Public Disclosure Authorized

Public Disclosure Authorized

**Document of**
**The World Bank**

FOR OFFICIAL USE ONLY

Report No. 116630-MR

# ISLAMIC REPUBLIC OF MAURITANIA

# TURNING CHALLENGES INTO OPPORTUNITIES FOR ENDING POVERTY AND PROMOTING SHARED PROSPERITY

## SYSTEMATIC COUNTRY DIAGNOSTIC (SCD)

*Summary*

May, 2017

International Development Association
Country Department AFCW3
Africa Region

International Finance Corporation
Sub-Saharan Africa Department

Multilateral Investment Guarantee Agency
Sub-Saharan Africa Department

ACKNOWLEDGEMENTS

This Systematic Country Diagnostic (SCD) was led by Bronwyn Grieve (TTL), Wael Mansour (co-TTL) and Paolo Zacchia (co-TTL) with a core team comprised of World Bank Group staff across the main operational global practices, as presented in the table below. The SCD was prepared under the guidance of Louise Cord, Gaston Sorgho, Laurent Msellati, Chiara Bronchi, Renaud Seligmann, Lars Christian Moller and Faheen Allibhoy. Administrative support was provided by Anta Loum Lo and Fatima Cherif. The team acknowledges the invaluable contributions provided by Aneliya Muller, consultant, in researching and preparing the SCD package.

Valuable comments and advice were received from the following peer reviewers: Ali Zafar (Senior economist); Omowunmi Ladipo (Operations Advisor); Marc Tobias Schiffbauer (Senior Economist), Helene Grandvoinnet (Senior Public Sector Specialist), Serdar Yilmaz (Lead Public Sector Management Specialist), Jasmin Chakeri (Program Leader) and Luis-Felipe Lopez-Calva (Lead Economist).

The core team relied significantly on the expertise of partners and stakeholders in Mauritania, who have contributed throughout the SCD preparation process in a collaborative manner. We are very grateful for their generosity in providing us with substantive inputs, knowledge, and advice. We would like to particularly acknowledge the contribution of the Government of Mauritania's focal point for the SCD, Mr Hassan Zein, Adviser to the Prime Minister.

| **GLOBAL PRACTICE / AREA OF EXPERTISE** | **TEAM MEMBER** |
|---|---|
| Agriculture and Fisheries | Christian Berger, Brahim Sal, Remi Kini, Berengere Prince, |
| CMU | Paolo Zacchia (co-TTL), Sophie Naudeau, Eric Lancelot |
| Education | Mohamed Tolba |
| Energy & Extractives | Morten Larsen, Nina Inamahoro |
| Environment & Natural Resources | Dahlia Lotayef, Kazi Fateha Ahmed, Mimako Kobayashi, Peter Kristensen, Alexandre Hugo Laure |
| Finance & Market | Cedric Mousset |
| Fragility, Conflict & Violence, Gender | Maria-Beatriz Orlando |
| Governance | Bronwyn Grieve, (TTL), El Hadramy Oubeid, Kjetil Hansen, Moustapha Ould El Bechir |
| Health, Nutrition and Population | Moulay Driss Zine Eddine El Idrissi, Mohamed Vadel Taleb Hassan |
| Macroeconomic and Fiscal Management | Wael Mansour (co-TTL) |
| Poverty | Paolo Verme, Rose Mungai |
| Social Protection and Labor | Aline Coudouel, Mattias Lefebvre, Hebba Elgazar |
| Social, Urban, Rural & Resilience | Paolo Avner, Andre Teyssier, Salamata Bal, Zie Coulibaly, Alexandra Le Courtois and Abderrahmane Fradji |
| Trade and Competitiveness | Laurent Corthay, Alexandre Laure |
| Transport & ICT | Ibou Diouf and Arthur Foch |
| Water | Pier Mantovani, Mohamed Nanzoul |
| IFC | Faheen Allibhoy, Vincent Floreani, |
| MIGA | Conor Healy |

**ISLAMIC REPUBLIC OF MAURITANIA**

**GOVERNMENT FISCAL YEAR**
January 1 – December 31

**CURRENCY EQUIVALENTS**
(Exchange Rate Effective as of May 31, 2017)

| | | |
|---|---|---|
| Currency Unit | = | Mauritanian Ouguiya (MRO) |
| US $ 1.00 | = | 353 |

## ABBREVIATIONS AND ACRONYMS

| | |
|---|---|
| DTIS | Diagnostic Trade Integration Study |
| EMEL | Emergency food program (*Programme alimentaire d'urgence*) |
| EPCV | Survey of Household Living Conditions (*Enquête Permanente sur les Conditions de Vie des Ménages*) |
| EU | European Union |
| FDI | Foreign Direct Investment |
| FITI | Fisheries Transparency Initiative |
| FNRH | National Oil Fund (*Fonds National des Revenues des Hydrocarbonés*) |
| GDP | Gross Domestic Product |
| IMF | International Monetary Fund |
| LFPR | Labor Force Participation Rate |
| LMIC | Lower-Middle Income Country |
| MDG | Millennium Development Goal |
| MENA | Middle East and Northern Africa |
| MRO | Mauritanian Ouguiya |
| NGO | Non-Governmental Organization |
| ONS | National Office of Statistics (*Office National de la Statistique*) |
| PEFA | Public Expenditure and Financial Accountability Framework |
| PIP | Public Investment Program |
| PNIDDLE | National Integrated Program to Support Decentralization, Local Development and Youth Employment (*Programme National Intégré d'appui à la Décentralisation, au Développement Local et à l'Emploi des Jeunes*) |
| REER | Real Effective Exchange Rate |
| SCAPP | Accelerated Growth and Shared Prosperity Strategy (*Stratégie de Croissance Accélérée et de Prospérité Partagée*) |
| SCD | Systematic Country Diagnostic |
| SNIM | National Industrial and Mining Company (*Société Nationale Industrielle et Minière*) |
| SOE | State-owned Enterprises |
| SSA | Sub-Saharan Africa |
| TFP | Total Factor Productivity |
| UNICEF | United Nations Children's Emergency Fund |
| WFP | World Food Program |

| | |
|---|---|
| WGI | Worldwide Governance Indicators |
| WHO | World Health Organization |

| | |
|---|---|
| Regional Vice President: | Makhtar Diop |
| Country Director: | Louise Cord |
| Country Manager: | Laurent Msellati |
| Practice Managers: | Chiara Bronchi, Lars Christian Moller |
| Task Team Leaders: | Bronwyn Grieve, Wael Mansour, Paolo Zacchia |

**TABLE OF CONTENTS**

**A. INTRODUCTION 1**

**B. COUNTRY CONTEXT 2**

**C. DIAGNOSTIC OF MAURITANIA'S PRINCIPAL DEVELOPMENT CHALLENGES 2**

*I. INCLUSIVE GROWTH: Robust growth performance during the commodity super-cycle relied on a narrow economic base, was capital-intensive, brought limited job creation and is now jeopardized by the low commodity price environment.* 2

*II. POVERTY AND SHARED PROSPERITY: Accelerated reduction in poverty and inequality was primarily driven by relative price changes that benefitted poor rural producers, rather than gains in productivity or structural mechanisms to enable the poor to build their human capital, productive and financial assets.* 7

*III. GOVERNANCE: The narrow political settlement has brought political stability but has not yet succeeded in removing hierarchical and discriminatory conceptions of traditional societal organization, creating foundational obstacles to inclusive development.* 12

*IV. FRAGILITY: Underlying fragility stresses associated with Mauritania's delicate and complex social fabric and the environmental challenges of an encroaching coastline and an expanding desert risk undermining development gains made to date.* 14

Environmental Fragility 15

Social Fragility 15

**D. ANALYSIS OF PRIORITY CONSTRAINTS AND IDENTIFICATION OF SOLUTIONS 16**

*I. SUSTAINING AND ACCELERATING INCLUSIVE GROWTH: Reaping the benefits of Mauritania's natural endowments and building the foundations for structural transformation.* 16

1.1. Addressing Weak Management of Extractives 16

1.2. Harnessing the Potential of Livestock and Fisheries in the Face of climate change 18

1.3. Promoting Productive and Inclusive Cities for Longer-Term Structural Transformation 20

*II. PROMOTING EQUITY: Tackling the structural barriers that restrict the poor from building their financial, human capital and productive assets* 21

2.1. Addressing High Food Prices in Nouakchott 22

2.2. Promoting the Equitable Distribution of Land in the Senegal River Valley 23

2.3. Improving Equitable Access to Social Services to Promote Human Capital Development 24

*III. REINFORCING GOOD GOVERNANCE AND SOCIAL COHESION: Broadening the political, economic and social space through transparent public resource management and the protection of the vulnerable.* 27

3.1. Improving the Transparency and Effectiveness of Public Expenditures and Investments 27

3.2. Consolidating the Social Contract 29

**E. CONCLUSION 31**

## FIGURES

Figure 1- Mauritania's Growth Dynamics ..... 5
Figure 2- Mauritania's Poverty Reduction Dynamics-Household Expenditure Growth by Area ..... 8
Figure 3- Mauritania's Urbanization Dynamics ..... 21
Figure 4- Mauritania's Food Price Dynamics ..... 22
Figure 5- Key Resource Constraints in Mauritania’s Social Sectors ..... 22

## TABLES

Table 1- Growth Accounting Decomposition (2000 – 2014) ..... 3
Table 2 - Multidimensional Head Count and Poverty Indices ..... 10

## NOTE ON THE STRUCTURE OF THE SCD PACKAGE

**The Systematic Country Diagnostic (SCD) for Mauritania is presented in a new format that is intended to improve the accessibility of the document and facilitate dialogue with the authorities and stakeholders.** In a departure from the standardized reporting format traditionally employed, the published SCD package contains two constitutive parts – a written executive summary and an accompanying slide deck. The executive summary provides policy-makers and stakeholders with a concise overview of the narrative, as well as the principle conclusions and recommendations emanating from the diagnostic. It constitutes the principal SCD report. The executive summary is accompanied by a slide deck. The slide deck is not intended for presentational purposes. Rather, it depicts the underlying evidence upon which the diagnostic is based in a visually accessible format. The SCD package draws from a more in-depth analysis of the identified priority constraints and proposed solutions, which is contained in a series of unpublished background thematic notes.

