 7 % of GDP. Despite the significant progress observed these past years, the development of the fisheries sector was slowed down by institutional problems, and in particular, by the shortage of qualified fishermen and the difficult access to credit.

2.3.2 Secondary Sector: Over the past few years, the secondary sector which represents, on average, 23.7% of GDP continued to be dominated by iron ore exploitation. The manufacturing industry is not well developed, and represents only 7.2% of GDP. On the whole, an analysis of performance indicators of the entire industrial sector shows: (i) a high degree of concentration of industries in Nouakchott and Nouadhibou; (ii) a poor integration into other sectors; (iii) a slow job creation pace; (iv) non-diversification of the sector; and (v) high capital intensity investments.

2.3.3 Mines and Energy: To ensure the development of the mining sector and make it more attractive, the Government adopted a new mining agreement and strengthened the institutional capacities of public services in charge of the sector, with World Bank support. These improvements produced the expected effects, given the oil and mining exploration agreements concluded over the past few years, leading to the discovery of oil, gas and other minerals. The country has significant oil reserves, estimated at 530 million barrels. The oil, copper and gold reserves to be exported as from 2006, within a context of proactive and judicious management of these new resources, will bring about rapid growth (estimated at an average of nearly 20% per annum, and over 6% for the non-oil sector) and achieve the poverty reduction objectives within a time-frame shorter than the initial projections. The government revenues expected from the oil sector would fluctuate between 12.1% and 19% of GDP from 2006 to 2011 before being stabilized at 20% of GDP as from 2012. In order to optimize the spin-off effects of oil on the rest of the economy, the Government intends to implement a training programme in all the professions relevant to the sub-sector with a view to ensuring a progressive 'Mauritanization' of jobs. A qualification programme for enterprises specific to the sub-sector is also envisaged. With respect to energy, it should be

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<sup>2</sup> This information is obtained from the IMF.

noted that the electricity access rate is 19% at national level, and around 1% in rural areas. Furthermore, the country has immense wind power and solar potential, which ranks it among the most favored.

2.3.4 **Drinking water supply and sanitation:** As a Saharan and Sahelian country, Mauritania is confronted with serious surface and underground water problems. Paradoxically, the ratio of volume of available water to consumption ranks it among the countries with the most abundant water resources. However, accessibility to these resources and their management are major handicaps to harnessing them. The sectoral strategy seeks to improve access for the entire population access to drinking water by giving priority to the underprivileged population. The long-term objective is to provide all villages of over 500 inhabitants with a drinking water supply system, and to raise the water connection rate to 85% in rural areas.

2.3.5 **Tertiary Sector:** At the end of 2004, the tertiary sector represented about 50% of GDP. The contribution of the transport and communication sector to GDP increased from 4% in 2000 to 6.2% in 2004. Investments in the transport sector represent about 20% of the public investment programme, half of which is for roads. The major constraints to the development of the sector are related to: (i) the low population density; (ii) high investment-related costs; (iii) insufficient budget resources allocated to routine and periodic maintenance; (iv) shortcomings of the sector's institutional, regulatory and organizational frameworks; and (v) inadequate human resources in terms of quality and quantity. The inadequacy of the transport infrastructure in the country is also a major constraint for the development of sectors capable of generating jobs and added value.

2.3.6 In the telecommunications sub-sector, significant reforms have been implemented, in particular: (i) the promulgation of a law liberalizing the sector; (ii) the establishment of an independent Regulation Authority; and (iii) the granting of two cellular telephony licenses, one of which is fully awarded to a private operator and the other partially transferred (up to 54%). Each of these two transfers generated US\$ 28 million in addition to US\$ 13 million from the partial privatization (54%) of the operator "Société Mauritanian des Telecommunications" (Mauritel).

2.3.7 The financial sector comprises the Central Bank of Mauritania (BCM), 8 commercial banks, 7 insurance companies, 2 financial institutions specialized in agriculture and fisheries, 67 approved micro-finance institutions, as well as a leasing firm. The sector has the following characteristics: (i) the financial services are under-developed, with 88% of the sector's assets held by commercial banks; (ii) the banks' profitability is acceptable even though the reliability of their financial data can be questioned in view of insufficient provisions for non-performing loans; (iii) monopolization of the commercial banks' capital by a limited number of shareholders; (iv) lack of diversification of the products and services offered ; and (v) the commercial banks' transactions mainly concern operators of the import – export sector, and are essentially based on short-term financing. As a result, promoters involved in income-generating activities, as well as micro and small enterprises (MSEs) are virtually excluded from bank financing. Furthermore, there are serious distortions on the foreign exchange market. The BCM has initiated reform to improve accounting practices and reliability of information, and thus the regularity and quality of its audits. There are also plans to reform the foreign exchange market.

2.3.8 The micro-finance sub-sector: The Central Bank of Mauritania (BCM) is responsible for supervising and controlling micro-finance institutions (MFI). It grants approval and ensures permanent control. In addition to the BCM, the Commission for Human Rights, Poverty Reduction and Integration (CDHLCPI) is responsible for promoting the emergence of a decentralized financing system in order to reduce poverty and improve the micro-finance environment. To develop the growth potential and that of the poor populations' productivity, in particular, the Government in 2003 prepared and adopted the National Micro-finance Strategy (NMFS) aimed at improving access by the poor to sustainable financial services. However, the development of micro-finance in the country is impeded by the poor operational and organizational capacities and inadequate financial autonomy of the recently created MFIs in Mauritania

## **2.4 Priority Cross-cutting Issues**

### **2.4.1 Governance**

2.4.1.1 The first phase of PRSP implementation focused on the improvement of governance whose objectives were to consolidate the rule of law, support decentralization, efficiently manage public resources, involve the poor population and strengthen civil society capacities. The changes which occurred on 3 August 2005 and the resulting installation of the CMJD is itself an illustration of the malfunctioning of the democratic system and the rule of law, which it is supposed to promote. Similarly, the CMJD implemented new measures (fixing the contract award threshold, the competence of the tender boards, etc.) meant to rationalize and simplify government procurement procedures.

2.4.1.2 The Country Governance Profile<sup>3</sup> (CGP) prepared by the Bank concluded that the Government should pursue and accelerate the actions undertaken in the areas of transparency and accountability, participation, judicial and legal reforms and the fight against corruption in order to institute appropriate poverty reduction policies. The Country Governance Profile (CGP) revealed that as regards accountability and transparency, there is need to pursue reforms relating to public finance management, improvement of government procurement and control, resource mobilization, the quality des resources, public service quality and the promotion of partnership with the private sector. The CMJD instituted a General State Inspection to reinforce control, and an Independent National Electoral Commission to guarantee transparency.

2.4.1.3 With respect to participation, special attention should be paid to the necessary progressive decentralization of public administration, access to information by the public, capacity building for NGOs and the civil society, and improved security for people and property. Consequently, the decentralization process should be pursued by improving the institutional and organizational framework, enhancing the mobilization of communal resources, as well as building municipal management capacities and promoting partnership with local civil society actors.

2.4.1.4 Concerning legal and judicial reforms, the impact of recently initiated actions is still limited by factors such as lack efficient control of the work of magistrates, non-specialization of Chambers, incomplete texts and institutional capacities of the judicial system. Mauritania has ratified the African Charter on Human Rights, as well as a series of international

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<sup>3</sup> The Bank Group prepared Mauritania's Country Governance Profile in 2004 (ADF/BD/IF/2005/115 of 23 June 2005).

agreements relating to children's rights and the elimination of all forms of racial discrimination. However, weaknesses and inadequacies in the implementation of agreements still persist even though the authorities' determination to correct them is illustrated by the recent creation of a Commission for Human Rights, Poverty Reduction and Integration (CDHLPI). As regards slavery, the CMJD recognizes the continued existence of the after-effects of this phenomenon, while recalling that the country has texts, institutional and legal mechanisms to punish the authors of such practices, and expressing its determination to implement them.

2.4.1.5 As regards the fight against fraud, corruption and impunity, the Governance Profile noted the inadequate application of the provisions provided by the texts to discourage and punish acts of corruption and embezzlement relative in the management of public resources. Despite the fact that the Government promulgated the law on the fight against money laundering and the financing of terrorism on 27 July 2005, efforts still need to be made to ensure its effective application. In January 2006, the Government also adopted the United Nations convention against corruption, as well as that of the African Union.

#### 2.4.2 **Regional Economic Integration**

Mauritania is a member of the Arab Maghreb Union (AMU), the Senegal River Development Organization (OMVS) and the Permanent Inter-State Committee for Drought Control in the Sahel (CILSS). Over the past few years, Mauritania has regularly participated in the meetings of Euro-Mediterranean countries. It also cooperates with Cape Verde, Guinea Bissau and Senegal in a Fishery Resources Management Programme, and is involved in a similar programme with Spain and Morocco. Even though it is not a member of the Organization for the Harmonization of Business Law in Africa (OHADA), Mauritania implements measures aimed at harmonizing its legislation in business law with members of this organization. With respect to regional cooperation within AMU, no notable changes have been observed over the past 5 years, despite the preparation of a significant number of agreements. Trade with the member States accounts for only 10% of Mauritania's total trade. Despite the limited regional economic integration through the UMA, each Member State implemented macro-economic and structural reforms which resulted in the institution – through at different paces - of a stable market economy. Bilateral cooperation between certain member States was strengthened. For example, cooperation between Morocco and Mauritania resulted in the abolition of entry visas for their respective nationals, thus facilitating the movement of persons and goods. In 2005, Mauritania and Morocco signed cooperation agreements in the following fields: locust control, fisheries, adult literacy and professional training, health, road infrastructure, customs services operations, communication and meteorology. Bilateral cooperation with Tunisia was also strengthened over the past years, particularly in the mining sector and research.

#### 2.4.3 **Population**

2.4.3.1 With a 2.4% growth rate, the Mauritanian population doubled between 1965 and 2000, reaching 2,508,159 inhabitants. In 2004, it was estimated at 2,823,062, and the average household size (5.7) in 2004 remained stable compared to 2000 (5.8). The urbanization rate increased from 38% in 2000 to 47% in 2005. Migratory movement is not sufficiently reflected in the various census operations. The Mauritanian Embassies and General Consulates abroad estimate the number of people concerned by migrations at 250,000. However, this figure is far from reflecting the reality, taking into account the existence of a

sizable population abroad in countries where Mauritania has no official representation. Toward the end of 2004, the Government, in collaboration with ILO, launched a project on migratory activities, aimed at improving information on migrants and their monetary transfers. There is also ongoing reflection to address issues relating to illegal emigration to Europe. At the domestic level, the migratory movement of the poor populations naturally tends to flow to less disadvantaged areas.

2.4.3.2 Mauritania's demographic profile is the source of numerous obstacles to the socio-economic development of the country. Indeed, the high total fertility index of 4.7 poses health problems for mothers and children within a context low civil status registrations. Furthermore, the country's low arable land of 2.5km<sup>2</sup>/1000 cannot feed an ever growing population, despite a low population density estimated at 2.7 inhabitants/km<sup>2</sup> for a total surface area of 1,030,700 km<sup>2</sup>. In addition to its damaging effects to the environment, the uncontrolled urbanization exposes the populations of shanty towns to the health-related consequences of promiscuity. The structuring of the highly youth-dominated population exerts intense pressure on the essential social services. To deal with it, the Government adopted its updated Population Policy Declaration in January 2005, with the following objectives: (i) promote an optimal spatial distribution of the population, (ii) ensure better monitoring of emigrants, (iii) protect the family and promote the welfare of women and children, (iv) ensure good health for the population, (v) generalize education and training, (vi) protect vulnerable groups, (vii) protect the environment, and (viii) develop population research.

#### 2.4.4 Gender Parity and Child Protection

2.4.4.1 On the whole, the status of Mauritanian women has changed positively over the past few years, even though efforts still need to be made to offset imbalances. Progress was made in education, with a crude primary school enrolment rate for girls exceeding that for boys by 4.5 points in 2004. The girls/boys ratios in high school and university education, estimated at 85% and 32%, illustrate the persistence of gender gaps at this level. These disparities also exist with regard to women's literacy rate (49.5%, against 66.5% for men). Women's health situation remains a cause for concern, with a maternal mortality rate of 747 deaths for 100,000 live births. The economic conditions of female-headed households deteriorated, with poverty increasing from 40% to 45% between 2000 and 2004, while the living standards of households generally improved during this period. The rate of working women (39.1%) is way below that of men (91.9%), whereas they represent 66% of the unemployed. Women's socio-political participation is still low, even though it is increasing: today, 4 women hold ministerial posts and women's representation in Parliament and in municipal councils is around 3%. However, it is worth noting that women are dynamic in associative groups.

2.4.4.2 The major inadequacies of women promotion activities include the limited decentralization of resources and their unequal geographical distribution in favor of urban areas, the poor monitoring/evaluation and internal and external coordination, and internal constraints faced by the Secretariat of State for Women's Affairs (SECF) in terms of inadequate financial resources and limited capacities of the Secretariat. In the Mauritanian context, the constraints include problems relating to employment and efficiency of public expenditure which affect the most vulnerable groups, including women. Mention should be made of the political will expressed in favor of women, as illustrated by the 2005-2008 national women's promotion strategy. The CMJD has requested and obtained from the political parties that a quota of 20% be reserved for women on their lists of candidates for the next municipal and parliamentary elections.

2.4.4.3 The early childhood situation in Mauritania has developed favorably with respect to health and education since 2000, even though it remains disturbing as regards preschool coverage estimated at only 6.85%. In terms of protection, the situation is more alarming. In fact, child labour represents 13% of the working population. The children work in conditions that are often in contradiction with the Convention on the Rights of the Child. Furthermore, there is no legal or institutional protection for children in conflict with the law, especially disabled children, street children and beggars who are most exposed to various forms of violence, exploitation, discrimination and abuses. Efforts made since 2001 to remedy the situation have, in particular, led to the validation of the national early childhood strategy.

#### 2.4.5 Labour Market

The results of the Permanent Living Conditions Survey (EPCV) show that unemployment has worsened, rising from 29% in 2000 to 32.5% in 2004. Among the 15 to 24 age bracket, 7 out of every 10 women and 1 out of every 2 men are unemployed. The sectoral breakdown of unemployment shows that 31% of the employed are in the agriculture sector, followed by trade (24.6%), public administration (14.3%) and services (8.6%). Most of the urban jobs are occupied by workers engaged in informal micro-activities, with over 70% of the workforce. The informal sector seems to be the main job provider (4.2 informal jobs for 1 formal job). However, these jobs are unstable, insecure, are occupied by unskilled workers, and most often develop sporadically. About 75% of micro-businesses cease to function within less than 5 years. These shortcomings are due to the failure of education and training to meet employment needs, and the constraints on the informal sector environment. The financing constraint should be removed with the institution of a micro-lending development programme. Mauritania has ratified all 8 conventions on the basic rights to work, as described by the International Labour Organization, including the elimination of child labour. These conventions have force of law as soon as they are adopted by the Government. However, in practice their application is impeded by the endless paperwork burden, as well as ambiguities and inconsistencies in the national texts. For example, the minimum acceptable age for child labour varies depending on the sector (14 years for the Labour Code, 15 years for the Merchant Shipping Code and 18 years for the Public Service).