## KEY MESSAGES

Mauritania's abundant endowment of natural resources, its strategic location at the gateway between Sub-Saharan and Northern Africa, its richly diverse, yet stratified, cultural and social make-up and its position in a restive region, increasingly beholden to the ravaging effects of climate change, create a complex development space for poverty reduction and shared prosperity. Over the last decade, the country has reaped the benefits of historically high commodity prices, departing from its stagnant economic growth trajectory. The super-cycle spurred solid economic growth, allowed for significant government investments in infrastructure, and enabled Mauritania to register one of the best performances in poverty reduction in the region. Yet as the reality of the 'new normal' of low commodity prices sets in, the narrow, and largely temporary nature of growth and poverty reduction trends, as well as the concentrated character of the nation's political bargain, have exposed the unstable foundations of the country's recent progress. Through an in-depth analysis of the resource, policy and institutional factors that underscore Mauritania's binding development constraints, this Systematic Country Diagnostic (SCD) charts a course that would help to put the country on track to ending extreme poverty and improving shared prosperity by 2030.

***Four** critical resource pathways to sustained inclusive growth and shared prosperity emerge:*

- First, Mauritania has the opportunity to leverage its abundant mineral wealth by transparently and sustainably managing extraction, optimizing revenue generation and ensuring that resource rents are used to support diversification into labor-intensive sectors and poverty-reducing public investments and transfers.
- Second, the untapped potential of the country's significant natural endowments in fisheries and livestock for pro-poor and job-intensive growth could be better harnessed by investing in environmentally resilient production, promoting private sector-led, value-added transformation and diversifying the export base.
- Third, in order to achieve a structural transformation over the medium to longer term, the Government would do well to capitalize on the country's rapid urbanization trend (which is the second highest on the continent) and emerging demographic dividend. This will require transforming its urban centers into dynamic and resilient economic hubs that foster the emergence of a productive service economy. It will also depend upon the State's ability to progressively invest in developing human capital.
- Fourth, the poor's access to human capital, productive and financial assets will need to be improved. Specific focus ought to be placed upon enhancing the country's education system, ensuring a more equitable distribution of land assets, reducing high food prices and improving broad-based quality social service delivery and expanding energy access in rural areas.

***Three** policy areas will help Mauritania along the identified resource pathways:*

- Better designed macro-fiscal rules will help Mauritania to counter-balance the cyclical nature of its resource-based economy and create the market incentives for a strong and externally competitive economy in non-extractive sectors.
- The country's public expenditure policies will need to address the narrowness of the prevailing economic model by rebalancing spending from large infrastructure projects to areas with the highest potential for inclusion, such as the livestock and human development sectors, and by targeting pro-poor resource allocations within the social sectors. Efficiency gains can be achieved through improved transparency and accountability in public resource management and, in the social sectors, through a gradual evolution towards increased investments in early childhood development.
- Finally, building upon the Government's recent achievements in improving the investment climate and business environment, regulatory policies will need to create a more level playing field for private sector development by addressing underlying anti-competitive practices and enhancing transparency in the regulation of key product markets, improving access to credit and reinforcing the governance of state-owned enterprises.

***<u>Two</u> underlying fundamentals will need to be addressed to sustain the country's development trajectory:***

- In order to progressively replace the pervasive influence of informal patrimonial and traditional practices, the legitimacy and supremacy of rules-based public institutions need to be enhanced. This could be achieved by increasing the performance and accountability of the public administration, and uniformly enforcing rules that strengthen the cohesiveness of the social contract.
- Consolidated and sustained action for reinforcing the resilience of the nation against the deleterious effects of climate change will be critical for a country that relies so heavily upon its natural wealth endowments.

## A. INTRODUCTION

1. **The Systematic Country Diagnostic (SCD) of Mauritania seeks to identify key constraints and priority interventions needed for the country to achieve the twin goals of the World Bank Group**: i) ending extreme poverty and ii) improving shared prosperity among the poorest forty percent of the population (the bottom 40). The analysis steps back from the World Bank Group's existing portfolio to conduct a broad overview of the country's socioeconomic development. The SCD is designed as an analytical input for stakeholders to debate development priorities. It was undertaken during the period in which the Government was developing a new Accelerated Growth and Shared Prosperity Strategy (*Stratégie de Croissance Accélérée et Prospérité Partagé*, SCAPP). Through close coordination with the authorities and national stakeholders, the preparation of the SCD contributed to national reflections and facilitated a strong coherence between the orientations of the Government's strategy and the World Bank Group's twin goals. The SCD is intended to inform the preparation of a new Country Partnership Framework (CPF).

2. **The diagnostic draws on an extensive knowledge base and presents findings and conclusions in an accessible format geared towards stimulating dialogue with the authorities and relevant stakeholders.** The SCD package incorporates this executive summary which provides a concise overview of the main findings and recommendations of the diagnostic. The executive summary is accompanied by a slide deck that sets out the analytical framework and presents the evidence upon which the SCD findings are based in graphic format. The package draws from a series of background thematic papers that provide a more detailed analysis of the identified priority constraints and proposed solutions. The SCD is derived principally from the wealth of recent analysis by the World Bank Group and other sources. While studies were undertaken during the course of the SCD preparation to complement the existing analytical knowledge base, important knowledge gaps remain. The SCD identifies these gaps and proposes a range of issues for further analysis.

3. **The prioritization of the critical constraints to poverty reduction and shared prosperity in Mauritania and the identification and evaluation of possible solutions to the constraints is based upon a simple, yet comprehensive analytical framework.** In a country, that has only recently reached lower-middle-income status, there is no sector that does not require investment and reform, yet the challenge for the SCD is to prioritize the constraints that are likely to have the greatest impact upon sustained growth and poverty reduction. The SCD provides an overview of the main trends in growth, poverty, and governance over the last ten years and examines the risks to the sustainable achievement of the twin goals. It relies upon a range of quantitative and qualitative metrics to achieve an evidence-based identification of the priority binding constraints which are then analyzed in detail through three lenses: resources, policies, and institutions. Through the resource lens, an analysis is conducted of the specific resource base, with an emphasis on how the poor share in the resources through factor and product markets and through non-market allocations (public sector or social norms), and the forward-looking sustainability challenges. Given the dominant influence of policies and institutions on the utilization of resources[1], an assessment is also made of the design and implementation of relevant policies and the underlying formal and informal institutional arrangements that affect policy implementation.[2] Drawing upon existing analytical work, consultations with relevant experts and World Bank teams, as well as national focus group discussions, a set of the most relevant solutions is presented. The solutions are then evaluated on the basis of the authorizing environment for implementation, the capacity for implementation, the time horizon required for change and the degree of complementarity of various proposed measures.

---

[1] See Acemoglu, Daron, and James A. Robinson (2012), *Why Nations Fail: The Origins of Power, Prosperity, and Poverty*, New York: Crown Business; Khan, M., and W. Tompson (2011), "Making Reform Happen in Developing Countries," Concept paper, Organisation for Economic Cooperation and Development, Paris.

[2] For the purposes of the SCD, the term 'institutions' refers to the structures and mechanisms of social order that govern the behavior of individuals (see further: World Development Report 2017, *Governance and the Law*, Washington, DC: World Bank).

## B. COUNTRY CONTEXT

4. **Mauritania is a sparsely populated, arid, but resource-rich country, which geographically and culturally, straddles North Africa and Sub-Saharan Africa.** The country consists largely of a desert, such that only 0.5 percent of the land is considered arable. Mauritania has a population of about 4.1 million people, and the density of 3.9 inhabitants per square kilometer makes it the fourth least densely populated country in the whole of Africa. Nomadic livestock raising dominates rural life, with productive agriculture mostly concentrated along the Senegal River on the southern border. Owing to the wealth of natural resources, which consist mainly of iron ore, but also gold, crude oil, and natural gas, per capita gross domestic product (GDP) stood at US$1,371 in 2014, up from US$700 in 2007, elevating Mauritania to the ranks of lower-middle-income countries (LMIC).

## C. DIAGNOSTIC OF MAURITANIA'S PRINCIPAL DEVELOPMENT CHALLENGES

I. INCLUSIVE GROWTH: *Robust growth performance during the commodity super-cycle relied on a narrow economic base, was capital-intensive, brought limited job creation and is now jeopardized by the low commodity price environment.*

5. **After decades of sluggish performance, Mauritania's GDP growth accelerated over the last 15 years, but is now cooling down with the end of the commodity super cycle.** Over the past decade and a half, Mauritania has experienced robust GDP growth, averaging 5.5 percent between 2003 and 2015 when international commodity prices rose to historic levels. Growth performance was close to the average for Sub-Saharan Africa (SSA), and represented a marked improvement over the 1990s, when annual growth averaged only 2.7 percent. As indicated in Part C.II on Poverty and Shared Prosperity, the robust, pro-poor profile of household expenditure growth, which was concentrated amongst the bottom 40 percent of the population, demonstrates the inclusiveness of growth over the period[3]. After proving resilient to the end of the commodity super-cycle in 2014, GDP growth in 2015 receded to 3 percent on the back of a negative terms of trade shock and a drop in mining and oil production of 15.7 percent and 11.0 percent, respectively, year-on-year.