#### 2.4.6 Participation

The essential principles underpinning the PRSP formulation and implementation in Mauritania include participation and accountability. Thus, at the central level, regular meetings were organized with the participation of the Government, Republican Institutions, Universities and Researchers, NGOs, professional and employee organizations, and development partners. The participatory process facilitated the involvement of categories of actors who did not have the opportunity to discuss economic and social development issues. Spaces were opened at the political level, with the State-Civil Society-Private Sector Consultation Committee, and at the technical level, with the Thematic Technical Groups (GTT). Inter-regional workshops organized for actors in wilayas, and meetings at the national level were the culminating point of the participatory process. Finally, at the local level, community consultations organized in some poor communities served to improve the evaluation - essentially qualitative - of the first year of PRSP implementation through the qualitative elements of perception of people directly affected by poverty. The same process was followed and enhanced within the framework of PRSP II with more pronounced regionalization of the Strategy. Moreover, the Bank's mission for CSP preparation exchanged views with Civil Society Organizations (CSO) in Mauritania.

## 2.4.7 Environment

2.4.7.1 Oil production, started since February 2006, is already generating additional concerns for the protection of the marine wildlife as a result of the risk of pollution by the entire oil production chain. Indeed, apart from risks related to accidental sea bed pollution, the oil drilling platforms will cut out sizeable areas from the fishing activity. This concern is all the more serious since the oil zone is close to Arguin Bank, a fish reproduction and bird population zone classified as a heritage of humanity. A recommendation to pay great attention to the entire chain of operations and ensure its strict control has already been formulated, and the issue is still being discussed among professionals of the oil sector and environmentalists. To preserve its fishery resources, Mauritania is applying a biological break.

2.4.7.2 The Government has initiated actions intended to: (i) ensure natural resources protection and management; (ii) pursue and intensify efforts to control silting; (iii) reduce firewood consumption by promoting alternative sources of energy; (iv) fight against environmental degradation; and (v) implement environmental education programmes. The ongoing programme also includes the implementation of international Conventions that have been ratified<sup>4</sup> and of butanization programmes in order to mitigate the impacts of the excessive use of charcoal and firewood on environmental balance. Most of the investment projects implemented in Mauritania have taken into account their negative impacts on the environment, and made provision for mitigation measures. In 2006, the Government created a Secretariat of State in charge of the environment. Like the other development partners, the Bank contributed to this awareness by systematically classifying the projects it supported and including environmental specialists in its appraisal/preparation missions for projects with high environmental risks. However, the strict monitoring of the application of mitigation measures on the environment is still unsatisfactory.

## 2.5 Poverty and Social Context Issues

### Poverty

#### Box 3 : Characteristics of Poverty in Mauritania

Poverty in Mauritania has slightly reduced: 46.7% of the population were considered as poor in 2004 as against 51.0% in 1996. The last poverty profile confirms steady poverty reduction since 1990, with an annual average reduction rate which seemed to accelerate between 2000 and 2004 (more than 1 point per annum), compared to the 1996-2000 period (about 0.5 point). Despite the fact that the growth registered during the 2000-2004 period was below the set objectives, it had a significant impact on poverty. However, the data show that the inequalities calculated on the basis of the Gini index are stagnant, and this has certainly contributed to impeding more rapid poverty reduction.

<i>Incidence of Poverty /Place of Residence</i>	<i>2000</i>	<i>2004</i>	<i>Below Poverty Line</i>	<i>2000</i>	<i>2004</i>
Nouakchott	25	25.9	Total population	51.0	46.7
Other cities	29	33.4	Urban households	25	28.9
Rural dwellers along the river	77	66.3	Rural households	66.1	59.0
Other rural dwellers	60	57.2			
<i>Gini Coefficient</i>	<i>39.0</i>	<i>39.3</i>	<i>Poverty Line</i>	<i>MRO 72 600</i>	<i>MRO 94 600</i>

Source: Permanent living conditions survey (EPCV) 1996, 2000 and 2004

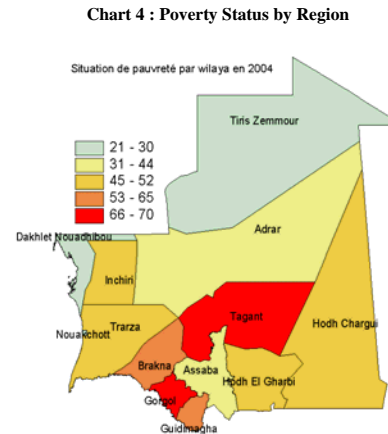
2.5.1 The percentage of individuals living below the poverty line<sup>5</sup> dropped from 51% in 2000 to 46.7% in 2004. Furthermore, the proportion of persons whose annual expenditures are below the extreme poverty line stood at 27.9% in 2004 as against 34.1% in 2000, i.e. a decline of more than 6 points over the said period. However, these overall averages conceal

<sup>4</sup> Desertification control, biological diversity, protection of the ozone layer, climate change, wet areas.

<sup>5</sup> The poverty line used for the EPCV surveys is 1 dollar per person per day, at 1985 constant prices, while the extreme poverty line corresponds to a consumption level of 270 dollars per head per annum.

disparities in the prevalence of poverty. According to the results of the 2004 EPCV, the prevalence of poverty in rural areas is estimated at 59% as against 28.9% in urban areas. Like in several African countries, poverty in Mauritania still affects mainly rural areas. The areas most affected by poverty are located in Gorgol (49.3%), Guidimakha (80.4%), Assaba (76%) and Brakna (64.6%) regions. The acceleration of growth and improvement of action in favor of the poorest should produce more significant impacts.

2.5.2 While the rural population is now in the minority in terms of numbers, three out of every four persons live in rural areas. Furthermore, disparities persist, particularly between the river zone and the arid zone. In addition, poverty continues to affect poor districts. This situation underscores the need to apply targeted, integrated and coordinated policies for rural and urban development, with due regard for local development efforts.



## Education

2.5.3 Mauritania has, since 2001, implemented a Ten-Year Education Development Programme (PNDSE 2001/2010) which focuses on the following areas: (i) improving education opportunities and promoting the school retention system, (ii) enhancing the quality of education and learning, (iii) rationalizing human, material and financial resources management, (iv) enhancing the management of the system according to precise standards and specific results; (v) closing the gender gap, as well as disparities between regions and zones, and (vi) ensuring the balance between training and the requirements of the socio-economic and cultural environment.

2.5.4 As a PRSP priority sector, sizeable investments were made in education as illustrated by the rise in current expenditure from 3.5% in 2000 to 4.1% of GDP in 2004. The results are encouraging, notably as regards the crude primary education enrolment rate, which rose from 88.4% in 2001-2002 to 95% in 2005, with an advantage for girls whose crude enrolment rate at this level is 97.9%. The crude secondary education enrolment rate also developed favorably, rising from 19.4% in 2000 to 29.6% in 2004.

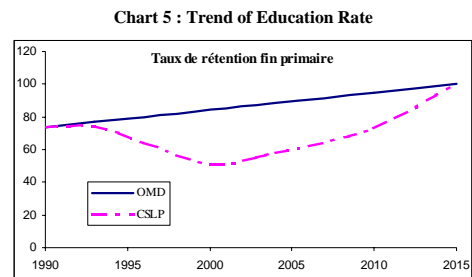
#### Box 4 : Towards Achievement of MDGs in Education Sector

##### Goal 2 (Ensure primary education for all) and a part of goal 3 (Promote gender equality and the empowerment of women)

concerns education. The achievement of these goals is assessed through seven indicators. Concerning universal **primary education**, the Crude Enrolment Rate rose from 87% in 2000 to 96% in 2005, while the net enrolment rate was 75% in 2004. As regards completing the full course of primary education, it should be noted that the level of retention has not reached the expected results for various reasons (incomplete schools, ignorance of reasons for drop-outs, etc.). However, it is conceivable that, in connection with the Ten Year Education Development Programme (PNDSE), this goal will be achieved in 2015. Concerning the reduction of disparities, gender equity has become effective at primary school level, since the relation between girls' school enrolment rate and that of boys has been in favor of girls over the past four years. For **the first cycle of secondary school**, this goal is about to be achieved (girls' participation rate is 46% in 2005) and it will most probably be achieved before 2010, especially if the strategies

adopted to sensitize and mobilize communities in regions with strong reluctance, are successful. Finally, the parity goal is still very far from being achieved in the **higher education level**, with girls representing 24.5% of the student population at the University of Nouakchott, and it is not likely that this goal will be achieved in 2015.

Source: 2006-2010 PRSP II Mauritania



2.5.5 Despite the progress made over the past few years, the education system is inefficient and of poor quality as shown by the low retention rate (47% in 2003), huge repeater rates, inadequate human resources, regional (Crude Enrolment Rate of 102.6% in urban areas against 62.4% for rural areas) and gender disparities at the secondary and higher education levels, and the persistence of a high illiteracy rate among adults estimated at 42.5% in 2004.

### Health

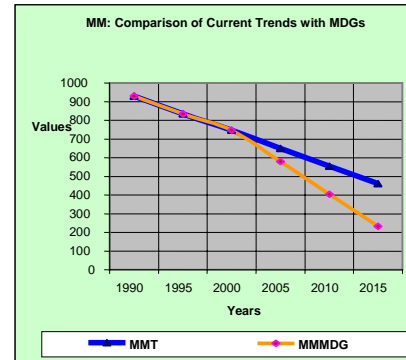
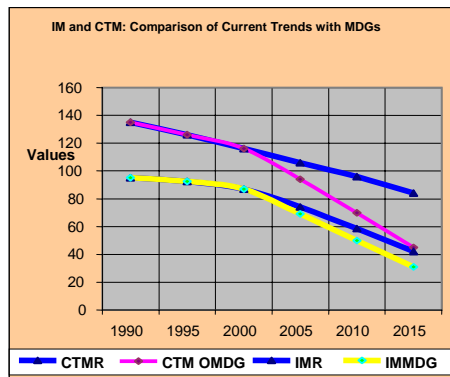
2.5.6 The objectives of the strategy implemented in the health sector for the 2001-2004 period were to reduce the infant mortality rate (IMR) to 50‰, the infant and child mortality rate (ICMR) to 103‰ and the maternal mortality rate (MMR) to 450‰. The Government and technical and financial partners made sustained budget efforts to implement PRSP activities in the health sector. This is reflected by the State budget allocation for the financing of the sector which increased from 33% to 65% between 2000 and 2004, and the expenditures which increased from 2% of GDP in 2001 to 3.4% of GDP in 2004. Despite this increase, real efforts in favor of the health sector made moderate progress. Furthermore, a review of the health expenditure over the past 5 years reveals that expenditure grew rapidly at the administrative and tertiary level, with unequal regional distribution. The quality of health services is unsatisfactory, and the health situation is characterized by a high maternal and infant mortality rate of 747 for 100 000 live births, a high infant mortality rate (123‰), a low life expectancy at birth of 53.6 years, deterioration of accessibility to health structures within a radius of 5 Km which declined from 73% in 2000 to 67% in 2004 at national level, a more disturbing situation in rural areas where the rate was less than 35% in 2004, and the poor serviceability of these structures.

2.5.7 *The HIV/AIDS Epidemic* is a challenge for the country because of the increase in its prevalence and the presence of key factors for the propagation of the disease, namely chronic poverty, illiteracy, particularly among women and girls, stigmatization and discrimination, frequent divorces and remarriages, etc. In 2000, the prevalence rate was estimated at 0.5%. The Government's political commitment translated into the adoption, in 2002, of a national strategic framework for the control of STI/HIV/AIDS for the 2003-2007 period. A multi-sectoral AIDS control programme has been put in place, but it is encountering difficulties with some prevention measures, as well as in its monitoring, because of lack of qualified

human resources. Malaria<sup>6</sup> is among the *other transmissible diseases* which constitute a major public health problem in Mauritania because of its impact on mortality, and morbidity in general, and its harmful socio-economic effects. It accounts for 22% of the causes of morbidity and over 51% of the causes of death recorded in health structures. The high infant and infant-child mortality rates are also due to epidemics of measles and other diseases, such as diarrhoea and acute respiratory diseases. This situation is due to low immunization coverage (4.5% of children were not given any vaccine in 2003), the high rate of chronic malnutrition among children under 5 (30%) and limited access to drinking water.

#### Box 4 : Towards Achievement of MDGs in Health Sector

Chart 6 : Trend of Health Indicators



CTMR : Infant-Child Mortality Rate ; IMR : Infant Mortality Rate

Three of the MDGs concern the health sector. These are: (i) Goal 4 (Reduce the mortality rate among children under 5), (ii) Goal 5 (Improve maternal health), and (iii) Goal 6 (Combat HIV/AIDS, malaria and other diseases). The achievement of these goals is measured by 11 indicators. In the light of the current trend, the goals may not be achieved in 2015; specifically, maternal mortality is expected to be 461 for 100,000 live births in 2015 as against the expected 232 of the MDG, infant and infant-child mortality rates would be respectively 42 and 84 for 1000 in 2015 as against 31 for the former and 45 for the latter. The achievement of the MDGs calls for massive actions in the reorganization of the health system at the peripheral level of the country's poorest regions and the development of human resources.

Source: PRSP II Mauritania

## 2.6 Business Climate and Private Sector Issues

2.6.1 Following the diagnosis conducted through several studies, notably those relating to the sources of growth in Mauritania<sup>7</sup>, the Mauritanian Government has initiated a number of reforms aimed at creating a climate conducive to private sector development. Accordingly, the country has witnessed a slight improvement in the business climate, with the effective determination of the authorities to consolidate and further pursue the reforms already initiated<sup>8</sup>. Indeed, given the deep economic imbalances and spurred on by international partners, the Government has implemented economic reforms, the most recent of which concern the fisheries, rural development, telecommunications, mining and banking sectors. The strategy pursued by these reforms was to make the private sector the key engine of economic growth.

2.6.2 The measures recently taken to improve the business environment and stimulate private investments concerned: (i) consolidation of the regulatory framework by finalizing the draft Labour Code, recruiting experts in charge of preparing the implementing

<sup>6</sup> The changes in climatic and environmental conditions, on the one hand (increase in rainfall, development of the oasis, construction of dams, rice farming, and population movement), and the inadequacy of specific control measures, on the other hand, have resulted in the exposure of over 80% of the population to the risk of malaria epidemic.

<sup>7</sup> See in the annex (Box) an extract of the Report of the Mauritanian Centre for Political Studies - CMAP

<sup>8</sup> Mauritania's country risk for private sector operations is 3.

instruments of the Commercial Code, finalizing the study on economic regulations and disseminating legal information by placing texts relating to business law on the Ministry of Justice website, (ii) improvement of the institutional environment by strengthening consultations between the State and the private sector; (iii) restructuring of the Ministry of Trade, Handicrafts and Tourism (MCAT) in order to further strengthen competition, (iv) reduction of the business profits tax rate from 25% to 20%, and (v) income tax reform. In the area of infrastructure, in order to provide an investment framework that is more favorable for the private sector, the Government launched a number of infrastructure construction projects with the support of international donors. This government policy had a stimulating effect on investments. Sub-sectors such as services, the construction industry and food processing registered renewed growth.

2.6.3 The recent discovery of oil and its production since February provide additional investment opportunities, particularly in the construction industry, as well as for manufacturing businesses in support of this sector such as screw threads, metallic works, technical welding, plumbing and electricity. In light of this context and Mauritania's ranking<sup>9</sup> in the IFC 2006 Annual Report (*2006 Doing Business Report*), there is still need to adopt a new generation of reforms to make the destination 'Mauritania' more attractive in terms of direct foreign investments and private sector development.

Table 1 : 2006 Doing Business Report Mauritania's Ranking : 127th out of 155 Countries			
<b>Starting a Business</b>		<b>Registering Property</b>	
<i>Procedures (number)</i>	11	<i>Procedures (number)</i>	4
<i>Time (days)</i>	82	<i>Time (days)</i>	49
<i>Cost (% of income per capita)</i>	143.6	<i>Cost (% of property value)</i>	6.8
<i>Minimum capital (% of income per capita)</i>	877.5		
<b>Dealing with Licenses</b>		<b>Getting credit</b>	
<i>Procedures (number)</i>	19	<i>Legal rights index (0-10)</i>	7
<i>Time (days)</i>	152	<i>Credit information index (0-6)</i>	1
<i>Cost (% of income per capita)</i>	987.1		
<b>Hiring and Firing</b>		<b>Protecting Investors</b>	
<i>Difficulty of Hiring Index (0-100)</i>	100	--	--
<i>Rigidity of Hours Index (0-100)</i>	60	<b>Paying Taxes</b>	
<i>Difficulty of Firing Index (0-100)</i>	60	<i>Payments (number)</i>	61
<i>Rigidity of Employment Index (0-100)</i>	73	<i>Time (hours per annum)</i>	696
<i>Hiring cost (% of salary)</i>	17	<i>Total taxes rate (% profit)</i>	75.8
<i>Firing cost (weeks of wages)</i>	31	<b>Enforcing Contracts</b>	
<b>Trading Across Borders</b>		<i>Procedures (number)</i>	28
<i>Documents for export (number)</i>	9	<i>Time (days)</i>	410
<i>Visas for export (number)</i>	13	<i>Cost (% of debt)</i>	29.3
<i>Time for export (days)</i>	42	<b>Closing a Business</b>	
<i>Documents for import (number)</i>	7	<i>Time (years)</i>	8
<i>Visas for import (number)</i>	25	<i>Cost (% of assets)</i>	9
<i>Time for import (days)</i>	40	<i>Recovery rate (cents per dollar)</i>	8.1

Source: World Bank/IFC - Doing Business 2006

<sup>9</sup> Mauritania is ranked 127<sup>th</sup> out of 155 countries, ahead of Algeria (128<sup>th</sup>), Benin (129<sup>th</sup>), Cameroon (130<sup>th</sup>), Senegal (132<sup>d</sup>), Guinea (144<sup>th</sup>), Côte d'Ivoire (145<sup>th</sup>), Mali (146<sup>th</sup>), Togo (149<sup>th</sup>), Burkina-Faso (154<sup>th</sup>)

### 3. NATIONAL DEVELOPMENT AGENDA AND PERSPECTIVES

#### 3.1 Key Elements of the Agenda

3.1.1 Since August 2005, the transition government has embarked on putting Mauritania on the path to transparency and economic stability. Its first decision was to solve the data reliability problems, which affected the country's relations with IMF. It prepared a staff-monitored programme (**SMP**) covering a 6-month period (January – June 2006). The purpose of the **SMP** was to strengthen the macro-economic results observed during the 4th quarter of 2005, through appropriate monetary and budget policies. The **SMP** also establishes a framework for pursuance of reforms, which will focus mainly on improving the preparation, implementation and monitoring of the budget, as well as an institutional framework for the management of oil resources. Furthermore, the **SMP** was in keeping with Mauritania's new PRSP for the 2006-2010 period, and the *priority areas of the Government's Agenda* are still similar to those of the PRSP, namely: (i) accelerating growth and maintaining a stable macro-economic framework, (ii) anchoring growth in the poor populations' economic sphere, (iii) developing human resources and expanding essential services, (iv) improving governance and ensuring capacity building, and (v) improving management, monitoring/evaluation and coordination. Broad consultations were held between the government, the civil society and the private sector in connection with the preparation of the PRSP, which also benefited from donors' suggestions and support. The strategic guidelines of the PRSP are materialized through the implementation of the 2006-2010 action plan, which defines the objectives described in the Table below<sup>10</sup> :

Table 2 :Summary of Key Elements of Government Agenda			
Priority Objectives and Performance Indicators	Baseline Case		Objectives 2010
	Date	Value	
<b>Reduce poverty</b>			
<i>Incidence of poverty</i>	2004	46.7%	35%
Incidence of poverty in rural areas	2004	59.0%	45%
Incidence of poverty in urban areas	2004	28.9%	20%
GDP growth rate per annum	2004	2.5%	7.0%
<b>Improve the overall education level</b>			
Gross primary education enrolment rate	2004	95.1%	98%
Adult illiteracy rate	2004	42.5	25%
<b>Improve the overall health status</b>			
Infant mortality rate (‰)	2000	87	80
Infant-child mortality rate (‰)	2000	135	128
Coverage rate within a radius of 5 km	2000	67%	77%
<b>Improve access to drinking water</b>			
Water supply coverage rate in rural and semi-rural areas	2004		62%
Proportion of population with access to a drinking water source	2004	52%	65%
Proportion of population with access to better sanitation system	2004	37.2%	50%
<b>Improve governance and build institutional capacities</b>			
Proportion of seats occupied by women in the National Assembly	2004	2%	20%
Rate of satisfaction of public service users	2004	35%	60%
<b>Increase income and improve living conditions in rural areas</b>			
Incidence of rural poverty	2004	59.0%	48.9%
Agricultural GDP growth rate	2004	-4.5%	5.3%
Rate of access to drinking water in poor districts	1997	35%	50%
Price of m3 of water in poor districts compared to other districts	1997	5 times	0.8 times
Rate of access to sanitation in poor districts	2000	10%	26%

<sup>10</sup> See Annexes for further details

3.1.2 Emphasis will be placed on consensus building and full involvement of all the actors around 3 essential requirements : (i) development of high potential growth sectors, while protecting and regenerating the environment, (ii) preservation of macro-economic balances, and (iii) carrying out actions scheduled on the basis of 4 types of priorities: (a) **3 priority sectors** (Education, Health and Water resources) ; (b) **2 priority zones** (arid rural areas and poor districts); (c) **2 cross-cutting priority actions** (Land-use management and environmental protection); and (d) **a priority working method** (the concerted and coordinated implementation of PRSP, as well as its monitoring).

### 3.2 Assessment of Progress made in Agenda Implementation

An evaluation of 4 years of PRSP implementation shows that progress has been made in poverty reduction. Thus, the incidence of monetary poverty declined from 51% in 2000 to 46.7% in 2004, i.e. an average reduction rate of about 1 point, corresponding to twice the rate in the country during the 1990-2000 decade (0.5 point). Furthermore, progress has also been made in access to primary education, where the girls/boys gap is beginning to reduce. However, major shortfalls continue to impede progress towards achievement of poverty reduction objectives. Thus, the increase in extra-budgetary expenditures between 2003 and mid-2004, financed through money creation, led to deterioration of the budget balance, weakening of **the external position**, and high inflation. As regards the acceleration of growth, weaknesses have been noted in the level and quality of infrastructures (transport, energy, and telecommunications), foreign direct investments (excluding mining), as well as the qualification of human resources and businesses. Moreover, access to basic social services (water, sanitation, education and health) and credit is limited, more particularly for the rural populations. With respect to governance, major weaknesses still persist, notably as regards: (i) the independence and predictability of justice, and (ii) transparency and efficiency in the management of public property. Finally, the limited capacities of the Administration, Civil Society and Private Sector continue to slow down the overall performance of PRSP implementation.

### 3.3 Major Potentials and Medium-term Economic Perspectives

3.3.1 Mauritania's entry into the oil production era obviously opens significant perspectives in at least two directions, namely: (i) marked increase in public expenditure in priority sectors, and (ii) creation of conditions to ensure positive spillovers on the rest of the economy.

3.3.2 Mauritania has abundant and diversified *fishery resources*. Indeed, the potential of fishery resource harvesting is estimated at 1,511,000 tonnes per annum. The industrial fleet has 334 vessels against 2,600 boats for traditional fishing activities. The latter, which has been buoyant in recent years, provides 32,544 jobs. This sector provides opportunities that have not yet been exploited, particularly in the treatment and processing of fishery products. The *rural sector* also has immense agro-pastoral potentials, which are still under-exploited and whose development will, no doubt, contribute to the improvement of the populations' living conditions and poverty reduction, especially in rural areas.

3.3.3 The *mining sector* has huge economic opportunities. The iron ore deposits that are being exploited (Kédia, Guelbs, and Mhawdat) has reserves estimated at over 250 million tonnes of high-grade ore and several million tonnes of low-grade ore. Moreover, immense gypsum and salt deposits, which have been identified, are beginning to be exploited. The oil

reserves seem to be immense<sup>11</sup>. The export revenues for oil, copper and gold, as from 2006 and as a result of proactive and judicious management of the new resources, will facilitate achievement of rapid growth (estimated at more than 10% per annum, on average) and the poverty reduction objectives within a period shorter than initial projections.

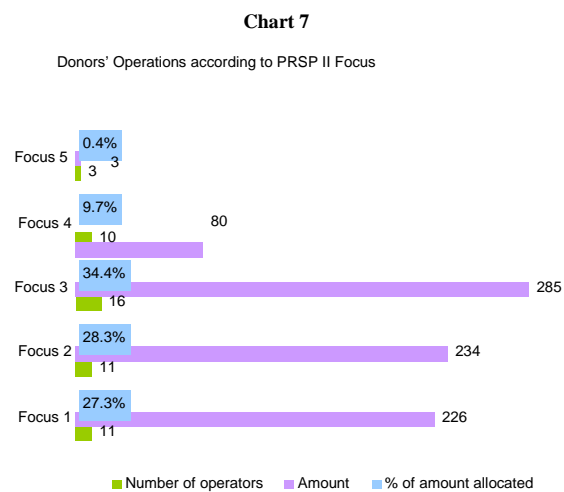
3.3.4 Finally, growth *prospects* depend on an average rate of nearly 20% in 2006 and 2007, 5% to 6% of which are in non-oil sectors. This objective will be focus on the following three priorities: (i) maintaining a significant public investment rate (average investment rate of 33%) through judicious use of oil revenues and continued mobilization of external sources to finance development and poverty reduction; (ii) improving the performances of key sectors with high potential growth; and (iii) consolidating reforms that seek to further involve the private sector in the financing and management of the economy. This growth will be essentially drawn by the oil sector, as well as traditional sectors like the construction industry, mining, transport and telecommunications, and stimulated by the progression of domestic absorption.

### 3.4 Partnership Framework

3.4.1 The country's economy relies on external aid. In 2001, the ODA/GDP ratio was estimated at 26% compared to 4.2% for the whole of Africa. The level of ODA per inhabitant for the same year was US\$ 100 as against US\$ 24 for the whole of Africa. In 2002, ODA reached 31% of GDP. This adjustment points to the donor's commitment to increase their aid and cancel the debt. Mauritania receives aid from a diverse number of partners. Its key partners in decreasing order in terms of volume of aid granted are as follows: Arab countries and funds, EU, France, the World Bank, the United Nations system, GTZ and the Bank Group. The key sectors benefiting from aid are listed below in decreasing order: Mining (11%), Agriculture (11%), Transport and Communications (9%), Water and Sanitation (7%), Education (7%), and Health (6%).

3.4.2 The Government attaches special importance to **aid coordination**, which is under the responsibility of the Ministry of Economic Affairs and Development. Other coordinating organs are often set up, particularly under specific programmes such as the National Poverty Reduction Programme. The launching of the development programme also entails the organization of Advisory Groups or global or sectoral round table discussions to obtain partners' views on these programmes or mobilize the resources required to finance them. Within the framework of its aid coordination efforts, the UNDP Office in Nouakchott organizes quarterly consultations to which the Bank is regularly invited. The Bank has pursued its annual reviews of public expenditure on health jointly with the World Bank. This practice, which facilitates

exchange of views and experience in project implementation, was extended to the education sector before progressively involving all the PRSP priority sectors.



*Focus 1* – Growth acceleration; *Focus 2* – Anchorage of growth in the economic sphere of the poor; *Focus 3* – Development of human resources and expansion of essential services; *Focus 4* – Improvement of governance and capacity building; and *Focus 5* – Strengthening the monitoring/evaluation and coordination steering

<sup>11</sup> 130 million barrels for deposits in Chinguitti, exploitable since February 2006; 100 million barrels and 300 million barrels respectively for deposits in Thiof and Banda respectively.

## 4. **BANK GROUP COUNTRY ASSISTANCE STRATEGY 2006-2007**

### 4.1 **Portfolio Management and Lessons Learnt**

4.1.1 **Implementation Performance:** The last 2 project portfolio reviews (PPR) conducted in February/March 2004 and March 2006 respectively show that the portfolio performance is satisfactory, with an acceptable overall rating of 2.12 out of 3. The portfolio's average age is 3.9 years as against 6.4 years in January 1998 and a Bank average currently estimated at 4.2 years. Such an improvement was possible over the years thanks to efforts made by the Government to improve project preparation and programming, procurement and project implementation monitoring. The Bank also contributed to it through more frequent supervision and the cancellation of undisbursed loan balances for completed operations amounting to UA 9.56 million distributed among 5 operations. The disbursement rate for active projects currently stands at 37.3%. The Annual Portfolio Performance Report identified two problem projects, both of them in the agriculture and rural development sector (the Fisheries Sector Support Project and the Food Security Programme) and a potentially problem project (the Multisector Institutional Support Project) as against five during the preceding review.

4.1.2 **Performance by Sector:** The PPR of March 2006 identified sectors with the best performance. The said performance was assessed on the basis of the following criteria: loan conditions, procurement of goods and services, financial performance, implementation of activities, and overall project rating (the indicator of implementation status in the PPR). The agriculture and rural development sector and that of transport were identified as those with the best performance (see Annex 3).

4.1.3 **Lessons Learnt:** The experiences of the preceding CSPs, PPRs, project completion reports, post-evaluation reports, report on the evaluation of Bank assistance in Mauritania, and consultations with stakeholders and donors show the need to lay more emphasis on the following points: (i) promotion of activities relating to the monitoring-evaluation of policies and programmes applied by the Bank; <sup>12</sup> (ii) improvement of the beneficiary populations' participation in the project design; (iii) attempts to develop activities of the poor;<sup>13</sup> (iv) preparation of exhaustive preliminary studies in sectors in which the Bank assistance is concentrated so as to strengthen the selectivity and formulation of new projects and programmes; and (v) strengthening of cooperation, harmonization and coordination with other donors.