6. **Booming revenue from the narrow extractives sector was the main driver of higher economic growth.** As a result of the dramatic rise in global commodity prices, the value of mineral exports jumped from US$318 million in 2003 to US$2,652 million in 2013, despite generally stagnant mining production. Over the period, the extractives sector represented, on average, 25 percent of GDP, 82 percent of exports, and 23 percent of domestic budgetary revenue. The terms of trade improvement is estimated to have brought, on average, 2.5 percent of additional national income per year. The mining boom translated into large foreign investments in the extractives sector and significant state-driven public investments.

7. **The positive income shock spurred growth in the non-tradable domestic sectors**. Driven by favorable terms of trade, domestic non-tradable sectors, such as communications, construction, utilities and transport, have expanded with a combined growth rate of almost 6.2 percent a year since 2009. The traditional primary sectors of agriculture and fisheries have made the biggest contribution to GDP growth due to their overall size, but have grown more slowly than the economy as a whole. Their share of GDP fell steadily, from 36.0 percent to 29.9 percent in 2003–14. The small manufacturing sector (averaging 9.2 percent of GDP) remains untapped and its contribution to the economy is mostly unchanged.

8. **On the demand side, growth has been driven by investment, which increased almost three times faster than consumption**. The ratio of investment to GDP grew significantly, from less than 43.6 percent

[3] See further, Figure 2.8 *Growth Incidence Curve*: Mauritania SCD Slide Deck (slide 48).

in 2009 to over 61 percent in 2014. It averaged 39 percent of GDP over 2000–14, well above the averages of the Middle East and North Africa (MENA) and SSA (29 and 19 percent, respectively). Private investment, driven by foreign inflows, rose even faster than public investment.[4] Public investment more than tripled in the five years after 2010, reaching a sizable 13.6 percent of GDP in 2015. While public investment has been critical for modernizing the country's economic infrastructure, its macroeconomic impact has been weaker than expected, estimated at around 3 percent of GDP.[5] Poor project management, cost overruns, delays, and other wastage, including corruption, may have reduced the returns even further, leaving the program financially unviable.[6]

9. **The capital-intensive nature of growth and the decline in Total Factor Productivity meant that Mauritania has yet to experience a structural transformation.** Growth decompositions using the Solow-type model reveal that GDP growth was primarily driven by capital stock accumulation, linked to the rise in public investment and foreign direct investments in the extractives sector (see Table 1). By contrast, total factor productivity (TFP) has been falling at an annual rate of 2.5 percent since 2000, underscoring the limited contribution of human capital to growth. The capital-intensive nature of growth helps to explain the lack of structural transformation in Mauritania. As in other resource-rich countries with high urbanization rates, the largely informal and low productive commerce sector gained in size, absorbing most of the rural migrants in the country's expanding urban centers. This came at the expense of high productivity sectors in manufacturing and services.

**Table 1. Growth Accounting Decomposition (2000-2014)**

| Period | Real GDP per capita | Capital stock per unit of labor | Pop., labor & human capital per capita | TFP | Real total GDP |
|---|---|---|---|---|---|
| **2000 - 2010** | 1.87 | 2.75 | 1.53 | -2.38 | 4.74 |
| **2010 - 2014** | 2.98 | 3.72 | 2.26 | -2.96 | 5.46 |
| **2000 - 2014** | 2.18 | 3.02 | 1.73 | -2.54 | 4.94 |

Source: World Bank staff calculations; DTIS 2016

10. **Fiscal policy has remained mostly prudent, with efforts to contain recurrent expenditures and raise non-extractive revenues, but increased public investment over the past few years has fueled a rapid expansion in the public debt.** The overall fiscal deficit remained at, or below, 3 percent of GDP between 2006 and 2013, supported by mining revenues and notable foreign grants. Tax revenues increased rapidly from an average of slightly higher than 12 percent of GDP in 2000-2011 to an average of 17.4 percent of GDP in 2012-2014. In addition, the Government set aside oil revenues in a fund which helped to finance the 2011 drought response and remained at almost US$100 million in 2013, before falling to US$60 million in 2015. However, the steady rise in investment spending over the past two years has undermined the Government's efforts at fiscal consolidation. Deficits reached 3.4 percent and 3.3 percent of GDP in 2014 and 2015, respectively. The ambitious Public Investment Program (PIP), with a 35.6 percent externally financed component (up from 21.0 percent in 2000), pushed the public debt stock to 85.4 percent of GDP by the end of 2015, a 15 percent rise since 2010. The absence of fiscal buffers and the Government's recourse to bilateral loans and other less-concessional forms of external financing have

[4] Foreign direct investment increased from 5.1 to 19.9 percent of GDP in 2006–13.
[5] World Bank, *Public Expenditure Review of Mauritania, Surfing the Wave: Public Spending During the Commodity Super-Cycle and Beyond,* 2016*,* Washington, DC: World Bank.
[6] Reflecting this concern, the average incremental capital-output ratio, one of the indicators of public investment spending efficiency, is estimated at 10.4, far above the benchmark ratio of 3.0 for the most well performing countries.

worsened the debt profile and increased the vulnerability of the debt stock to exchange rate risks, leaving the country at a high risk of debt distress (see further Annex 1 – Selected Macro-Fiscal Indicators Tables).

11. **Suggesting symptoms of Dutch disease, consumer price inflation increased notably during the super-cycle period, while the country's real effective exchange rate appreciated significantly, undermining economic competitiveness.** Headline inflation averaged 6.4 percent between 2000 and 2011, compared with 4.2 percent between 2012 and 2014. These inflationary pressures were mostly driven by the rise in food prices. Available data shows that food prices rose rapidly by an annual average of 8.1 percent between 2005 and 2011, before decelerating to 4.6 percent after 2012. In 2015, this trend continued and the prices of food fell by 1.1 percent (year-on-year). Food constitutes 54 percent of the household consumption basket in Nouakchott[7] and, as such, is by far the largest bundle. As a result, food price rises contributed to the deterioration of purchasing power for net food purchasers, especially urban populations, while the rise in prices of meat, fish and other agriculture produce meant expanded incomes for households working in agriculture, herding and fishery. High inflation, combined with a fixed nominal exchange rate, led to an appreciation of the real effective exchange rate (REER) by a yearly average of 3.8 percent over the period 2000-2011, which contributed to eroding the competitiveness of the economy and further limited job-creating structural transformation. Recent downward adjustments of the nominal exchange rate have only partially reversed the REER trend.

12. **The country's state-driven development model has done little to encourage private sector–led economic diversification, limiting competition and crowding out private sector entrants.** A few powerful and politically connected business groups are *de facto* in control of trading monopolies and productive sectors and appear to dominate large state procurement contracts. New and independent firms face challenges competing with these groups or obtaining credit from the few large banks, while lucrative import monopolies discourage efforts to develop local suppliers and penalize poor consumers by imposing markups on basic commodities.[8] Overall, businesses are burdened by limited access to finance, corruption, and an inefficient public bureaucracy. The private sector is generally under-developed and largely informal, with its participation in the formal sector confined to a discrete and concentrated set of interests. Despite entering the top 10 performers in improving the business climate in 2015, Mauritania still ranks 160th among 190 economies in *Doing Business 2017* and 141st among 144 countries in the *Global Competitiveness Report 2014–15*.[9]

13. **Moreover, the narrow basis of economic growth has failed to stimulate job creation, while the steadily declining labor force participation rate has undermined the growth effects of productivity gains and limited opportunities for the country to reap the benefits of an emerging demographic dividend.** The capital-intensive and enclave nature of recent growth - driven by the mining sector, which accounts for only 1.7 percent of employment - has resulted in limited job creation. Shapely growth decompositions for 2000-2014 confirm these dynamics, demonstrating a negative 35 percent contribution to growth of the labor force participation rate (LFPR). This trend was amplified during the commodity super-cycle, when the LFPR decline undid nearly the entire positive productivity effect.[10] Overall, less than half of the working-age population in Mauritania is employed.[11] The gender gap is particularly severe. Men hold three jobs in every four, even though women represent 55 percent of the working-age population. The female labor force participation rate of 22 percent in 2014 (down from 28 percent in 2008) stands in sharp

[7] This is the weight used in the CPI for Mauritania, which is collected solely in Nouakchott.

[8] Despite the many commercial banks, five big banks account for 60 percent of loans and 70 percent of deposits.

[9] World Bank, *Doing Business 2017: Measuring Regulatory Quality and Efficiency*, 2016, Washington, DC: World Bank, http://www.doingbusiness.org/reports/global-reports/doing-business-2017; Schwab, Klaus, ed., 2014, "Insight Report: The Global Competitiveness Report 2014–2015", Geneva: World Economic Forum.

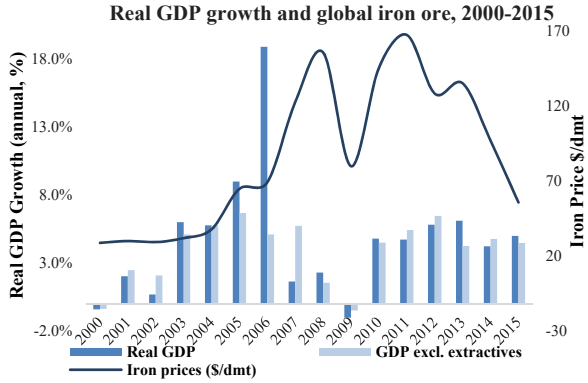
[10] Contribution to GDP per capita growth due to productivity change was calculated at 199 percent, compared to a -180 percent for that of the change in labor force participation.

[11] The employment rate, which is particularly low among youth, is shrinking rather than rising, dropping from 48.7 percent in 2008 to 41.6 percent in 2014.