### 4.2 **Country Context and Strategic Selectivity**

4.2.1 The Bank and Mauritania's other development partners have aligned their support on the PRSP, which is the Government's agenda and frame of reference for operational strategies. The proposed Bank strategy is based on 4 key criteria, namely: (a) the country context and CSP horizon; (b) alignment on the country's key development priorities (in accordance with section 3); (c) implementation of recommendations from the evaluation of Bank assistance in Mauritania and improvement of effectiveness of Bank activities (in accordance with section 4.1, ADF-X policy guidelines, and the results of the Evaluation of Bank Assistance in Mauritania - ADF/BD/WP/2005/37 of 5 April 2005); and (d)

<sup>12</sup> These activities should not be conducted by implementation units alone, but also by the administration. This function could be entrusted to a permanent structure in the Ministry of Economic Affairs and Development (MAED) which will build on the activities of the project units and technical departments.

<sup>13</sup> Improving the targeting of women in community development and micro-finance activities in Bank operations, particularly by laying emphasis on education and training, as well as on equal access to land, credit and employment.

improvement of alignment of donor interventions (in accordance with section 3.2, the principles of the Paris Declaration in Annex 12). Following the overall evaluation based on these criteria, the strategic sectors identified by the Bank as pillars of the CSP for 2006-2007 are **‘the development of micro-finance’ and ‘the improvement of access to water and sanitation services in rural areas’**.

4.2.2 Country Context and CSP Horizon: The country context is still marked by: (i) the installation of a transition Government for a maximum of 19 months; (ii) a high incidence of rural poverty resulting in limited access to essential services such as water, as well as difficult access to credit; and (iii) the start of oil production, which certainly opens up new perspectives. As indicated in section 1.4 of the introduction and sections 2.1 and 2.3, the preparation of the Bank’s new CSP for Mauritania was delayed in order to maintain consistency with the second phase of the PRSP 2006-2010, a semi-final version of which was available only in May 2006. Consequently, the Bank Group proposed the preparation of a CSP for the 2006-2007 period. The ultimate objective is to accompany the Government in this critical transition phase which coincides with ADF X, and later on prepare as from the second half of 2007, a CSP covering a longer period.

4.2.3 Alignment on the country’s key development priorities: As was mentioned in section 3.1, the Mauritanian authorities are of the view that to achieve the development objectives, the PRSP should lay emphasis on anchoring growth in economic activities of the poor (Focus 2) as well as on the development of human resources and expansion of essential services (Focus 3). Thus, for the 2006-2010 action plan, the Government intends to reinforce consensus and full involvement of all development actors in order to, among other things, develop high potential growth sectors, and implement actions scheduled in the 4 priority areas, in particular water, education, rural health and infrastructure, with prioritization (concerted and coordinated PRSP implementation and monitoring). Since the main objective of the 2006-2007 CSP consists in supporting the PRSP action plan, the Bank’s strategy seeks to support the Government’s efforts within the framework of the National Micro-finance strategy (SNMF) aimed at improving the poor populations’ access to sustainable financial services and implementing the National Drinking Water Supply and Sanitation Programme by 2015 (PNAEPA) in rural areas and poor districts. Consequently, there is a direct link between Pillar I of the CSP – **the development of micro-finance** – and Focus 2 of the PRSP, while Pillar II of the CSP – **the improvement of access to water and sanitation services in rural areas** – is directly linked to a section of Focus 3 of the PRSP – the development of human resources and expansion of essential services. Thus, the principle of selectivity, which stems from the results-based approach, makes it difficult for the Bank to intervene in all areas of the PRSP.

4.2.4 Implementing the recommendations from the evaluation of Bank assistance in Mauritania and improving the effectiveness of the Bank activities: The proposed interventions also reflect past experiences, the lessons learnt and ADF-X policy guidelines, as well as the results of the evaluation of Bank assistance. This evaluation recommends, among other things, to further target sectors favorable to the poorest populations, such as rural drinking water, micro-finance and agriculture, including livestock and fisheries. The Bank should ensure selectivity and concentrate its efforts on sectors that optimize the impact on development. As emphasized in section 4.1.3, the PPR of March 2006 and past experiences have shown the need to increase the average project size and reduce the number of operations so as to improve implementation. The Bank plays a key leadership role in Mauritania in 2 areas, namely micro-finance and DWSS (African Water Facility – AWF, and the Rural Water Supply and Sanitation Initiative - RWSSI) in which it has comparative advantages.

Furthermore, the effectiveness criteria should take into account the potential synergies of these initiatives. A link with past strategies is also of paramount importance so as to pursue development and poverty reduction efforts, as well as optimize and benefit from the impact and progress already made. In addition to the interventions of other partners, including CIDA, UNDP, the World Bank, UNICEF, and GTZ, the Bank implemented a poverty reduction project (PRP) from 1998 to 2004 and the AMINA (ADF African micro-finance Initiative) Programme from 1998 to 2000, which contributed significantly to the emergence of micro-finance in Mauritania. The satisfactory performance of the PRP, confirmed by the completion reports, led the Government to request ADF assistance for the development of micro-finance in Mauritania. Similarly, DWSS operations should be consolidated within the RWSSI framework. Moreover, the effectiveness criteria should take into account the synergies of the Bank's previous operations in the country.

**4.2.5 Strengthening harmonization of donor interventions:** There is need to ensure that the Bank's strategy in Mauritania is in conformity with its vision with respect to the water sector in Africa, as well as the development of micro-finance as a tool for poverty reduction and building the capacities of women producers. It should also be consistent with the Paris Declaration. According to the principles of this Declaration and the proceedings of the Bamako workshop held in March 2006, the Bank should reduce the number of Project Implementation Units (by setting up project teams whose members are officials of the administration and beneficiary structures) and increase the percentage of aid which depends on the public finance management and government procurement system, as well as the number of co-financed projects. Moreover, the ADB strategy should take into account the lessons learnt from the experiences of key stakeholders in the preparation of the 2006-2010 PRSP. That is why the proposed strategy takes these principles into account by focusing on two operations that are essential for project activities.

**4.2.6** Thus, **'the development of micro-finance' and 'the improvement of access to water and sanitation services in rural areas'** are the pillars which best fulfil the above-mentioned selection criteria. These 2 pillars were selected in view of the country's level of allocation (UA 17.7 million) and the active portfolio quality. Finally, the selection of pillars takes into account the *perspectives and strategies to progressively move Mauritania from the status of LDC (least developed country) to that of MIC (Middle-Income Country)* to be envisaged following the expected increase in per capita income as a result of oil production. Consequently, the pillars give pride of place to the *improvement of economic governance and private sector development which should be among the elements of dialogue with the country.*

### **4.3 CSP Pillars and Results Framework**

**4.3.1 Pillar I – the development of micro-finance:** The development of micro-finance is also found in Focus 2 of the PRSP, and represents a fundamental focal point of the Government's strategy and an essential vector of the reform for the consolidation and diversification of the national financial system. Indeed, micro-finance has contributed to the elimination of a major constraint on the poor populations' access to means of production by developing a savings culture as well as financing small and medium-sized enterprises and income-generating activities (IGA) for poor populations without access to banking services. The National Micro-finance Strategy was prepared along these lines in 2003; and the Bank will support the Government in the implementation of this strategy which, by 2011, as part of efforts to improve rural infrastructure and implement the Action Plan of the World Bank's Joint

Financial Sector Evaluation Programme (FSAP), will enable: (i) poor customers, particularly women, to have access to financial resources to create and/or develop income-generating activities and integrated small and medium-sized businesses in the economic sector, and (ii) micro-finance institutions (MFI) to have operational organs, a reliable information and management system in order to obtain financial autonomy. This support essentially takes the form of activities consisting in building BCM's capacities with a view to improving the legal and regulatory framework of micro-finance, building the operational and financial capacities of MFIs and supporting their establishment, and strengthening the capacities of IGA and MSE promoters with a view to improving the MFI portfolio.

4.3.2 Pillar II – the improvement of access to water and sanitation services in rural areas: The Bank will contribute to achieving the objective of this pillar by supporting the development of basic socio-economic infrastructure, focusing on the improvement of access to drinking water and sanitation. In this regard, the Bank will support the implementation of the National Drinking Water Supply and Sanitation Programme by 2015 (PNAEPA – 2015) which was designed taking into account the strategic guidelines defined in the country's 2006-2010 PRSP. The purpose, through this pillar, is to contribute to improving the socio-economic and health conditions of the rural population. Specifically, it will aim at: (i) improving family drinking water and sanitation services in three targeted regions (Hodh El Chargui, Assaba and Gorgol) currently experiencing shortages; and (ii) improving collective sanitation services in rural communities in these three regions. On the whole, the construction of DWS structures will increase the average access rate of the targeted rural populations to drinking water from 36% to 41%, and thereby achieve nearly 17% of the Millennium Development Goals (MDGs) for water in these three regions. As regards sanitation, since the average access rate in the three regions is currently estimated at 20%, the outputs of this project pillar will contribute to increasing the average access rate to 34%, and thereby achieving more than 35% of the MDGs for sanitation in these regions.

### **Results Framework**

4.3.3 The period covered by the CSP corresponds to the first 2 years of the 2006-2010 PRSP implementation. The overall objectives and strategies to be implemented are those defined in PRSP II, and are reiterated in section 3.1 of this document and in Annex 9. Consequently, Bank strategy is based on the Government's objectives and strategies. It is marked by the new results-based approach which singles it out and takes into account the lessons drawn from the evaluation of the Portfolio, Bank Assistance in Mauritania (previous CSPs, particularly in the selection of focus areas). The CSP results framework (Table 3) presents the expected results of Bank interventions and the implementation indicators. In view of the 2006-2007 period covered, these results aim to support the Government in *'the development of micro-finance'* and *'the improvement of access to water and sanitation services in rural areas'*. The results framework is based on consistency between the current challenges, the strategic objectives and products, focused on the 2006-2010 PRSP II and the MDGs. The Matrix of Thematic Results shows this interdependence and establishes a link between the CSP pillars and the PRSP focus areas, on the one hand, and the expected results of the Bank operations, on the other. The successful implementation of the Bank's strategy will be assessed in terms of contribution to the achievement of objectives targeted in the PRSP for the areas covered. The CSP will be monitored and evaluated through the instruments available to the Government and those of the Bank for its active portfolio in Mauritania (see section 5.1).

Table 3: 2006-2007 CSP Results Framework for Mauritania			
Long-term Results	Results expected from the CSP	Products and Outputs	Links between the CSP and PRSP Priorities
<b>Pillar No. 1 : The Development of Micro-finance</b>			
1. Improve access of the economically active poor to viable and sustainable financial services, so as to reduce poverty	1.1 The legal and regulatory environment is reorganized and conducive to micro-finance development 1.2 Capacities of MFIs strengthened 1.3 Micro-finance services offer extended to rural areas 1.4 Monitoring and evaluation of the impact of micro-finance activities and implementation of the SNMF improved 1.5 IGA and MSE access to quality financing services is improved	1.1.1 The new law is promulgated in 2007 and applied 1.2.1 In 2007, five MFI networks have reliable <b>SIG</b> and realistic business plans 1.3.1 Six new MFIs are established in rural areas in 2007 1.4. In 2007, 2 reports are produced and distributed 1.5.1 The number of promoters of IGAs and SMEs, who are clients of the MFIs, increase from 5,000 in 2006 to 6,000 in 2007	Conformity with the 2 <sup>nd</sup> focus area of PRSP II : anchorage of growth in the sphere of the poor populations
<b>Pillar No. 2 : Expansion of access to sanitation services in rural areas</b>			
2. Improve access to water and the sanitation level in rural areas	2.1. Rate of access to drinking water in rural areas rises from 49% to 62% 2.2. Rate of coverage in sanitation services in rural areas increases from 20% to 30% 2.3. Effective involvement of the populations in the management of structures	2.1.1 Accomplishment of 50% of DWS structures under the 1 <sup>st</sup> RWSSI sub-programme in 2007 out of a total of 74 localities in the 3 regions of the DWSS project 2.2.1 Installation of 50% of suitable family and public latrines in 2007 for a total of 1,950 households 2.3.1 Campaigns to sensitize the populations and 55 structures in charge of managing the DWSS structures, created with at least one woman represented in each	Conformity with Focus 3 of PRSP II aimed at developing human resources and expanding essential services.

Table 4 : Thematic Results Matrix						
Long-term Strategic Objectives	Short-term CSP Outputs				Bank Priorities and Performance	
Results obtained by Mauritania in the MDGs	Sectoral Issues	CSP Products and Outputs which the Bank intends to influence	Intermediate Indicators for CSP Outputs	Strategies/Actions for Intermediate Indicators and Outputs	Interventions of the Bank and External Partners	Process and Implementation of Evaluation of Bank Performance
<p><b>Reduce by half the proportion of people living on less than a dollar a day by 2015</b></p> <p><i>Incidence of poverty in 2004 : 46.7% against 51% in 2000</i>  <i>Target objectives : 35% in 2010 and 25% in 2015</i>  <i>Problem : Prevalence of poverty increases to 59% in rural areas against 28.9% in urban areas</i></p>	Development of Micro-finance	Improve the access of the economically active poor to viable and sustainable financial services so as to reduce poverty	The new law is promulgated and applied  5 MFI network have reliable SIG and realistic business plans  6 new MFIs are established in the rural areas  2 reports are produced and distributed  1.5.1 The number of IGA promoters and SME clients of MFI increased from 5000 in 2006 to 6000 in 2007	The legal and regulatory environment is reorganized and conducive to micro-finance development  MFI capacities strengthened  Offer of micro-finance services extended to rural areas  Monitoring and evaluation of the impact of micro-finance activities and SNMF implementation improved  Access of IGAs and SMEs to quality financial services is improved	Implementation of the Capacity Building Project for Micro-finance Actors (PRECAMF)  Implementation of IFAD projects within the framework of the World Bank's collaborative CAS	Supervisions Joint missions with the WB and IFAD
		Improvement of access to water and sanitation services in rural areas	Improve access to water and the level of sanitation in rural areas	50% of DWS structures of the 1 <sup>st</sup> RWSSI sub-programme accomplished in 2007 out of a total of 1,248 localities  50% of suitable family and public latrines installed in 2007 for a total of 129,000 households  400 structures in charge of managing the DWS structures, created with at least one woman represented in each	Increase the rate of access to drinking water in the rural areas from 49% to 62%  Increase the coverage rate of sanitation services in the rural areas from 20% to 40%  Effectively involve the populations in the management of the structures	Implementation of the DWSS Programme  Implementation of projects financed by AFD, World Bank, Spain within the framework of the World Bank's collaborative CAS
<p><b>Improve the expansion of essential services</b></p> <p><i>Rate of access to drinking water, national average stands at 49% for a target of 74% in 2015.</i>  <i>The sanitation coverage stands at 20% for a target of 60% in 2015</i></p>						

#### 4.4 Regional Dimensions of Bank Group Assistance

There are plans to support project implementation within the framework of OMVS. These projects relate to the agriculture, road transport and energy sectors, namely the Regional Agricultural Development Programme, the Kiffa-Sélibaby-Kayes Road Projects, the Rosso Bridge Project over the River Senegal, and projects for the construction of hydro-electric dams in Félou and Gounia. The Bank will support the extension of electricity distribution networks through these dams. To achieve NEPAD objectives, the Bank intends to finance projects to construct roads linking Mauritania, Mali and Senegal. New multinational projects concerning natural resource preservation and livestock are also envisaged. A multinational operation is envisaged to strengthen the outputs of the ongoing national operation to control malaria epidemics in Sahelian countries.

#### 4.5 Bank Group Assistance: Project Activities

4.5.1 The total allocation for the implementation of the 2006-2007 CSP comes from resources allocated to Mauritania under ADF X. The performance evaluation exercise made it possible to fix the allocation at UA 17.7 million for ADF X. The results of the 2005 Country Policy and Institutional Assessment (CPIA) rank the country in the 2<sup>nd</sup> quintile. This rank is due to shortcomings in budget and monetary management, as well as reliability of economic and financial data. The major inadequacies are: (i) the long project implementation deadlines, (ii) the poor knowledge of the new public procurement code and delays in decentralizing its application; (iii) inadequate consultations between the coordinating ministry (MAED), the supervisory ministry, and the project implementation units to prevent or promptly solve any operational problems; (iv) irregularity in the preparation of project audits and inadequacies in the strict application of recommendations made. Box 5 shows the benchmarks, and actions to correct the weakness noted.

Chart 8: CPIA (2005) – Ranking of Mauritania

1 <sup>st</sup> quintile	1 <sup>st</sup> quintile	1 <sup>st</sup> quintile	1 <sup>st</sup> quintile	1 <sup>st</sup> quintile
2 <sup>nd</sup> quintile	2 <sup>nd</sup> quintile	2 <sup>nd</sup> quintile	2 <sup>nd</sup> quintile	2 <sup>nd</sup> quintile
3 <sup>rd</sup> quintile	3 <sup>rd</sup> quintile	3 <sup>rd</sup> quintile	3 <sup>rd</sup> quintile	3 <sup>rd</sup> quintile
4 <sup>th</sup> quintile	4 <sup>th</sup> quintile	4 <sup>th</sup> quintile	4 <sup>th</sup> quintile	4 <sup>th</sup> quintile
5 <sup>th</sup> quintile	5 <sup>th</sup> quintile	5 <sup>th</sup> quintile	5 <sup>th</sup> quintile	5 <sup>th</sup> quintile
<b>Economic management</b>	<b>Structural policies</b>	<b>Social inclusion and equity policies</b>	<b>Public and institution management</b>	<b>Overall rating</b>

Box 6: Country Performance Improvement Actions and Benchmarks		
Benchmarks	Actions to be implemented	2007
<b>CPIA areas that require improvement</b>		
Improvement of budget and monetary management	- Regularly update MTEF of key PRSP sectors ; - Decentralize expenditure authorizations for PRSP priority areas	- This regular updating exercise concerns key PRSP sectors - The function of payment authorization is decentralized
Transparency, accountability and corruption in the public sector	-Institute an anti-corruption framework -Strengthen the control and evaluation functions of public management	For the 2002 and 2003 fiscal years, the audited finance acts transmitted to Parliament Ordinance or Law governing the General State Inspection issued in March 2007
<b>Portfolio management areas require improvement</b>		
Procurement systems	Adopt, disseminate and implement the implementation measures of the new procurement code	25% reduction of deadline for approval of BDs and contract proposals in the Tenders Board.

Box 6: Country Performance Improvement Actions and Benchmarks		
Benchmarks	Actions to be implemented	2007
Monitoring and evaluation	<ul style="list-style-type: none"> <li>- Institute periodic project reviews in supervisory ministries and an overall portfolio review in the coordinating ministry</li> <li>- Establish a performance contract with the Coordinators of Project Implementation Units</li> </ul>	- 80% compliance with the project implementation schedule and increasing the active portfolio disbursement rate to over 45%

4.5.2 *Plan of Activities for the 2006-2007 Period:* During ADF X, two new operations are scheduled. The first operation, namely the Capacity building project for micro-finance actors (PRECAMF), is consistent with the promotion of economic activities in favor of the disadvantaged section of the population through micro-finance development. This project is an essential poverty reduction instrument for the promotion and development of MSEs, the pursuance of the financing services and increase in the incomes of the poor population, while helping to close the gaps between regions and social groups by targeting rural areas and disadvantaged groups. The second operation, namely the Rural Drinking Water Supply and Sanitation Project in the southern zone (Hodh El Chargui, Assaba and Gorgol), falls within the framework of policy aimed at generalizing access to drinking water supply in rural areas and ensuring implementation of the RWSSI in Mauritania.

4.5.3 *Non-project Activities:* With respect to macro-economic management and improvement of governance, the Bank intends to pursue discussions with the Government on reforms to streamline and consolidate macro-economic management, develop the financial sector, and strengthen institutional capacities. Furthermore, the Bank will closely monitor PRSP implementation by analyzing annual reports on its implementation and formulation of advice/recommendations to improve its performance. In this respect, special attention will be paid to updating MTEF and sectoral reviews of expenditures in priority sectors. The Bank will also support the implementation of recommendations made in the CFAA and RONC reports, and update, in 2007, the governance profile prepared in 2004. With respect to the Ministry of Economic Affairs and Development, the Ministry of Water Resources, and the Ministry of Rural Development and the Environment, economic and sectoral studies are envisaged on: (i) *management of the oil economy;* and (ii) *problems of access to drinking water and water-table pollution.*

4.5.4 *Private Sector Operations:* On 12 December 2002, the Bank approved a line of credit at the Générale Banque de Mauritanie (GBM), which was totally disbursed in 2003. The Bank also approved a loan of US\$ 29.89 million to the SNIM on 18 May 2001. The project consists in rehabilitating the infrastructure and rationalizing the existing SNIM units so as to increase its iron production and export by being more competitive. In December 2004, the GBM applied for a second line of credit. The Bank sent an evaluation mission to Mauritania in 2005 to examine the request, but the operation has not yet materialized. It also held discussions with the Mauritanian Government to prepare a technical assistance project meant to build the management capacities of the oil sector. A few projects in various sectors (leasing, cement factory, etc.) were identified in 2005. Furthermore, the Bank will support the country in *pursuing reforms and actions to be taken to improve the business environment* and ensure that the private sector fully plays its role as the engine of development in this context of oil resources exploitation. Constant dialogue with the country on these issues will be organized, as indicated in section 5.3.

## 4.6 Partnership and Harmonization

4.6.1 Since the implementation of the PRSP as from 2000 and the attainment of the completion point in June 2002, the Bank strengthened its dialogue with Mauritania's key development partners. So far, these consultations use various mechanisms which encourage the exchange of views and harmonization of partner interventions in the country. The consolidation of this partnership goes beyond the concerns of simple co-financing requirements to include the harmonization of viewpoints on the appraisal and monitoring of macro-economic and sectoral policies and reforms, as well as on the practical methods of preparing and monitoring the implementation of financed operations. Thus, the Bank undertook a joint preliminary diagnostic study of the CFAA, with the World Bank and IMF, the harmonized conclusions of which facilitated the preparation of recommendations to improve the economic component of governance. The governance profile study was conducted in consultation with the stakeholders, particularly those already active in these sectors, namely the UNDP, World Bank, Germany and France.

4.6.2 The dialogue with partners also insists on new development initiatives, such as the RWSSI and NEPAD, to obtain support and mobilize the resources required for their implementation. Arab countries and funds, which constitute Mauritania's major group of partners in terms of volume of financing, are regularly contacted for co-financing purposes. Some of them, notably IDB and OPEC, evaluate operations co-financed by the Bank on the basis of documents produced by the latter. The Bank pursues its consultations with the BWIs on macro-economic reforms, sectoral studies on the preparation and implementation of co-financed operations and annual reviews of public expenditures in the PRSP priority areas. For example, the study and appraisal report on the West Brakna hydro-agricultural development project and ongoing projects in the social sector, and the DWS project in Nouakchott were conducted in close cooperation with the World Bank, with a view to ensuring better complementarity and greater efficiency. More generally, in connection with the implementation of the Paris Declaration, the Bank participated in the Bamako Workshop held in March 2006 on the alignment and harmonization of procedures used by donors and countries. In this regard, Mauritania participates in the ongoing survey in this sector.

## 5. MONITORING AND EVALUATION

### 5.1 Monitoring the CSP Outcomes and Bank Group Performance

5.1.1 *State monitoring and evaluation:* The proposed 2006-2010 PRSP II monitoring and evaluation instruments are, above all, intended to be real management and decision support tools, whose key function is to regularly provide credible information to policy makers, other partners and PRSP actors to enable them to assess the level of resource mobilization, the degree of implementation of scheduled actions, any discrepancies in relation to programming, etc. These tools (see Annex) comprise: (i) the resource monitoring tables, (ii) the quarterly sectoral indicators of priority actions, (iii) the quarterly briefing note and interim report, (iv) the annual implementation report, and (v) the evaluation report on PRSP impact.

5.1.2 *The Bank's monitoring and evaluation:* Monitoring the performance of the Bank strategy and the progress made by the country during the 2006-2007 period entails the regular collection of data on the country's objectives, as well as the products and outputs targeted by the Bank. The units in charge of implementing programmes/projects financed by the Bank will conduct the monitoring exercise on the basis of frameworks defined in the project and programme evaluation reports. The new projects will integrate the new logical framework of

results-based projects, and should be clear on the mechanisms instituted to monitor and evaluate the expected results. The projects for which resources are earmarked for a ‘monitoring-evaluation’ component will support operations for the collection of relevant sectoral information to remedy the inadequacies of national statistics system in this area. The monitoring of products and outputs of the results framework will be based on Thematic Working Groups within the “Office Nationale de la Statistique” and MAED. CSP results monitoring reports will be prepared by the MAED and transmitted to the Bank. These reports should evaluate the results and explain the disparities observed, and the necessary corrective measures. Furthermore, for the PPR, scheduled for 2007, the project supervision and completion reports will facilitate the monitoring of Bank performance. Finally, the guidelines defined in this CSP will be reviewed during the preparation of the 2008-2012 strategy scheduled for the second half of 2007 under ADF XI. The annual PRSP implementation reports, as well as the results of the Permanent Living Conditions Survey (EOCV) will also be used for verification.

## 5.2 Managing Risks

5.2.1 **Risks:** Most of the risks expected to frustrate the implementation of the 2006-2007 CSP are mentioned in the 2006-2010 PRSP II. They concern: (i) political change and the national stakeholders’ capacity to assume ownership of new provisions; (ii) the management of oil resources and the de-allocation of activities not related to the oil sector; (iii) external shocks; and (iv) delays in project and programme implementation.

5.2.2 **Mitigation:** *End of political transition and guarantee of proper pursuance of development policies* contained in the CMJD Development Programme translated in the PRSP II: the Government prepares the adoption of the PRSP by law, as was the case in 2001. The implementation of the Public Sector Capacity Building Project (PRECASP) approved in May 2006 and enhancement of ownership of PRSP II, notably through consultation workshops with stakeholders, could be mitigation measures. In the new projects, the Bank will maintain components relating to capacity building. Other partners, in particular the World Bank and United Nations system, give pride of place to area of activities in favor of the public administration, the private sector and the civil society. The risk of insufficient monitoring is mitigated by the measures taken in the PRSP to strengthen the mechanisms in this monitoring-evaluation sector (see Annex). Furthermore, as regards the political component of this risk, during its first anniversary, the CMJD reiterated its commitment in the presence of international observers to comply with the election time-table and ensure that the democratic transition is completed in March 2007.

5.2.3 **Massive flow of resources and the de-allocation of other sectors:** *This risk* will be mitigated by measures taken to implement a policy for the judicious use of these resources in order to strengthen the means of implementing PRSP priority programmes. The creation of the Mauritanian Hydrocarbons Company (SMH) and Mauritania’s accession to the Extractive Industries Transparency Initiative (EITI), as well as the ongoing preparation of the Law on the use of oil resources stem from this approach. The institution of an investment fund, replenished with part of the oil resources, is meant to facilitate the implementation of an effective diversification of the productive base and contribute to avoiding the so-called ‘Dutch syndrome’. The efforts currently made by the Bank and other donors in the implementation of the Paris Declaration will assist the country in the management of its economic and social policy within this specific democratic transition and oil resource exploitation context.

5.2.4 **External Shocks:** It should be noted that the country and its economy are still extremely vulnerable to external shocks, notably as regards the volume and prices of key export products: iron and fish and, soon, oil and gas. The creation of a fund for the stabilization of revenues from the key export products is likely to reduce this risk in the long run. However, in view of their non-predictability, these external risks can be mitigated by partners' support in the efficiency of their warning system and rapidity of their interventions. Some interventions, such as emergency aid, support for integration and access to external markets, as well as the reinforcement of budget aid, could mitigate these risks.

5.25 **Delays in Project and Programme Implementation:** This risk could be mitigated by implementing the new Bank decentralization policy, particularly with a presence and closer monitoring by the Regional Office in Senegal (SNFO), as well as through the new design of Project Teams and more regular training of members of the Project Teams in Bank procedures as regards project implementation.

### 5.3 Country Dialogue Issues

5.3.1 **Economic governance and capacity building:** Special emphasis will be laid on organs in charge of economic and financial programming as well as public resource control, particularly with respect to oil revenues management and their inclusion in PRSP implementation resources. Discussions could thus be initiated, on the one hand, *on the management of oil resources* notably within the Perspective of Mauritania 2030, and, on the other hand, on Mauritania's future strategy to *progressively move from the status of Least Developed Country (LDC) to that of Middle-Income Country (MIC)*.

5.3.2 **Private Sector Development:** The improvement of the business environment and indicators of the investment framework, labour flexibility and competitiveness, the financial system, as well as natural resources management and the promotion of job creating and growth-oriented sectors, should also be discussed with the Government. The Bank will pursue discussions with the Government to prepare a technical assistance project to build the oil sector management capacities.

5.3.3 **Portfolio Duality in Mauritania:** The Bank will strive to improve the quality at entry of new operations and the training of staff of Project Executing Agencies in Bank rules and procedures. Paragraph 4.1.3 and Box 9 describe the measures aimed at improving the Bank operations in the country.

5.3.4 **Coordination of Donor Interventions:** The 2006-2007 CSP is consistent with PRSP II and the World Bank's CAS being prepared on the basis of a collaborative approach. The Bank intends to pursue dialogue with the country in connection with the preparation of a CSP with the World Bank covering a five-year period. The alignment, harmonization and coordination efforts will be strengthened within the context of the Paris Declaration and the Bamako Workshop Action Plan. The Bank will also participate in all future Advisory Group meetings on Mauritania.