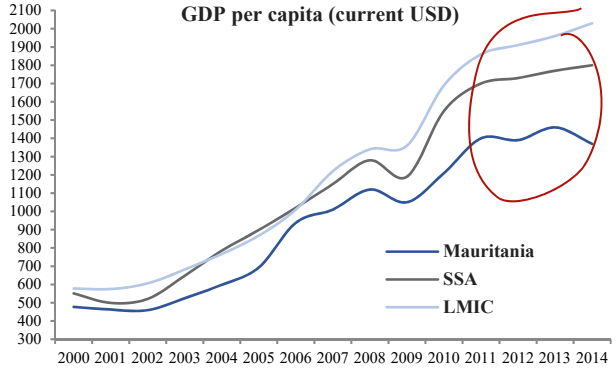
contrast with the SSA average of 64 percent. Labor markets are also handicapped by pervasive informality, which affects 85 percent of the labor force (or 96 percent of those aged 19 to 25 years) and generates 30 percent of GDP. These labor market dynamics will constrain the country from reaping the full benefits of a demographic dividend that has been initiated by recent demographic shifts (growth of the working population and decreasing proportion of dependents).[12]

## Figure 1- Mauritania's Growth Dynamics

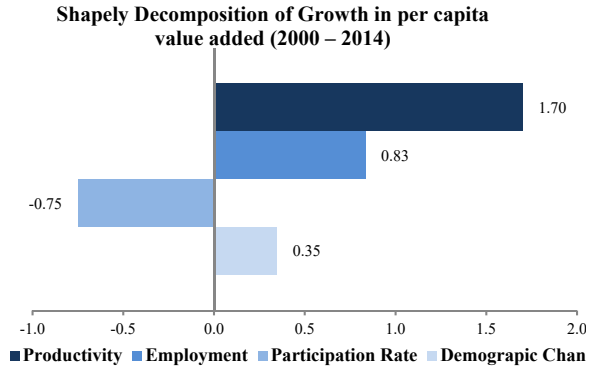
*Mauritania has experienced robust, but volatile growth, driven by high global commodity prices…*



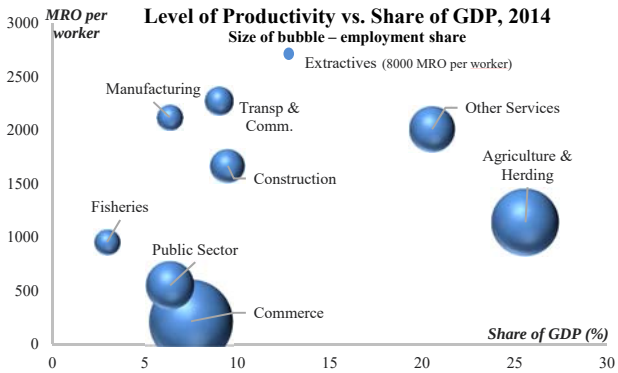

*…however, in per capita terms, growth has not been sufficient to enable convergence with SSA or LMIC averages.*




*Declining labor force participation undermined the impact of productivity gains on growth.*




*Employment principally occurred in the low productivity agro-pastoral and largely informal commerce sectors, while the potential of manufacturing and services remained untapped*




Source: WDI; World Bank Commodity Price Data, 2016; Mauritania Central Bank, National Statistical Office (NSO).

14. **The end of the commodity super-cycle has exposed a number of macroeconomic vulnerabilities and prompted the need to adjust external and fiscal imbalances going forward**. The commodity super-cycle exacerbated underlying structural imbalances in the balance of payments of the country, resulting in large and sustained current-account deficits that averaged 20 percent during the commodity boom years

[12] Mauritania has experienced a fall in the dependency ratio from 85 percent in 2000 to 76 percent in 2015. This dynamic was influenced by several factors including a small increase in life expectancy (from 60 in 2000 to 63 in 2014), as well as the decrease in the total fertility rate (from 5.4 in 2000 to 4.6 in 2014) and in infant mortality (from 76 deaths per 1000 birth in 2000 to 65 in 2014) – World Bank, *World Development Indicators 2015*, Washington, DC: World Bank.

2011-2014.[13] As commodity prices rose, extractives exports accounted for an increasingly large share of foreign-exchange inflows. Nevertheless, these earnings were more than offset by the capital goods and services imports required by the extractive industries and the PIP, and by the repatriation of profits to foreign-owned companies. This resulted in net foreign-exchange outflows, which exceeded both private remittances and official transfers. As a result, it added strains to the reserves of the Central Bank and increased the country's vulnerability to the reduction in commodity-linked foreign direct investments (FDI). Foreign-exchange controls, rigid exchange-rate policies and a lack of monetary policy tools limited the Central Bank's ability to address structural imbalances and respond to terms of trade shocks. It also contributed to dampening the economy's competitiveness and holding back the development of a manufacturing sector. Moreover, the concentration of domestic revenues in the mining and oil sectors, at around 24 percent,[14] coupled with a reliance on foreign grants and intermittent pressures on public spending,[15] prevented the build-up of fiscal buffers when commodity prices were high. The expansion of the Government's ambitious PIP, and increased foreign borrowing, compounded rising fiscal pressures as commodity prices fell. Despite a series of major tax reforms launched in 2011, public debt rose from 75.5 percent of GDP in 2007 to 89.1 percent in 2015 leading the country to a high risk of debt distress (see further Annex 1 – Selected Macro-Fiscal Indicators Tables).

15. **Looking ahead, Mauritania has the chance to sustain and accelerate inclusive growth by leveraging its existing comparative advantages in extractives, fisheries and livestock, whilst gradually shifting to private sector–led diversification in urban-based competitive, labor-intensive sectors.** Mauritania's existing comparative advantages, in the short-term, are tied to its considerable natural endowments. Recent estimates put its mineral wealth at the top, accounting for 43 percent of total natural resource wealth (subject to trends in commodity prices), followed by fisheries, and livestock-dominated agro-pastoralism.[16] Acknowledging the need to better harness the promise of diversified growth and the employment-creating potential of its non-extractive natural resource wealth, the Government has launched reforms and begun rechanneling public investment into agro- pastoralism and fisheries. Sustaining inclusive growth in the long term, however, will require a structural transformation to higher-productivity activities that will likely be concentrated in urban centers. This will involve refocusing public investments on the formation of human capital and shifting toward private sector–led diversification in competitive and labor-intensive sectors.

16. **Three priority constraint areas will need to be tackled if the 'extract and export' model is to be effectively transformed into sustainable economic diversification and job creation:**

17. **First, the weak management of extractive rents is a binding constraint to inclusive growth in the short to medium term, as it limits both the optimal and pro-poor use of revenue and impedes economic diversification**. Mauritania benefits from abundant, diversified mineral wealth. Recent oil and gas discoveries have identified a reservoir, the *Grand Tortue*, which straddles the border and could contain between 25 and 50 trillion cubic feet of gas. There is also an estimated 100 years of iron ore and gold production at current capacity. The International Council on Mining and Metals ranks Mauritania second after the Democratic Republic of Congo among countries in which mining is likely to make the highest relative contribution to the economy. However, setbacks in attracting private investments, the weak performance of the iron ore parastatal company and comparatively low revenue generation limit the optimal and sustainable exploitation of the country's resource wealth. Even in the most favorable outlook, it is well established that most large-scale extractive industries create disproportionately few jobs and this has been exemplified in Mauritania. The policy framework has not adequately enabled the use of extractive rents to

[13] Compared to an average deficit of 15.1 percent of GDP in the period 2003-2011.
[14] Average of extractives revenues to domestic revenues excluding grants in the commodity price boom years 2011-2014.
[15] Foreign grants average 1.1 percent of GDP in the past 15 years. Moreover, Mauritania experienced several exogenous shocks, including droughts and security crises, which demanded emergency spending.
[16] World Bank, *Inclusive Green Growth: The Pathway to Sustainable Development*, 2012, Washington, DC: World Bank.

support the growth of competitive labor-intensive sectors of the economy, while efficiency gains could be made in using some of the resources for poverty-reducing investments or transfers.

18. **Second, the failure to harness the full potential of Mauritania's largest non-extractive natural endowments in livestock and fisheries constrains the country's diversification and job creation prospects**. The economic potential of livestock exports remains untapped, notwithstanding the sector's significance. National accounts estimate that the sector's share in the economy was on average 16 percent between 2005 and 2015, which is likely to be underestimated in light of the high degree of informality in livestock operations. It represents over three-quarters of the value-added in the agro-pastoral sector, provides revenues to roughly one million individuals, plays a key role in food security and resilience and serves as a means of capital accumulation and insurance, especially among the poorest. Though the pastoral economy benefited from higher prices for livestock products, production stagnated. The higher price trend may not continue, especially if lower mineral rents spill over into lower demand for food in urban areas. Moreover, the sector is subject to acute desertification and climate change stresses. Mauritania's fisheries sector, despite having some of the richest resources in the world, is also performing below potential. Although the sector accounted for 15.2 percent of government revenue and 25 percent of foreign exchange revenue, it contributed only two percent of GDP on average from 2005 to 2015, highlighting its weak links with the national economy. The sector faces significant challenges in sustainability and in the generation of local revenue and employment. In both the fisheries and livestock sectors, the development of value-added industries is critical.

19. **Finally, the rapid and outpaced management of urbanization in Mauritania hinders the eventual emergence of productive and inclusive urban centers of growth.** Mauritania has the second highest rate of urbanization on the continent.[17] The fast-paced expansion of urban centers induced by the heavy flow of drought-affected rural and nomadic populations into the cities has created inordinate challenges in planning and the provision of services. Few of the positive effects ordinarily associated with agglomeration have emerged. Urban centers are characterized by informality, poor infrastructure and service coverage, self-employment and weak human capital – characteristics which are neither favorable to attracting the private sector nor to creating an enabling environment for the development of higher-productivity services and tertiary sectors.

II. POVERTY AND SHARED PROSPERITY: *Accelerated reduction in poverty and inequality was primarily driven by relative price changes that benefitted poor rural producers, rather than gains in productivity or structural mechanisms to enable the poor to build their human capital, productive and financial assets.*

20. **Mauritania experienced accelerated poverty reduction during the commodity boom, making it a leading performer in the region**. Until the early 2000s, Mauritania had been on a slow poverty reduction trajectory, with a decline in the poverty rate of slightly below 1 percent on average per year. The average rate of poverty reduction accelerated to around 1.5 percentage points a year during the commodity super-cycle, 2004–14.[18] In particular, during the latest period 2008–14, Mauritania experienced a significant reduction in poverty, as the poverty rate dropped from 44.5 percent to 33.0 percent (based on the national poverty line of MRO 177,200). Over the same 2008-2014 period, extreme poverty halved, with the rate declining from 10.8 percent to 5.6 percent, based on the international absolute extreme poverty line of

[17] The urbanization rate is estimated at between 59 percent and 62 percent (2012 census-adjusted projections; World Bank, 2015, *World Development Indicators 2015*, Washington, DC: World Bank). Nouakchott, growing at an average of 10.0 percent a year up to 2000 and at 4.4 percent a year since then, has experienced the second-highest rate of urbanization in Africa and now accounts for around 30 percent of the national population.

[18] In 2014–15, the National Office of Statistics revised poverty estimates based on a new consumption aggregate and poverty line. Because of the change in methodology, the official poverty lines of 2008 (UM 32,800 at 1988 prices) and 2014 (UM 177,200 at 2014 prices) are not comparable and the poverty headcount for 2008 has been recalculated to ensure comparability.

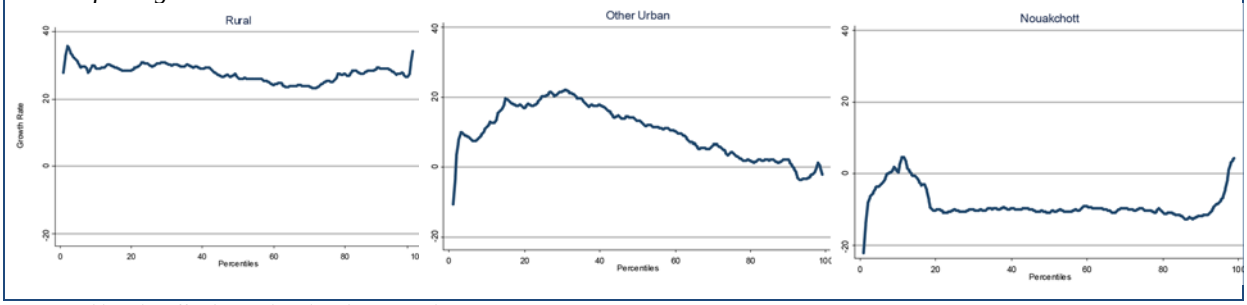
US$1.90 (purchasing power parity). Poverty reduction has been robust, as confirmed by subjective perceptions of poverty, and is consistent across selected poverty lines and poverty indicators (the poverty rate and the poverty gap or severity of poverty).[19] Furthermore, sensitivity analysis demonstrates that the decline in poverty is robust to methodological changes in the definition of the poverty line: adopting poverty lines around the 2014 national poverty line would still result in large poverty declines, of around 9-12 percentage points. Cross-country benchmarking confirms that Mauritania's performance in poverty reduction was above average. Poverty elasticity to GDP growth was the fourth highest in Africa, after South Africa, Madagascar, and Botswana.

21. **Poverty reduction has been reinforced by the reduction of inequality and vulnerability.** Driven by the robust, pro-poor profile of household expenditure growth, inequality, as measured by the Gini Index, declined from 35.3 to 31.9 in 2008–14. Moreover, various estimates show a decrease in vulnerability in 2008–14, indicating improved endowments associated with consumption. The share of the hard-core poor — people who are both poor and likely to remain poor in the future — dropped by half, from 32.8 percent to 15.6 percent.

22. **The strong decline in poverty has been driven mostly by developments in rural areas, where the majority of the poor are located, while Nouakchott has experienced a slight increase in poverty.** In the early years of the commodity boom, 2004–08, poverty reduction was driven by higher incomes in the public sector and among the urban, non-agricultural, self-employed. By contrast, between 2008 and 2014 the greatest growth in mean household expenditure occurred in rural areas, where all percentiles of the expenditure distribution did well and the lower deciles performed particularly well. Since Mauritania's poor populations are concentrated in rural areas (78 percent in 2008), where they are principally engaged in agriculture and livestock, this rural bias in expenditure growth had a significant impact in terms of poverty reduction. In fact, poverty change decompositions show that only 13.6 percent of poverty reduction is explained by population shifts between areas, while 78 percent is explained by higher household expenditure within rural areas. Urban areas registered fewer gains in poverty reduction, while the capital city, Nouakchott experienced an increase in poverty.

**Figure 2- Mauritania's Poverty Reduction Dynamics-Household Expenditure Growth by Area**

*Consumption growth has been larger in rural areas, while Nouakchott has actually experienced a decrease in consumption growth*




Source: World Bank staff estimates, based on the 2008 and 2014 EPCV.

23. **The main driver of poverty reduction in rural areas has been the increase in the welfare of agricultural and livestock producers.** Net food producer households experienced a growth rate in per capita household expenditure of over 33.0 percent, compared with only 1.4 percent among non-producers.

[19] While 79 percent of respondents considered themselves poor in 2008, only 61.2 percent did so in 2014, according to the *Enquête Permanente sur les Conditions de Vie des Ménages, EPVC* (Ongoing Household Living Conditions Survey).

This trend is confirmed by the fact that agriculture and livestock households, which experienced poverty rates of between 50 and 70 percent in 2008, benefitted from the most significant increases in expenditure. Indeed, households for which the head of household was employed in agriculture or livestock experienced a mean growth in per capita expenditure of 31.9 and 26.2 percent, respectively. Over the same period, there was a significant labor force movement out of agriculture and into livestock, amounting to around a 4-percent reduction in agriculture and a 5-percent increase in livestock of total population. Improvements in the production function of the agricultural sector (less rain-fed agriculture and more mechanized, hence productive technology) explain both the higher returns and the structural shift of labor out of the sector and into livestock. Thus, the livestock sector has become the most important driver of the decline in poverty.

24. **The increase in expenditures in rural areas has been driven principally by favorable relative price changes in domestically produced food and, to a much lesser extent, to the expansion of output.** Over the 2008-2014 period, GDP growth rates in agriculture and livestock were only around 2.5 percent per year. While this reflects a considerable reduction in comparison with the preceding 2004-2008 period, when GDP growth rates averaged 13 and 6 percent, respectively, it is still an expansion. The rise in rural incomes is, therefore, largely due to price increases for primary sector goods, which exceeded the inflation rate by a cumulative 30 percent over the 2008-2014 period and, to a lesser extent, to output expansion. Specifically, livestock producers benefitted from high meat prices, which outperformed inflation by over 15 percent over the period. High prices meant that livestock herders needed to sell fewer animals, enabling them to capitalize on breeding of their stocks. The emergency food program, EMEL, which also provided animal feed, may have enabled drought-affected populations to cope without selling their assets, enabling a stronger recovery, while supporting producers of animal feed. Public investments in infrastructure and services also influenced poverty reduction by facilitating improved connectivity and market access of rural areas.

25. **Rising poverty in Nouakchott was largely due to higher domestic and imported food prices and to the rapid influx of predominantly poor rural migrant populations.** The increase in prices led to increases in poverty in Nouakchott. High food price increases negatively affected the purchasing power of net food purchasers, especially in the capital city, as food constitutes 54 percent of the household consumption basket in Nouakchott. On top of price increases for domestically-produced food items, the price of imported rice in Nouakchott was more than double the world price, while imported wheat was 60 percent more expensive, reflecting monopolistic tendencies in the food importation market. This unfavorable evolution of prices constitutes the main explanation for the drastic decrease in food consumption in the capital city. Furthermore, Nouakchott has increased its share of population from 22.3 to 27.1 percent, accounting for about half of the overall urbanization trend. Although there is a lack of data to conclude confidently, it is likely that migrating populations were predominantly poor, unskilled laborers who couldn't find a job due to the mechanization of agriculture or purchase livestock, resulting in a shift of poverty from rural to urban areas. Finally, methodological changes in the survey data collection may have played a role in overestimating the decrease in food consumption among wealthier urban households by affecting the quality of their reporting.[20]

26. **Progress has been also achieved with respect to non-monetary measures of wellbeing.** Estimates of multi-dimensional welfare indices proposed by Alkire and Foster – the Multidimensional Headcount Index (HO) and the Multidimensional Poverty Index (MO)[21] – using the 2008 and 2014 household surveys indicate substantial improvements by 31 and 24 percentage points, respectively (Table 2). The same estimations using the 2007 and 2011 Multiple Indicators Cluster Surveys (MICS) show a significant reduction of the HO from 61.7 to 52.2 percent and the MO from 35.2 to 28.5 percent, further providing evidence of the robust improvement in poverty reduction and access to basic services in Mauritania. The

[20] The change in the questionnaires of food consumption may have led to an underestimation of food consumption in urban areas.
[21] The difference between the two indices is that the first considers only the share of multidimensional poor while the second considers the share and the intensity of multidimensional poverty (it is the product between these two).

Human Opportunity Index (HOI), which measures the availability and equitable distribution of opportunities, also showed progress across all dimensions, other than labor. The most significant contribution to overall changes in the HOI comes from changes in coverage and, to a lesser extent, equalization between population groups. For example, the HOI for school attendance improved from 65.9 to 91 percent between 2008 and 2014, as a result of both an increase in the coverage of school attendance and a decrease in differential access rates across population groups (e.g., urban/rural, regions). Similarly, the HOI for health satisfaction increased from 18.9 to 82.8 percent with a corresponding decline in dissimilarity across population groups of 84.6 percent. For labor, access has declined and become more inequitable, confirming negative dynamics outlined in the Growth section. Importantly, a comparison of the HOI at the regional level showed very little variation in the HOI between regions, indicating that improvements in opportunities occurred relatively uniformly across regions. The analysis does however show that, amongst the regions that experienced the most significant declines in poverty levels, some (such as Hodh El Chargi, Tagrant, and Hodh Guidimagha) experienced a decline in HOI for literacy. This indicates that in certain regions, even if they experienced reductions in monetary poverty, literacy declined, suggesting that these regions face challenges of inclusion, at least with respect to education. An ongoing qualitative study into access to social services in specific regions will provide further evidence of the factors underlying inclusion. A quantitative assessment of inclusion and access to services has recently been engaged to develop a more detailed diagnostic of inclusion at the regional level.