## 6. CONCLUSIONS AND RECOMMENDATIONS

### 6.1 Conclusions

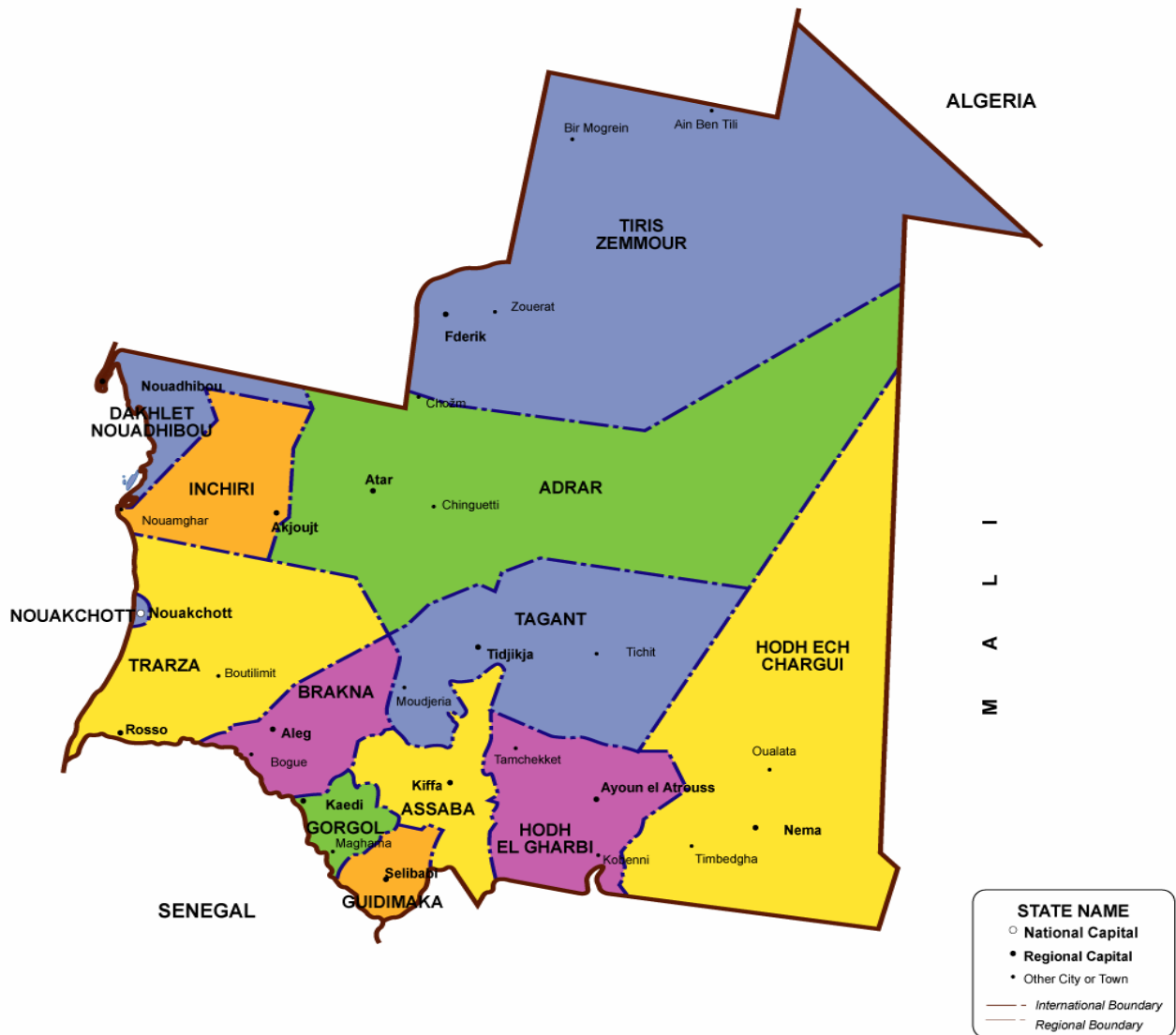
6.1.1 Despite the slackening observed in macroeconomic management at the end of the 2001-2004 period, Mauritania recorded sustained growth, and satisfactorily conducted reforms which led it to the HIPC initiative completion point, about two years after reaching its decision point in February 2000. Moreover, the implementation of the first priority action plan of the PRSP was satisfactorily implemented. The Government also demonstrates real resolve to address macro-economic management and embark on the path to a second generation of reforms focused on good governance and capacity building. It is currently defining a new action plan to pursue the objectives of the poverty reduction strategy.

6.1.2 The assistance strategy in 2006 and 2007 takes into account: (i) the ongoing transition; (ii) the start of oil production; (iii) the country's medium-term perspectives and the imminent preparation of a strategy for a longer period as from the end of 2007. Bank intervention is based on **two pillars** to which it is possible to link strategic interest centres, namely '**the development of micro-finance**' and '**the improvement of access to water and sanitation services in rural areas**'. The implementation of the assistance strategy takes into account the *perspectives and strategy to progressively move Mauritania from the status of Least Developed Country (LDC) to that of Middle-Income Country (MIC)*, following the expected increase in per capita income as a result of oil production. Consequently, the pillars give special importance to *the improvement of economic governance and the private sector development, which are among the elements of dialogue with the country.*

### 6.2 Recommendations

The Board is invited to consider and adopt Mauritania's Results-Based Strategy Paper for 2006 and 2007 on the basis of an indicative basic allocation of UA 17.7 million in the form of loans under ADF-X. This basic financing could be supplemented by resources allocated for multinational projects involving Mauritania in the transport and energy sectors and considered as priorities under this CSP.

## MAURITANIA : ADMINISTRATIVE MAP



This map was provided by the African Development Bank Group exclusively for the use of the readers of the report to which it is attached. The names used and borders shown do not imply on the part of the Bank and its members any judgment concerning the legal status of a territory nor any approval or acceptance of these borders.

## Annex 2 : Bank Group Operations

Projects	Source	Approval Date	Effective Date	Completion Date	Loan/Grant Amount	Amount Disbursed	Disbursement Rate
Development of artisanal fisheries Phase	ADF loan	5/12/99	12/01/01	31/12/06	5,000,000	3,149 024.3	62.98%
Pastoral development and pasturelands management project	ADF loan	04/04/01	10/03/02	31/12/06	5,000,000	2,388,787.3	47.78%
Control of invasion by floating aquatic plants (multinational)	ADF loan	4/04/01	03/02/06	31/12/08	810,000	67,662.43	8.35%
West Brakna irrigation project	ADF loan	17/11/04	10/08/05	31/12/10	2,670,000	246,587	9.2%
West Brakna irrigation project	NTF loan	17/11/04	10/08/05	31/12/10	4,300,000	0.0	0.0%
<b><i>Sub- total Agriculture</i></b>					<b>17,780,000</b>	<b>5,852,060.4</b>	<b>32.91%</b>
Rosso Boghé Road Construction	ADF grant	02/07/03	02/07/04	31/12/07	500,000	113,636.5	22.73%
Rosso Boghé Road Construction	ADF loan	02/07/03	02/07/04	31/12/07	8,120,000	2,034,775	25.1%
Rosso Boghé Road Construction	NTF loan	02/07/03	02/07/04	31/12/07	6,000,000	1,706,648.5	28.44%
<b><i>Sub- total Transport</i></b>					<b>14,620,000</b>	<b>3,855,060.5</b>	<b>26.37%</b>
Nouakchott DWSS Project (Aftout Essaheli)	ADF loan	24/09/03	08/03/04	31/01/09	10,000,000	97,769.61	0.98%
<b><i>Sub- total Water and Sanitation</i></b>					<b>10,000,000</b>	<b>97,769.61</b>	<b>0.8%</b>
Health sector support programme	ADF loan	17/03/99	02/08/00	31/12/06	10,108,000	8,730,990.5	86.8%
Education system development support	ADF loan	30/06/99	01/10/00	31/12/06	5,920,000	4,453,454	75.23%
Support to the Ten-year Education Plan	ADF loan	28/11/01	20/10/02	31/12/07	8,293,000	1,357,996	16.4%
<b><i>Sub- total Social Sector</i></b>					<b>24,321,000</b>	<b>14,542,440.7</b>	<b>59.79%</b>
Multi-sector institutional support project	ADF grant	07/07/00	12/03/01	30/06/06	1,045,000	810,615	77.6%
<b><i>Total multi-sector</i></b>					<b>1045,000</b>	<b>810,615</b>	<b>77.6%</b>
<b>GRAND TOTAL</b>					<b>67,766,000</b>	<b>25,157,946</b>	<b>37.12%</b>

### Annex 3 : Summary of Performance Evaluations by Sector and by Project

Indicator	Loan conditions	Procurement of goods and services	Financial Performance	Activities and Outputs	Impact on Development	Overall Evaluation
<b>AGRICULTURE AND RURAL DEVELOPMENT</b>						
<i>West Brakna irrigation development</i>						
Rating	2.7	2	2.2	2.5	2.3	2.3
<i>Artisanal fisheries project (Phase II)</i>						
Rating	2.7	2.5	2.4	2.5	2.3	2.5
<i>Pastoral development and pasturelands management project</i>						
Rating	3	1.5	2.2	1.2	1	1.8
<b>Overall evaluation for sector</b>						
Rating	2.8	2	2.3	2.1	1.8	2.2
<b>TRANSPORT</b>						
<i>Rosso Boghé Road Construction project</i>						
Rating	2.7	2	2	2	2	2.1
<b>Overall evaluation for sector</b>						
Rating	2.7	2	2	2	2	2.1
<b>PUBLIC UTILITIES – WATER</b>						
<i>Nouakchott DWS Project</i>						
Rating	1.3	1.5	2	1.7	3	2
<b>Overall evaluation for sector</b>						
Rating	1.3	1.5	2	1.7	3	2
<b>SOCIAL</b>						
<i>Health and social sector master plan support programme (PAPDSAS)</i>						
Rating	2.6	1	1.8	1.3	1.6	1.7
<i>Education system development project (PADSE)</i>						
Rating	2.3	2.5	2.2	2.5	1.5	2.2
<i>Ten-year Education Programme Support Project (PNDSE)</i>						
Rating	2.6	2	2	1.8	1.8	1.9
<b>Overall evaluation for sector</b>						
Rating	2.5	1.8	2	1.9	1.6	1.9
<b>MULTI-SECTOR</b>						
<i>Multi-sector institutional support project</i>						
Rating	2.1	1.5	2.4	1.6	2.3	2.1
<b>Overall evaluation for sector</b>						
Rating	2.1	1.5	2.4	1.6	2.3	2.1
<b>OVERALL PORTFOLIO EVALUATION</b>						
Indicator	Loan conditions	Procurement of goods and services	Financial Performance	Activities and Outputs	Impact on Development	Overall evaluation
Rating	2.4	1.8	2.1	1.9	2.0	2.1

Source: PPR March 2006

#### Annex 4 : Oil Resources Management in Mauritania

Governance in Mauritania is still fragile, and the CMJD is of the opinion that poor governance has been detrimental to the country's development. Consequently, the transition Government has adopted the improvement of governance as a top priority, particularly as regards the management of oil production context. Progress has been made in the proactive management of resources expected from oil production. Part of these oil revenues expected in 2006 (USD 270 million for 2006) will be devoted to the financing of the State budget, while the remaining portion will be deposited in a Savings Fund. Furthermore, in September 2005, the Government joined the Extractive Industries Transparency Initiative (EITI), and is prepared to discuss with its partners the mechanisms to be established for the proactive and transparent management of oil resources. To that end, an industrial and commercial establishment known as 'Société Mauritanian des Hydrocarbures' (SMH) was created on 6 October 2005. The company's mission is to represent the State in the management of national interests in the oil sector, particularly within the framework of production sharing contracts, the different operations relating to production, processing, transformation, investments and transportation of hydrocarbons both within and outside the country. It is also responsible for marketing and exporting hydrocarbons extracted from the deposits, training officials in the different sub-sectors of the oil industry, and conducting the various commercial and industrial, movable and real estate operations, as well as financial transactions relating to liquid and gaseous hydrocarbons. A National EITI Commission has been set up, and the Civil Society is amply represented in it. Furthermore, in January 2006, the Government adopted the United Nations Convention against Corruption. This decision entails the preparation of a national anti-corruption action plan, as well as the periodic evaluation of the relevant legal instruments and administrative procedures.

### **Annex 5: Consultation Process on Mauritania's 2006-2007 CSP**

Two missions sent by the Bank and comprising representatives of the OCCW, OCAR, GECL, OCIN and OCSD Departments visited Mauritania in February and November 2005 to prepare the CSP. During its stay in the country, the team held meetings with the different services of the administration in charge of preparing and monitoring the implementation of the PRSP and the country's key development partners, under the coordination of the Financing Department of the Ministry of Economic Affairs and Development. During these meetings, views were exchanged on the outcome of the implementation of the 2001-2004 action plans of the PRSP, and the sectoral perspectives and strategies defined in the second priority action plan 2006-2010. This plan gives pride of place to the private sector and places special emphasis on the anchorage of development in the activities of the poor populations and the strengthening of good governance. The country's development partners renewed their willingness to pursue their support for the implementation of this 2<sup>nd</sup> Action Plan. A Dialogue Workshop was organized on 28 and 29 September 2006 to seek the views of key development actors on the strategic challenges and priorities of the poverty reduction programme and the Bank Group's contribution to its implementation. (see the Final Communiqué in Annex 14)

## Annex 6: Comparative Trends of Factor Costs

The *average productivity per working unit* increased substantially. While it exceeded that of Mali (by 37%) in 2003, it is still over 70% lower than the average productivity observed in Senegal.

The *average monthly salary* increased substantially between 2000 and 2003. The minimum wage, which increased at an annual rate of 13%, was around US\$ 74 in 2004 in Mauritania (against US\$ 47 in Mali and US\$ 93 in Senegal). The *labour cost per unit*, despite a decline over the 2000-2003 period (-3.6% per annum), now exceeds the level of Senegal and even Mali.

The *cost of telephone communications* recorded a relative decline as a result of the liberalization of the telecommunications sector: in 2004, the average cost of local telephone calls was 67% less than that of Senegal (but was 33% higher than that of Mali). The *energy costs* rose favorably: the cost of a unit of consumed electricity in 2004 is at least 64% less than the level observed in Mali and Senegal.

One also observes a positive trend with respect to *taxation*: in 2003, the VAT rate was 14% in Mauritania against 18% in Senegal and 20% in Mali. The maximum rate applicable for customs duties was 20% in Mauritania against 25% in the two neighboring countries.