**Table 2: Multidimensional Headcount and Poverty Indices**

| | H0 | | | M0 | | |
|---|---|---|---|---|---|---|
| | **2008** | **2014** | **2014-2008** | **2008** | **2014** | **2014-2008** |
| **1: Education** | | | | | | |
| 1- School attendance for school-age children | 0.08 | 0.03 | -0.06 | 0.06 | 0.02 | -0.05 |
| 2- School attainment for household members | 0.33 | 0.18 | -0.16 | 0.19 | 0.09 | -0.10 |
| **2: Living standards** | | | 0.00 | | | |
| 1- Electricity | 0.09 | 0.06 | -0.03 | 0.06 | 0.03 | -0.02 |
| 2- Improved drinking water sources | 0.01 | 0.02 | 0.01 | 0.01 | 0.01 | 0.00 |
| 3- Sanitation | 0.06 | 0.04 | -0.02 | 0.04 | 0.03 | -0.02 |
| 4- Safe energy for cooking | 0.08 | 0.05 | -0.03 | 0.05 | 0.03 | -0.02 |
| 5- Housing | 0.07 | 0.05 | -0.01 | 0.05 | 0.03 | -0.02 |
| 6- Assets | 0.05 | 0.02 | -0.03 | 0.03 | 0.01 | -0.02 |
| **MPI index (2 dimensions)** | **0.76** | **0.45** | **-0.31** | **0.49** | **0.25** | **-0.24** |

Source: World Bank staff estimates, based on the 2008 and 2014 EPCV.

27. **Despite improvements, the country's social indicators are among the lowest in the world. Mauritania ranked 153rd among 186 countries on the Human Development Index[22] in 2014.** Its achievement of the Millennium Development Goals was mixed: the goals on child malnutrition, malaria control, and sex parity in primary education were met, while the remaining five objectives were not.

28. **In health, Mauritania has achieved some positive outcomes, but performance on maternal and reproductive health, and nutrition, remain limited**. Life expectancy has risen, reaching 63 years in 2015, vaccination coverage has expanded and is now higher than the SSA average in DTP and measles vaccine coverage, and tuberculosis incidence has declined. However, maternal and child health outcomes are worrisome. More than half of the infants in rural areas are delivered without the care of skilled birth attendants, and the maternal mortality ratio of 602 per 100,000 live births, though falling, is still almost

[22] United Nations Development Program, *Human Development Report: Work for Human Development*, 2015.

double the ratio in Senegal (317) and above the SSA average (547). Despite government efforts, child marriage is widely practiced, and, according to UNICEF, 19 percent of children are married before age 15, and 43 percent before age 18. Female genital mutilation affects 69 percent of women aged 15–49. Global acute malnutrition rates in six of the country's 15 regions are above 15 percent and, in some cases, up to 28 percent - almost double the critical emergency threshold of the World Health Organization[23]. Moreover, with a wasting prevalence of 11.6 percent, Mauritania scores only 114th among 130 countries in the *Global Nutrition Report 2016*.[24] In fact, child and maternal malnutrition is the leading risk factor for death and disability in Mauritania.[25]

29. **Health problems are exacerbated by the limited and uneven coverage of basic water, sanitation and hygiene services, with Mauritania featuring the lowest overall rate of access to improved water in the region.** Slightly more than half the population has access to safe water (57 percent) and 40 percent benefit from improved sanitation. Despite the progress in recent years, this still compares poorly with regional and international standards. In Senegal, for example, the corresponding shares are 92 percent and 48 percent, respectively. There is a significant gap between rural and urban areas: only 14 percent of rural areas have access to sanitation versus 58 percent of urban areas, suggesting a prevalence of open defecation. Because of the lack of sanitation, diarrheal diseases accounted for almost one in six neonatal and under-5 deaths (16 percent) in 2013 and are one of the top causes of mortality and disability.[26]

30. **Increased public spending on education has yielded uneven improvements in access and education quality remains an issue**. Gross enrollment ratios in preschool and secondary school have risen, although the primary-school enrollment ratio fell from 104.6 percent to 100.4 percent in 2010–14.[27] Net enrollment rates also improved for all ages between 2008 and 2014, with no exceptions. However, among the poorest 20 percent of the population, almost two-thirds of children aged 6–11 are still not in school. Many of them attend traditional religious schools, *mahadras*, of which there are approximately 6,500 in the country and for which attendance is not counted in official enrollment data, as they do not follow the basic curriculum. Notwithstanding improvements in access, high attrition rates between years of education, presents a key challenge. Only 60 percent of primary-school students reach the last grade, 34 percent continue on in secondary school and a mere 12 percent advance to the final year of upper-secondary education. Even though boys and girls start on par, the gap between them increases with the level of education. Boys are nearly fifty percent more likely to complete secondary education than girls. At the same time, for the poorest girls the probability of completing secondary school becomes almost non-existent (only 0.8 and 1.3 percent of girls in the poorest quintile are likely to complete secondary education in urban and rural areas, respectively[28]). More than half of all primary schools are unable to provide educational continuity. Poor retention also reflects an alarming lack of education quality. Standardized tests in Mathematics and French

[23] World Food Program, *WFP Chief Sees At First Hand Food And Nutrition Challenges In Mauritania*, 2015, available at; *https://www.wfp.org/news/news-release/wfp-chief-sees-first-hand-food-and-nutrition-challenges-mauritania.*

[24] IFPRI (International Food Policy Research Institute), 2016, *Global Nutrition Report 2016: From Promise to Impact, Ending Malnutrition by 2030*, 2016, Washington, DC: IFPRI.

[25] Institute for Health Metrics and Evaluation (2015), Mauritania profile in Global Burden of Disease, available at: http://www.healthdata.org/mauritania, Seattle: University of Washington

[26] WHO, *Neonatal and child health country profile of Mauritania*, 2014; Institute for Health Metrics and Evaluation, *Mauritania profile in Global Burden of Disease 2015*, according to which diarrheal diseases are the third most widespread cause of death and disability after lower respiratory infections and neonatal sepsis.

[27] It should be noted that the Gross Enrollment Rate has fluctuated above the 100 percent mark since 2008 and there is some concern regarding the reliability of administrative data: *see* Mauritania, Ministry of National Education (2015), Rapport d'État sur le Système Éducatif National (RESEN). Although the household surveys include data on attendance rates, these do not produce more reliable statistics on attendance or enrollment rates. The statistics cannot be compared across time because of changes in the questionnaire between 2008 and 2014 resulting in missing observations. Furthermore, the data measure attendance during the school year rather than at the beginning of the school year and thus they are not comparable with official gross enrollment rates: World Bank 2016. Islamic Republic of Mauritania: Poverty Dynamics and Social Mobility 2008-2014, Washington, DC: World Bank.

[28] Mauritania, Ministry of National Education (2015), Rapport d'État sur le Système Éducatif National (RESEN).

in primary schools show that learning achievement is low and has been stagnating or deteriorating over the past 15 years. The decline in the literacy rate among under-15-year-olds in 2008–14 appears to coincide with reforms that introduced French and Arabic bilingual education and structural changes in the secondary cycle.

31. **Despite the progress in poverty reduction, poverty is a widespread, overwhelmingly rural phenomenon associated with uneven access to social services and productive assets.** Three-quarters of the poor live in rural areas, mostly in the south. Urban coastal areas show the lowest poverty rates. The highest poverty rates are among households engaged in livestock-rearing and agriculture. Despite the recent growth in livestock productive assets (which was linked to the rise in meat prices and the improved savings capacity of livestock rearers to purchase stock), qualitative evidence suggests that land assets are inequitably distributed, especially in the fertile Senegal River valley, where the majority of poor agro-pastoral producers are located. Women are particularly affected; only 18.7 percent own land across the country.[29] The urban poor are principally engaged in informal services, which represent the third most significant occupation linked to poverty. Poverty is highly correlated with educational attainment. The highest rates of poverty occur in households headed by those who never went to school or have an incomplete primary education. The bottom 40 has the least access to other basic services, such as healthcare, water, and sanitation.

32. **Mauritania's prospects for progress in poverty reduction are clouded by unfavorable commodity prices and will require a fresh approach to tackling ongoing distributional inequities and human development gaps.** Besides accelerating inclusive growth, improvements in equity will be needed to unlock the prevailing poverty traps in Mauritania. Limited access to land in rural areas and high food prices in urban areas undermine the capacity of the poor to accumulate assets. Unequal access to social services and inequitable labor markets prevent the poor from reaping returns on their assets and deprive the country of a healthy, educated, and productive workforce to drive growth. Thus, in addition to the priority constraint areas identified in the preceding section on Growth, three other priority constraint areas need to be addressed to ensure shared prosperity in Mauritania. First, high, distorted food prices exert disproportionate pressure on the urban poor and partly explain the rise in poverty in Nouakchott. Second, because land is a vital productive asset for the majority of the rural poor, inequities in land resource distribution, especially in the Senegal River valley, have a crucial impact on the productive and revenue-generation capacity of the poor. Third, inequities in access to social services and the resulting distortions in human development outcomes and low human capital formation represent structural constraints with respect to both equity and inclusive growth.