*Source: CMAP Report on sources of growth*

**Annex 7 : Mauritania: Salary and Wage Trends (in MRO) 1999–2005**

	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
<b>Private sector (Hourly wage, Minimum Wage schedule )</b>	64.5	66.5	69.0	69.0	69.0	82.7	128.8
<b>Public sector (monthly salary)</b>							
Category A1	20,844	21,791	22,976	22,976	22,976	28,149	36,149
Category A2	17,852	18,550	19,423	19,423	19,423	23,601	31,601
Category B	15,944	16,543	17,291	17,291	17,291	21,351	29,351
Category C	11,176	11,525	11,961	11,961	11,961	14,330	22,330
Category D	9,876	10,225	10,661	10,661	10,661	13,030	21,030
Category E (Teachers)							
Assistant School Teachers	16,176	16,525	16,961	16,961	16,961	19,330	27,330
School Teachers	24,852	25,550	26,423	26,423	26,423	30,601	38,601
Lecturers	30,352	31,050	31,923	31,923	31,923	36,101	44,101
Professors	35,844	36,791	37,976	37,976	37,976	43,149	51,149

*Source: Ministry of Finance, Budget Department.*

Macro-economic Framework					
Gross Domestic Product at Current Prices	2001	2002	2003	2004	2005
<i>(Share in % of GDP)</i>					
Rural sector	24.6	23.6	25.1	23.1	21.4
Agriculture	3.6	3.5	4.5	3.3	4.3
Livestock	14.0	13.7	14.5	13.0	11.4
Fisheries	7.0	6.4	6.1	6.8	5.7
Mining	10.9	11.6	8.3	11.5	13.4
Manufacturing Industries	6.1	5.6	5.5	5.4	4.6
Construction and public works	7.0	7.8	7.7	8.6	7.6
Transport and telecommunications	5.4	5.6	5.9	5.7	4.8
Trade, restaurants, hotels	13.1	12.7	13.0	12.7	12.4
Other Services	14.6	15.6	16.9	15.4	15.1
PISB	-2.9	-3.2	-3.5	-3.2	-3.0
Public Administration	12.4	12.2	12.3	11.2	13.3
GDP (at factor costs)	91.1	91.5	91.1	90.3	89.5
Indirect taxes net of subsidies	8.9	8.5	8.9	9.7	10.5
GDP (at market costs)	100.0	100.0	100.0	100.0	100.0
<i>(Growth rate)</i>					
Rural sector	-3.9	-9.4	4.5	-7.6	7.9
Agriculture	-12.2	-10.9	28.7	-38.3	34.3
Livestock	-1.2	1.0	1.8	2.9	3.0
Fisheries	-4.3	-32.6	-6.7	-11.8	8.3
Mining	-4.7	-3.3	6.3	8.3	0.7
Manufacturing Industries	-21.3	-4.5	-1.0	10.4	-11.7
Construction and public works	20.8	14.6	5.5	19.5	0.6
Transport and telecommunications	13.8	29.5	3.4	11.9	12.0
Trade, restaurants, hotels	7.4	2.0	5.2	4.8	5.3
Other Services	10.3	5.5	5.7	5.3	3.5
PISB	24.8	5.4	5.2	6.0	5.7
Public Administration	17.3	5.0	7.9	1.0	9.6
GDP (at factor costs)	2.5	1.4	5.1	4.0	4.4
Indirect taxes net of subsidies	7.3	-2.5	11.1	18.4	16.1
GDP (at market costs)	2.9	1.1	5.6	5.2	5.4
<i>Contribution to growth (in %)</i>					
Rural sector	-1.0	-2.2	0.9	-1.5	2.5
Mining	-0.6	-0.4	0.7	0.9	0.6
Manufacturing Industries	-1.9	-0.3	-0.1	0.6	0.0
Construction and public works	1.2	1.0	0.4	1.5	0.7
Services	2.5	2.5	1.7	2.0	2.3
Public Administration	2.1	0.7	1.1	0.1	0.6
Indirect taxes net of subsidies	0.5	-0.2	0.8	1.5	0.3

Table of State Financial Operations (TOFE)						
(in % of GDP)	2000	2001	2002	2003	2004	2005
Revenues and grants	24.7	24.7	34.8	35.4	32.9	26.43
Tax revenues	13.7	12.5	13.3	13.3	14.9	24.35
Non-tax revenues	8.1	8.2	17.1	17.5	14.8	9.06
Grants	2.9	4.0	4.3	4.7	3.1	2.08
including HIPC assistance	1.5	2.3	2.7	2.7	2.1	1.53
Net expenditures and loans	30.7	35.0	37.6	47.2	37.7	33.46
Current expenditures	20.5	20.9	22.4	31.1	24.4	25.50
Salaries and wages	4.6	4.5	5.1	4.7	4.3	4.52
Goods and services	6.9	7.0	8.9	10.4	9.3	12.19
Transfers and subsidies	2.3	2.1	2.5	7.8	2.4	1.75
Military expenditures	3.5	4.6	3.2	4.9	4.7	3.57
Interests on public debt	3.0	2.7	2.5	2.7	3.0	3.25
Others (Special accounts)	0.2	0.0	0.2	0.5	0.6	0.22
Capital expenditures and net loans	8.4	10.6	13.3	13.4	10.9	7.37
Investments in fixed capital	7.9	10.4	13.2	13.0	10.9	7.37
Domestic financing	3.7	6.4	7.8	7.5	6.2	3.06
External financing	4.3	4.0	5.4	5.5	4.7	4.31
Reconstruction expenses and net loans	0.5	0.2	0.1	0.4	0.0	0.59
Non-identified expenditures	1.8	3.5	2.0	2.7	2.4	...
Overall balance excluding grants	-8.9	-14.4	-7.2	-16.4	-8.0	-9.11
Overall balance including grants	-6.0	-10.4	-2.9	-11.8	-4.8	-7.03
Financing	6.0	10.4	2.9	11.8	4.8	7.03
External financing (net)	0.4	-0.3	0.8	0.2	0.0	2.23
Drawings	0.4	-0.3	0.8	0.2	0.0	2.51
Budget support	2.8	1.6	1.5	0.5	...	...
Project loans	2.8	2.9	4.1	4.1	3.6	2.51
Amortization	-5.2	-4.8	-4.9	-4.4	-3.6	-3.28
Domestic financing (net)	2.4	13.2	-2.7	6.1	-1.0	4.14
Banking system	2.9	13.4	-2.7	6.1	-1.0	6.65
Others	-0.5	-0.2	0.0	0.0	0.1	-2.52
Exceptional financing	3.5	3.6	4.5	3.9	3.4	3.00
Change in domestic arrears	0.0	0.0	0.0	0.0	0.0	0.00
Others (incl. Errors and omissions)	-0.3	-6.2	0.4	1.5	2.4	0.66
<i>Mem. Item.</i>						
<i>Extra-budgetary expenses</i>	9.0	13.8	11.5	20.6	12.7	...
<i>HIPC assistance (including all exceptional financing)</i>	1.5	2.3	2.7	2.7	2.1	1.53

(in % of GDP)	2000	2001	2002	2003	2004	2005
Total receipts	21.8	20.7	30.4	30.7	29.7	24.9
Tax receipts	13.7	12.5	13.3	13.3	14.9	15.1
Income and Profit taxes (IPT)	4.3	3.9	4.1	3.6	4.1	5.4
Other direct taxes	0.2	0.3	0.2	0.2	0.2	0.2
Taxes on goods and services	6.6	6.1	6.9	7.3	7.8	7.3
International trade tax	2.3	2.1	2.0	2.2	2.8	2.2
Other tax receipts	0.2	0.2	0.1	0.1	0.1	0.1
Non-tax revenues	8.1	8.2	17.1	17.5	14.8	9.8
Fishing license and fees	2.5	2.7	7.7	6.7	6.3	7.1
Other non-tax receipts	5.6	5.4	9.4	10.8	8.5	2.7
<i>(in % of total receipts)</i>						
Tax receipts	62.7	60.5	43.7	43.2	50.2	60.5
Income and Profit taxes (IPT)	19.9	18.9	13.5	11.6	13.8	21.5
Other direct taxes	4.3	8.2	6.0	6.2	7.2	8.9
Taxes on goods and services	30.3	29.3	22.8	23.7	26.1	29.3
International trade tax	10.6	10.2	6.6	7.1	9.4	8.7
Other tax receipts	1.1	0.7	0.2	0.2	0.3	0.3
Non-tax revenues	37.3	39.5	56.3	56.8	49.8	39.5
Fishing license and fees	11.5	13.2	25.3	21.7	21.1	28.6
Other non-tax receipts	25.8	26.3	31.0	35.1	28.7	10.9
<i>(in % of tax receipts)</i>						
Income and Profit taxes (IPT)	31.7	31.3	30.9	26.8	27.5	35.5
Other direct taxes	1.2	2.3	1.4	1.4	1.2	1.2
Taxes on goods and services	48.4	48.4	52.1	54.9	52.0	48.4
International trade tax	16.9	16.8	15.1	16.4	18.7	14.4
Other tax receipts	1.8	1.2	0.5	0.5	0.6	0.5

Sources: Mauritanian Authorities and IMF Estimates

<b>Balance of Payments</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
Trade balance	-99.7	-110.0	-99.4	-223.8	-483.8	-783.3
Exports	354.5	355.2	331.7	318.2	439.6	604.1
<i>Incl : iron ore</i>	186.6	182.1	166.7	163.9	230.2	389.4
<i>Fish</i>	150.4	156.1	143.5	131.5	172.6	172.7
Imports, fob	-454.2	-465.2	-431.2	-542.1	-923.4	-1387.4
Petroleum products	-93.2	-82.5	-85.2	-100.3	-145.0	-196.4
Equipment for mining and extractive industries	-77.6	-140.3	-136.5	-182.7	-414.9	-817.3
Others	-283.4	-242.5	-209.5	-259.1	-363.4	-373.7
Services and Revenues (net)	-89.3	-145.5	44.9	-84.8	-142.0	-263.0
Services (net)	-99.7	-113.3	-81.4	-142.5	-207.6	-327.6
Credit	46.9	46.2	74.0	44.2	52.0	62.6
<i>Incl: Individual fishing licenses</i>	14.6	20.0	30.0	27.5	22.1	31.6
Debit	-146.6	-159.5	-155.4	-186.6	-259.6	-390.2
<i>Incl: fret (incl. Petroleum and mining)</i>	-39.5	-40.5	-37.5	-73.9	-125.9	-189.2
Revenues (net)	10.4	-32.2	126.3	57.7	65.6	64.6
Credit	48.7	1.0	162.9	94.6	104.5	108.6
<i>Incl: European Union fishing fees</i>	47.5	0.0	161.6	93.4	103.2	107.1
Debit	-38.3	-33.2	-36.6	-36.9	-38.9	-44.0
<i>Incl: Interests on public debt</i>	-38.3	-33.2	-36.6	-36.9	-38.9	-41.7
Current transfers (net)	75.3	132.3	101.0	137.9	108.9	111.4
Unilateral private transfers (net)	35.4	47.9	30.4	45.0	47.7	40.7
Official transfers	39.9	84.4	70.6	93.0	61.2	70.7
<i>Incl: multilateral HIPC assistance</i>	...	33.4	42.2	39.9	31.1	27.8
Current account (transfers including off-petroleum)	-104.6	-68.1	99.0	-86.0	-178.2	-183.3
Current account balance	-113.6	-123.2	46.5	-170.6	-516.9	-934.9
Capital account and financial operations	23.0	83.0	86.1	140.7	427.1	813.0
Capital account	...	...	...	...	15.5	0.0
Financial operations account	23.0	83.0	86.1	140.7	411.6	813.0
Direct Investments (net)	40.1	76.7	67.4	101.9	391.6	863.6
<i>Incl: petroleum exports (net)</i>	11.2	62.3	59.7	95.3	362.0	731.1
Medium and long-term public loans	-4.6	3.7	16.0	1.7	19.9	-28.0
Disbursements	79.1	78.7	94.1	86.9	95.2	52.6
Amortization	-83.7	-75.0	-78.1	-85.2	-75.3	-80.6
Other financial flows	-12.5	2.6	2.7	37.1	0.1	-22.5
Errors and omissions	65.5	-37.1	-153.6	-92.4	-19.2	47.2
Overall balance	-25.1	-77.3	-21.0	-122.3	-109.0	-74.7
Financing	25.1	77.3	21.0	122.3	109.0	74.7
Net foreign assets	-42.7	17.8	-41.1	61.1	50.9	10.7
Central Bank (net)	-17.7	30.4	-39.9	46.5	1.7	-29.4
Assets	-10.4	9.3	-34.3	42.2	-7.2	-33.0
Deposits	-7.3	21.1	-5.7	4.3	8.8	3.6
Commercial Banks (net)	-25.1	-12.7	-1.2	14.6	49.2	40.1
Exceptional Financing	67.9	59.5	62.1	61.2	58.1	64.0

<b>Monetary conditions</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
Asset	123,998	140,946	154,512	156,197	125,705	173,444
External assets	12,356	10,466	19,856	8,407	9,952	18,856
Gold	781	837	1,064	1,264	1,285	1,505
Foreign exchange	11,575	9,629	18,792	7,143	8,667	17,407
Credit to Government	95,663	112,969	112,787	124,314	83,407	134,575
Treasury bills (BNM) Advance to the Treasury	9,812	17,511	10,109	17,738	4,680	0
Treasury bills (UBD) Other Government financial claims	18,485	18,485	18,485	18,485	0	134,848
Credit to Commercial Banks	828	579	1,579	1,279	770	0
Credit to private sector	1,146	1,369	1,679	2,720	3,263	3,528
Other assets	14,005	15,563	18,611	19,477	28,313	16,485
Liabilities	123,998	140,946	154,512	156,197	125,699	173,444
Monetary base	25,281	43,924	45,735	61,400	69,917	68,046
Money outside Banks and Treasury	21,687	25,514	30,022	44,289	42,777	49,109
Bank deposits	3,594	18,410	15,713	17,111	27,140	18,937
Foreign currency deposits	48,928	56,789	56,252	56,737	56,996	57,749
Short term	25,109	34,179	31,937	30,196	23,591	19,223
Long term	23,819	22,610	24,315	26,541	33,405	38,526
Government deposits	64,392	44,962	54,951	47,775	13,127	21,964
Capital account	6,779	7,797	7,993	8,653	9,102	6,902
Other deposits	-21,382	-12,526	-10,419	-18,368	-23,443	18,783
Net external assets	-36,572	-46,323	-36,396	-48,330	-47,044	-38,893
Net Government credit	31,271	68,007	57,836	76,539	70,280	112,611