III. GOVERNANCE: *The narrow political settlement has brought political stability but has not yet succeeded in removing hierarchical and discriminatory conceptions of traditional societal organization, creating foundational obstacles to inclusive development.*

33. **Historically, the features of Mauritania's governance landscape have created long-standing, foundational challenges for inclusive growth and shared prosperity.** The development of a modern, pluralistic polity and the establishment of rules-based state institutions have been hampered by a colonial legacy that institutionalized political privilege and by the influence of powerful tribal and family networks in the creation of the modern State.[30] Since Independence, deeply entrenched informal relationships of

[29] CPIA (Country Policy and Institutional Assessment), Africa (database), available at: http://datatopics.worldbank.org/cpia/, Washington, DC: World Bank.

[30] Evidence on institutional path dependence suggests that the institutional logic of colonial rule in Mauritania, which was anchored in the conferral of political privileges to certain tribes, may have been inherited by subsequent governments. See Acemoglu, Daron, Simon Johnson, and James A. Robinson, 2004, "Institutions as a Fundamental Cause of Long-Run Growth," In *Handbook of Economic Growth*, edited by Philippe Aghion and Steven Durlauf, 385–472, Amsterdam: Elsevier.

loyalty and dependence have permeated formal political and administrative systems. Wealth has customarily been redistributed to a clientele chosen according to ethnicity, tribe, or status, while loyal tribal leaders have been rewarded with positions in government and key economic sectors that confer access to public resources to ingratiate their constituencies.[31]

34. **The coups and governance crises that, until recently, characterized the post-independence era did little to enhance the governance environment or shift the low political equilibrium.** Recurrent political instability and military coups have resulted in the interchange of power between a small subset of tribal groups. Thus effective political contestation has traditionally been very confined in Mauritania. Each government change has typically been accompanied by a "spoil system" whereby the networks created by the previous regime are ousted and replaced by new ones close to the new regime. While the purge of old elites is often portrayed in Mauritania, as elsewhere, as an "anti-corruption drive", changes in power have tended to shift patronage structures rather than eliminate them and the military remains an influential institution in the country.[32]

35. **In contrast to preceding periods, and notwithstanding the restive character of the region, the political leadership has forged a period of sustained political stability in recent years.** The prevailing political settlement remains concentrated on an ethnically homogenous minority who are connected with the political leadership and who control the principal centers of economic activity and occupy senior positions in the military, the administration and the judiciary. Beyond this inner circle, the political leadership relies upon a secondary layer of co-optation in which the leaders of the broad array of societal groupings are granted access to economic and administrative opportunities in return for their loyalty. The influx of extractive rents has helped to consolidate the loyalty of co-opted interests and this has contributed to political stability.

36. **However, recent governance trends have been mixed: the evidence of stagnating and deteriorating perceptions of governance in the last ten years are concerning, though not uncommon, for a resource rich country.** Mauritania's Country Policy and Institutional Assessment (CPIA) scores in public sector management have improved, rising from 3.0 to 3.2 in 2008–15 and marginally surpassing the SSA average of 3.0 in 2015.[33] However, according to the Worldwide Governance Indicators (WGI), perceptions with respect to all six dimensions of governance have stagnated or declined since 2006.[34] Mauritania performed better than the regional average on many governance measures in 2006, but now lags behind LMIC comparators in the region and the SSA average on all WGI dimensions. It ranks 112$^{th}$ among 168 countries (29$^{th}$ percentile) on the 2015 Transparency International Corruption Perceptions Index, and the 2016 Global Competitiveness Index identifies corruption as the third most problematic factor for doing business in Mauritania.[35]

37. **Underscoring these trends, Mauritania bears several of the hallmarks of a rentier economy.** The resource revenue surge and the adoption of a state-driven development model appear to have facilitated pervasive rent-seeking by a concentrated set of political and economic elites. Shortcomings in the application of the progressive legal framework in procurement and greater public spending on large capital investment projects have opened opportunities for well-connected interests to dominate lucrative state procurement contracts. The reliance on public enterprises, as well as the military engineering corps, to execute a proportion of public investments, together with the processes used by these institutions to contract

[31] World Bank (2008), "Mauritania: Anti-Corruption Study," Report 70747, Washington, DC: World Bank.
[32] World Bank (2016), "Islamic Republic of Mauritania. Diagnostic Trade Integration Study (DTIS) Update: From Short-Term Rents to Sustainable Macroeconomic Growth and Trade-Led Development", Washington, DC: World Bank.
[33] CPIA Africa (database), available at: http://datatopics.worldbank.org/cpia/, Washington, DC: World Bank.
[34] WGI database, available at: http://info.worldbank.org/governance/wgi/index.aspx#home, Washington, DC: World Bank.
[35] CPI (Corruption Perceptions Index) database, Transparency International, London, http://www.transparency.org/research/cpi/overview; GCI (Global Competitiveness Index) database, World Economic Forum, Geneva, http://reports.weforum.org/global-competitiveness-report-2015-2016/.

with the private sector, which are often in contravention of the law, add to perceptions of capture. The Government is trying to strengthen oversight in the parastatal sector, but there are signs that at least some profit-making public enterprises may have been unduly influenced to use their cash reserves to finance public projects or participate in weaker ventures to benefit specific groups.[36] This is especially problematic given the large share of subsidies and other budget transfers allocated to public enterprises. For example, the progressive expansion of the state iron ore company's engagement beyond its core business appears to have resulted in the sub-ordination of quality and cost considerations to political motives linked to the protection of privileged interests. Despite continued access to cheap credit for investment, the national iron ore company's (Société Nationale Industrielle et Minière, SNIM) production and financial output have not improved, yet the company has incurred a number of liabilities and provided capital for national investments, including the construction of the new airport. Furthermore, until recently, up to thirty percent of government expenditure is classified as 'other', opening opportunities for opaque and discretionary spending and raising the risk of misallocation or misappropriation by private interests.[37] Finally, as indicated in the preceding section on Growth, the functioning of key product markets (including in rice importation, fisheries, construction, hotels and credit provision by banks) appears to be heavily influenced by oligopolistic structures.

38. **Patronage systems in the public administration continue to distort incentive structures and influence public resource allocation and service delivery capabilities.** The public administration is still the largest formal employer.[38] The Government recently committed to improving the management of the wage bill through ghost worker controls, the introduction of biometric registration and improvements in human resource management systems. However, public office remains heavily and directly influenced by special interests.[39] Merit-based recruitment of senior administrators and performance-based management have not become institutionalized and a rent-seeking logic continues to permeate across the layers of the administration, skewing policies and limiting accountability for service provision.

39**. In a new era of low commodity prices and limited fiscal space, the Government will face increasing pressure to optimize public spending and reduce the distortionary effects of the rentier economy.** The political stakes for transforming the governance landscape in Mauritania are high, yet empirical evidence indicates that the costs of maintaining a rentier-based economy on job creation, private sector development, inclusive growth and social cohesion are equally significant and risk undermining the Government's development objectives. Given the cross-cutting nature of governance, all of the priority constraints analyzed in the next section of this SCD incorporate an assessment of relevant governance and institutional challenges, including those related to revenue generation, public service delivery, decentralization and citizen engagement. In addition to these, the limited transparency in public expenditure is identified as a stand-alone priority constraint area given its significance in creating the conditions for rent-seeking.

IV. FRAGILITY: *Underlying fragility stresses associated with Mauritania's delicate and complex social fabric and the environmental challenges of an encroaching coastline and an expanding desert risk undermining development gains made to date.*

[36] World Bank (2016), "Islamic Republic of Mauritania. Diagnostic Trade Integration Study (DTIS) Update: From Short-Term Rents to Sustainable Macroeconomic Growth and Trade-Led Development", Washington, DC: World Bank.
[37] World Bank (2016), "Public Expenditure Review of Mauritania, Surfing the Wave: Public Spending During the Commodity Super-Cycle and Beyond", Washington, DC: World Bank.
[38] Official statistics indicate the public wage bill is broadly in line with the region, at an average of 39.7 percent of recurrent spending in 2009–15. However, spending on wages represents 48.2 percent of tax receipts and is high relative to the convergence criteria of the West African Economic and Monetary Union, at 35.0 percent of tax revenue. The actual wage bill in 2015 was likely to have been much higher than the budgeted amount because nonpermanent staff and parastatal staff were not included in the official data.
[39] CPIA Africa (database), World Bank, Washington, DC, http://datatopics.worldbank.org/cpia/.

***Environmental Fragility***

40. **In a nation that depends so heavily on its natural resource endowments, the impact of environmental degradation and climate change on economic development and on the livelihoods of the poor could be catastrophic.** Mauritania is caught between an expanding desert and an eroding coastline. The livelihoods and food security of most of the poor, who rely on livestock-rearing and agriculture, are jeopardized by encroaching desertification, rising temperatures, the increasing scarcity of water and flash flooding, coupled with the greater regularity and intensity of drought, and the erosion of soil and arable land quality.[40] The conflict between pastoralists and farmers including in oasis zones, over diminishing natural resources threatens social stability and economic empowerment in rural areas.[41] Rising seawater temperatures, ocean acidification, and biological overexploitation are depleting valuable fish stocks and depriving coastal populations of vital sources of nutrition and revenue. Coastal urban cities, including the two largest cities, Nouadibhou and Nouakchott, also face substantial environmental risks. Coastal erosion, flooding, the salinization of underground water and the rising frequency of heat waves are likely to present significant challenges for the housing and revenue-generating activities of urban dwellers. Given their cross-cutting and issue-specific nature, environmental and climate change constraints are integrated into the analysis of the principal constraint areas.

***Social Fragility***

41. **Social cohesion in Mauritania is precarious and risks derailing economic and social progress.** The difficulties involved in cultivating a strong shared national identity are deeply rooted in ethno-racial divisions, sociopolitical tensions, historical grievances over discriminatory state practices, and the slow pace of integration of marginalized groups excluded from social and economic opportunity.[42] Mauritanian society is constructed around a complex and hierarchical system, made up principally of white Moors, black Moors or Haratine, and Black Africans and in which ethnicity, familial clans, and tribes are intertwined. Social stratification creates tensions and resentment between and within ethnic groups due to the delineation of higher and lower social classes. This is often exacerbated by perceived widening inequalities and unfair treatment.