Sources: BCM

<b>Annex 9: Summary of Key Elements of Government Agenda</b>				
<b>Priority Objectives and Performance Indicators</b>	<b>Baseline Case</b>		<b>Target Estimates</b>	
	<b>Date</b>	<b>Value</b>	<b>2010</b>	<b>2015</b>
<b><i>Living conditions &amp; standards</i></b>				
<b>Reduce poverty</b>				
<i>Incidence of poverty</i>	2004	46.7%	35%	25%
Incidence of extreme poverty	2004	39.0%	20%	5%
<b><i>Growth levers</i></b>				
GDP per capita in US\$	2004	537	1920	
GDP growth rate per capita and per annum	2004	2.5%	7.0%	
Private investment rate (in % of GDP)	2004	45.4%	13%	
<b>Preserve macro-economic stability</b>				
Inflation rate (in %)	2004	10.4%	3.5%	3.5%
Budget balance (non-oil) (in % of GDP)	2004	-2.7%	-8.1%	
Balance of current transactions excl. Official transfers (in % of GDP)	2004	-40.2%	44.3%	
Gross reserves (in months of imports)	2004	0.5		
<b><i>Education and Literacy</i></b>				
<b>Improve the overall education level</b>				
Gross primary enrolment rate	2004	95.1%	98%	100%
<i>Girls/boys ratio in primary education,</i>	2004	99%	100%	100%
<i>Girls/boys ratio in secondary education</i>	2004	85%	100%	100%
<i>Girls/boys ratio in higher education</i>	2004	32%		100%
<i>Proportion of children completing the full course of primary education</i>	2004	40.2 %	68%	100%
<i>Proportion of girls completing the full course of primary education</i>	2004	38.9%	66%	100%
Adult illiteracy rate	2004	42.5	15%	5%
Current expenditures on education in percentage of GDP	2004		6.0%	6.0%
<b><i>Health and Nutrition</i></b>				
<b>Improve the overall health status</b>				
Life expectancy at birth (years)	1998	53.6	56	62
Total fertility index	2000	4.7	4.5	3
<i>Infant mortality rate (‰)</i>	2000	87	80	40
<i>Infant-child mortality rate (‰)</i>	2000	135	128	55
Coverage rate within a radius of 5km	2000	67%	77%	100
<b><i>Drinking Water</i></b>				
<b>Improve access to drinking water</b>				
Rate of connection to drinking water supply system	2004	18.9%	54%	60%
<i>Proportion of population with access to a drinking water source</i>	2004	52%		
<i>Proportion of population with access to better sanitation system</i>	2004	37.2%		
<b>Good Governance and Institutional Capacities</b>				
<i>Proportion of seats occupied by women in the National Assembly</i>	2004	2%	20%	20%
<b><i>Specific objectives for population in rural areas and poor districts</i></b>				
<b>Increase the income and improve living conditions in rural areas</b>				
Incidence of rural poverty	2004	59.0%	48.9%	38.4%
Agricultural GDP growth rate	2004	-4.5%	5.3%	5.5
Rate of access to drinking water in poor districts	1997	35%	50%	60%
Cost of m <sup>3</sup> of water in poor districts compared to other areas	1997	5 times	0.8 times	0.8 times
Rate of access to sanitation in poor districts	2000	10%	26%	36%

Source: PRSP Action Plan 2006-2010

**Annex 10 : Institutional Arrangements for Monitoring PRSP Implementation: Key Structures**

**Inter-Ministerial Committee on Poverty Reduction (CILP) :** Mandate : (i) validate the half-yearly and annual reports on PRSP implementation monitoring, (ii) decide on and validate the impact evaluation report, (iii) approve the multi-annual programming and annual strategy implementation action plans, (iv) adopt in Parliament the communication projects on the implementation evaluation, and (v) examine the National MDG monitoring reports and make recommendations to guarantee their achievement. Composition: Chairman: Prime Minister - Secretariat: MAED/CDHLCPI – Members: all Ministers whose ministries are involved in PRSP implementation. Periodicity of meetings: Twice a year

**Consultative Committee on Poverty Reduction (CCLP):** Mandate: ensure monitoring of entire PRSP preparation process, including preparation of national conference and inter-regional seminars and see to it that the recommendations of these fora are taken into account. Composition: Chairman: MAED – Members: ministries, representatives of parliamentarians and civil society. Periodicity of meetings : Twice a year

**Donors' Committee:** Mandate: (i) inform on the state of progress of the PRSP implementation and the specific performances obtained on the MDG, (ii) evaluate the problems encountered in the implementation of priority programmes supported by development partners, (iii) follow partners' financial commitments in favor of implementation of PRSP action plan, and (iv) strengthen the consistency and complementarity of donors' interventions. Composition: Chairman: MAED – Members: MF, GR/BCM, CDHLCPI, all development partners represented in Nouakchott. Periodicity of meetings : quarterly

**Technical Committee on Poverty Eradication (CTLP):** Mandate: (i) follow, on a permanent basis, the implementation of different PRSP programmes (ii) ensure the production of monthly statements and progress reports required by the S&E system of the PRSP, and (iii) ensure the technical coordination of the activity of the various stakeholders of the institutional mechanism. Composition: Chairman: MAED Adviser/ development policy – Members: Coordination Secretariat + chairmen of sectoral technical committees. Periodicity of meetings : quarterly

**Sectoral Technical Committees (CTS):** Mandate: (i) centralize and consolidate monthly sheet on the situation of programmes, addressed to the Minister concerned, (ii) prepare the performance chart for monitoring priority actions, (ii) ensure internal consultation on the results and recommendations of sector monitoring, (iv) disseminate monitoring information to CTS, and (v) constitute the sectoral “focal points” for all the programme monitoring exercises (MTEF, MDG monitoring, etc.). Composition: Hard core (Heads of Programming and Monitoring Services/DAF, Statistics), Plenary: Other departments concerned, civil society, private sector, PTF Periodicity of meetings: monthly (“Hard core”); quarterly (plenary).

### Annex 11 : Donor Operations by Sector in Mauritania

Priority Areas	Donors intervening currently	Observations
<i>Macro-economic governance support reforms</i>	<p><i>Leaders</i> : IDA/IMF</p> <p><i>Others</i>: ADB, European Union <i>Agriculture and rural development</i> French, Cooperation, Germany</p>	The reforms relate to strengthening of public investments programming, the application of the new procurement code, the simplification and decentralization of the spending chain and the strengthening of expenditure control.
<i>Agriculture and rural development</i>	<p><i>Leaders</i>: IDA World Bank for the private sector, ADB/FAO for agriculture and fisheries.</p> <p><i>Other donors</i>: ADF, IDB, IFAD, ADFES, Japan, FAO, UNDP, Germany , China, IFAD, AFD, Spain, Saudi Fund, Japan (JICA), UNICEF,</p>	The World Bank and other partners involved in this sector support the country in the implementation of the integrated irrigated areas development programme, as well as the development and management of pasturelands. The management and preservation of fishery resources are also included in the foreign aid concentration sectors.
<i>Transport</i>	<p><i>Leaders</i>: EU, IDB</p> <p><i>Others</i> : ADF, World Bank, ADFES, France, China, France,</p>	The EU allocates 80% of its aid to the development of transport infrastructure. Other operators are Arab countries and financing organs, as well as ADF. The ongoing projects witnessed close coordination both at the preparatory phase and during their implementation. Building the institutional capacities of the Public Works Department on ADF financing contributes to this coordination
<i>Infrastructure and Public Utilities (water, sanitation, energy)</i>	<p><i>Leaders</i>: IDA, ADFES</p> <p><i>Others</i> : ADF, EU, UNDP, AFD</p>	The World Bank, ADF and Arab Fund support the implementation of the Rural Drinking Water Supply Programme. Studies on the implementation of the Bank's DWSS Initiative are in progress.
<i>Financial and banking sector (including micro-finance)</i>	<p><i>Leaders</i>: IMF, IDA,</p> <p><i>Other donors</i>: ADF, France, Canada</p>	The World Bank and IMF are currently engaged in preliminary studies of this sector. The Bank is particularly interested in the micro-finance component
<i>Education and health</i>	<p><i>Leaders</i>: IDA,</p> <p><i>Others</i> : IDB, EU, ADF, ADFES, UNESCO, WHO, France, Japan, Germany</p>	IDA and ADF support the development plans of the health and education sectors, and regularly undertake annual public expenditure reviews under these areas of activity.

## Annex 12 : Principles of the Paris Declaration

In March 2005, the signatories of the Paris Declaration resolved to take far-reaching and monitorable actions to reform the ways in which development partners deliver and manage aid. Donors recognized that while the volumes of aid and other development resources must increase to achieve the MDGs, aid effectiveness must increase significantly as well to support partner country efforts to strengthen governance and improve development performance. The Paris Declaration reaffirmed the commitments made at Rome in 2003 to harmonize and align aid delivery, especially in the following areas:

- (i) Strengthening partner countries' national development strategies and associated operational frameworks (e.g. in planning, budget and performance assessment frameworks).
- (ii) Increasing alignment of aid with partner countries' priorities, systems and procedures and helping to strengthen their capacities.
- (iii) Enhancing donors' and partner countries' respective accountability to their citizens and parliaments for their development policies, strategies and performance.
- (iv) Eliminating duplication of efforts and rationalizing donor activities to make them as cost-effective as possible.
- (v) Reforming and simplifying donor policies and procedures to encourage collaborative behavior and progressive alignment with partner countries' priorities, systems and procedures.
- (vi) Defining measures and standards of performance and accountability of partner country systems in public financial management, procurement, fiduciary safeguards and environmental assessments, in line with broadly accepted good practices and their quick and widespread application.

Eighty-nine donors and beneficiary countries, as well as 26 other participating organizations, including the ADB, adopted up to 12 measurable indicators, and undertook to evaluate the progress made with respect to these indicators.

## Annex 13 : Lessons and Recommendations of the Evaluation of Bank Assistance in Mauritania (ADF/BD/WP/2005/37 of 5 April 2005)

### Lessons:

- The Bank cannot have any significant influence on the country's development, its economic and sector policies and institutional framework, if there is no synergy between the intervention sectors and between the instruments it uses: policy-based and project loans, study grants and institutional support.
- When the Bank's strategy does not rely on thorough economic and sector studies, it will lack precision, and the role of the Bank in policy dialogue and aid coordination is limited.
- Good governance is necessary to improve the country's economic performance and its sustainability.
- When an enclave project is financed in an area as important as the mining industry without having regard to developing the links between mining and the rest of the economy, it contributes to reinforcing economic dualism.
- The slippages recorded in the project cycle and the resultant changes in context and prices could be avoided if greater attention is paid to the preparatory studies by using a project preparation facility and if the beneficiary populations are more involved.
- The shortcomings of the monitoring-evaluation system of the CSPs and the projects and the lack of objectives and development indicators prevent the timely implementation of corrective measures and limit the evaluation of the Bank's contribution to the country's development.
- The inadequacy of management capacity of the primary beneficiaries and the neglect of their role in ownership of the outcomes, threaten the sustainability of the outcomes.
- The absence of a local representative of the Bank and the inadequate coordination of the actions of donors even within the framework of co-financing operations, in the absence of joint supervision missions, are detrimental to the performance of the Bank's assistance to the country.

### Recommendations

The following are the major recommendations to the Bank:

1. Combine all available instruments in a complementary and coherent manner to support growth sectors and social sectors within the framework of the PRSP, in order to have greater impact on the country's development and on poverty reduction ;
2. Target more the pro-poor areas such as clean water in rural areas, micro-finance and agriculture, including livestock and fisheries;
3. Undertake appropriate economic and sector studies to position the Bank's assistance strategy well, its contribution to policy dialogue and its projects portfolio ;
4. Assist the country to put in place a transparent and efficient management of oil revenues for their effective utilization for poverty reduction within the framework of PRSP while ensuring the diversification of the country's exports as well as the strengthening of its competitiveness and its institutional development management capacity;
5. Promote good governance in the country, especially in the areas of public resource management, public procurement and combating corruption;
6. Improve the control of the project cycle through better preparation with prior studies and through more frequent monitoring with support from the Dakar Regional Office;
7. Strengthen the monitoring-evaluation mechanism of CSPs and projects, as well as development indicators at the country level and in the Bank;
8. Make portfolio reviews systematic and participatory, so that stakeholders assume ownership of them;
9. Ensure better consideration of the problem of sustainability of outcomes, through support measures such as capacity building for all stakeholders and the formulation of a post-operation monitoring policy; and
10. Provide the Dakar Regional Office with necessary resources and the authority to carry out closer monitoring of operations and ensure better participation in coordination meetings of partners in the field.

## Annex 14: Final Communiqué of the Dialogue Workshop on Bank Group Operational Strategy in Mauritania

On 28 and 29 September 2006, a dialogue workshop was held on the 2006/2007 ADB Group intervention strategy in Mauritania. The workshop was opened by H.E. Abdallahi Ould Souleymane Ould Cheikh Sidya, Minister of Finance, and Acting Minister of Economic Affairs and Development.

Mr. Lotfi CHAKROUN, Regional Director North 2, presented, as introduction to the workshop, a paper on the recent restructuring of the ADB, before allowing Mr. Samba BA, Senior Economist, to present the 2006-2007 Country Strategy Paper, prepared by the Bank services in close collaboration with the Mauritanian Partners.

The Representatives of the ADB Group took the floor successively to provide further information in answer to questions raised during the preliminary discussions.

The document, whose quality and clarity was unanimously commended by the participants contains data and information concerning the following essential points:

- The socio-economic and political context of the country;
- The Government's national programme based mainly on the 2006-2010 PRSP;
- The ADB Group intervention strategy: portfolio management, pillars of the strategy (**micro-finance, water and sanitation**), partnership and harmonization, in particular;
- Risk management and monitoring-evaluation

These last two points gave rise to fruitful discussions in the plenary session and in committees. Their conclusions were put in a report that was read and approved at the closing ceremony of the Workshop.

The participants congratulated the ADB Group for the work done and the promising prospects opened to cooperation with Mauritania. They extended their thanks to the Organizers of the Workshop, and through them, to the Mauritanian authorities for their availability and quality of dialogue between the participants.

Nouakchott, 29 September 2006

THE PARTICIPANTS

# Annex

**MAURITANIA**  
**COUNTRY STRATEGY PAPER 2006-2007**

**CORRIGENDUM**

This corrigendum comes as a result of the publication of the revised version of ADF X country allocations for 2006 on 14 November 2006.

**I. CORRECTIONS CONCERNING THE EXECUTIVE SUMMARY**

**Page (iv), the content of the last paragraph is replaced as follows:**

Recommendations: The Board is invited to consider and adopt Mauritania's Results-Based Strategy Paper for 2006 and 2007 on the basis of an indicative basic allocation of UA 15.68 million in the form of loans under ADF X. This basic financing could be supplemented by resources allocated for multinational projects involving Mauritania in the transport and energy sectors and considered as priorities under this CSP.

**II. CORRECTIONS CONCERNING THE REPORT**

**Page 23, second sentence of paragraph 4.2.6 is replaced as follows:**

Furthermore, these 2 pillars were selected in view of the country's level of allocation (UA 15.68 million) and the active portfolio quality.

**Page 27, second sentence of paragraph 4.5.1 is replaced as follows:**

The performance evaluation exercise made it possible to fix the allocation at UA 15.68 million for ADF X.

**Page 32, section 6.2 is replaced as follows:**

**6.2 Recommendations**

The Board is invited to consider and adopt Mauritania's Results-Based Strategy Paper for 2006 and 2007 on the basis of an indicative basic allocation of UA 15.68 million in the form of loans under ADF X. This basic financing could be supplemented by resources allocated for multinational projects involving Mauritania in the transport and energy sectors and considered as priorities under this CSP.