42. **The Government has undertaken concerted efforts to harness the richness of the country's ethnic and cultural diversity and break away from the historical legacy of slavery and ethnic stratification, but powerful societal divisions remain.** Government efforts have included a presidential acknowledgement of the legitimacy of the grievances felt by black Africans in the wake of the events in the late 1980's, constitutional amendments passed in 2012 that affirmed the multiethnic character of the state, criminalized slavery and prohibited military coups, the creation of a new anti-slavery law in 2015, together with the establishment of the *Tadamoun*[43] to deal with the "scars of slavery". Yet, the legacy of slavery and ethnic discrimination continues to fuel grievances. Though many former Haratine and Afro-Mauritanian slaves have been freed and have attempted to assimilate into society, the country has attracted international attention for reports of their ongoing cultural enslavement.[44]

[40] Intended Nationally Determined Contribution (INDC) Under The United Nations Framework Convention On climate change (UNFCCC), Islamic Republic of Mauritania, 2015

[41] The erosion of traditional institutions of collective management, the expansion in desertification, and the growing demand for meat and milk from cities has led many oasis farmers to convert to pastoralism and seek and convert new lands. This has aggravated conflict in rural areas between pastoralists and oasis farmers.

[42] These difficulties were highlighted in the National Consultations on the Post-2015 Development Agenda, United Nations Development Programme and Ministry of Economic Affairs and Development, Nouakchott, July 2013, and in the *Dialogue National Inclusif* (comprehensive national dialogue), Nouakchott, September 29–October 18, 2016.

[43] Program for the Prevention of Conflicts and the Consolidation of Social Cohesion

[44] Global Slavery Index (database), Walk Free Foundation, Broadway Nedlands, Western Australia, http://www.globalslaveryindex.org/.

43. **Social fragmentation is further reinforced by several other drivers.** The justice system perpetuates social inequalities and cultivates divisions and tensions.[45] Informal social norms permeate the formal system, creating the enabling conditions for corruption, the infiltration of informal, and often discriminatory, customary forms of dispute settlement, and the politicization of the judiciary. At the same time, Mauritania has experienced a fundamental social restructuring, with a massive shift from nomadic to sedentary lifestyles.[46] Rapid urbanization has weakened the traditional nomadic and rural mechanisms of social regulation without creating adequate economic opportunities or social mixing. Urban youth represent a particularly fragile population segment.[47] Evidence of an increase in youth radicalization in the peripheries of cities is emerging. From a governance perspective, the freedom and efficacy of political participation led by a growing corpus of civil society organizations have dramatically improved, but the penetration of a privileged elite in the organs of the modern state has slowed progress in reducing social inequalities and created diffuse resentment over sentiments of economic and political exclusion. A lack of resources, limited local government discretion and the influence of traditional authorities over local government have not only slowed the decentralization process but also limited the extent to which it operates as an effective channel for improved citizen engagement and inclusive participation and service delivery.

44. **Mauritania has been a bulwark against regional instability, but, in an unstable region, the spillover risk of transnational stressors is high.** Mauritania shares a long border with Algeria and Mali and suffered numerous attacks from Al-Qaeda in the Islamic Maghreb in 2005–11, shutting down a small, but promising desert tourism industry. The Government has taken a hard line against terrorism and has been able to reduce the incidence of terrorism on its territory and maintain political stability in an otherwise volatile region. Yet, the continued rebellion in Mali has had many negative spillovers, including large numbers of refugees, trade disruptions, and illegal trafficking.

45. Based on the above analysis and the Government's own recognition of the importance of reinforcing national identity as a basis for building a stronger state-society relationship, the weak social contract represents a priority cross-cutting sustainability constraint to development in Mauritania.

## D. ANALYSIS OF PRIORITY CONSTRAINTS AND IDENTIFICATION OF SOLUTIONS

I. SUSTAINING AND ACCELERATING INCLUSIVE GROWTH: *Reaping the benefits of Mauritania's natural endowments and building the foundations for structural transformation.*

### *1.1. Addressing Weak Management of Extractives*

46. **Despite the abundance of mineral resources, water scarcity and infrastructure deficits limit the potential growth contribution of the extractive sector over the next 15 years and highlight the delicate trade-offs between optimizing extraction and ensuring social and environmental sustainability.** Prospective mining investors are constrained by difficult access to electricity, water and transport, while downstream industrial processing infrastructure is lacking. Few mineral deposits will be competitive in the absence of a strategic location near existing infrastructure. Water scarcity is particularly problematic. Existing exploitations are depleting water tables and putting national freshwater resources at risk. Without a well-defined land development plan, the country will face challenges in calibrating mining activity with social and ecological sustainability to maintain optimal levels of extraction over the long haul.

47. **The upstream governance of the extractive sector creates obstacles to attracting foreign investment, while policy and institutional weaknesses in revenue mobilization undermine the sustainability of returns to the country's natural resource wealth.** During the 2000s, reputable investors

[45] Rao, Sumedh, 2014, "Conflict Analysis of Mauritania," GSDRC, University of Birmingham, Birmingham, U.K.
[46] Today, only two percent of the population is nomadic, compared with 75 percent in 1960: EPCV, 2014.
[47] Boukhars, Anouar, 2016, "Mauritania's Precarious Stability and Islamist Undercurrent," February 11, Carnegie Endowment for International Peace, Washington, DC.

were successfully attracted to the country, and the management of the mineral cadaster was considered international best practice. Yet, as international commodity prices reached an all-time high, sectoral management became more restrictive. The mineral cadaster system has since regressed in technical and administrative reliability and in the loss of autonomy to political decision makers. This has jeopardized the principles of a level playing field and the rules-based award of licenses. The domination and preferential treatment of the two major state-owned enterprises (SOEs) in the sector[48], together with the promotion of well-connected national suppliers and subcontractors in the absence of competitive processes, have contributed to rent seeking and short-term deal making that are detrimental to the development of the industry. Institutional capacity limitations also influence effective, sustainable management, creating challenges for the negotiation of production-sharing contracts in the emerging oil and gas sector. In terms of revenue mobilization, various comparative financial models show that the effective tax rate of about 30 percent of mining profits ranks among the lowest on the continent. Notwithstanding recent government efforts with respect to revenue mobilization, the absence of a unified tax code for mining operations, together with coordination and capacity challenges in tax recovery, has led to the loss of potential tax revenue.

48. **The lack of fiscal rules on the management of extractive revenues and inefficiency in the public investment and public financial management systems hamper the effective use of extractive rents** Mauritania created a sovereign wealth fund, 'the National Oil Fund'[49]**,** to collect government revenue from the Chinguetti operation. While the Fund is depleted and now largely obsolete, in principle, it constitutes a good mechanism for fiscal stabilization under a proper set of fiscal rules[50]. However, several governance issues hindered the proper functioning of the Fund, including the absence of audits, the lack of clear rules governing the use of resources and weak criteria for the selection of projects, all of which limited the utility and effective management of the Fund.

49. **Moving forward, the Government will need to focus on harnessing recent oil and gas discoveries and seizing the immediate and politically feasible opportunities to optimize extractive revenue generation. At the same time, efforts are needed to lay the foundation for more costly, lengthy, or politically sensitive solutions to the sustainable exploitation of natural resources and the effective management of extractive rents.** Urgent efforts are needed to build capacity and ensure expertise in the hydrocarbon sector, given the impending gas negotiations, the complexity of gas development, and the irreversibility of the decisions to be made. In the short term, the introduction of a uniform fiscal regime with caps on individual deals and tax exemptions and capacity-building in tax administration would enable higher rates of tax collection. The ongoing audit of the National Oil Fund also provides an opportunity to lay the groundwork for a fiscal rule to manage natural resource revenue. More broadly, a specific program of policy and institutional changes will need to be introduced to ensure optimal fiscal outcomes, drawing upon ongoing analytical work. Over the medium term, the Government could focus on (i) the reintroduction of independent, rules-based license management by an autonomous mineral cadaster management agency; (ii) improved planning and incentives for optimized development of a competitive industry through a reconsideration of the role and the promotion of the two principle SOEs – the SNIM and SMPH; (iii) the identification of investment corridors to promote concerted, long-term planning and investment in energy provision, transport solutions, and water supply; (iv) the completion of a national territorial development plan and environmental evaluation studies for the mining and agro-pastoral sectors; and (5) training for the development of skilled professionals, subcontractors, and suppliers.

[48] Société Nationale Industrielle et Minière (SNIM) and Société Mauritanienne des Hydrocarbures (SMPH)
[49] *Fonds National des Revenus des Hydrocarbures (FNRH)*
[50] Cf. Dessus and Varoudakis (2013).

## *1.2. Harnessing the Potential of Livestock and Fisheries in the Face of climate change*

### *a) Fisheries*

50. **Mauritania has some of the richest fish resources in the world, yet the country has failed to reap the economic and employment benefits associated with onshore value-added processing.** The country's marine riches have attracted fleets from around the world. The international fishing agreements of 2015 will generate estimated annual revenues of €59 million for the Government. This is substantial, but the Government misses out on the benefits of much of the value added generation and job creation potential in the sector. Only 10 percent of the total industrial catch is off-loaded for processing, and 55,000 people are employed in the sector. A special economic zone focused on fish processing has been established in Nouadhibou, attracting national and foreign investors, but the dominant products are frozen octopus and fishmeal, which have low value added. Onshore employment is thus modest, and offloading from foreign vessels is limited.

51. **Pressure on the sustainability of the country's fish resources is likely to rise over the medium term.** Though fish resources have been better managed in Mauritania than in Senegal, some species are overexploited or on the verge thereof, notably, higher-value species, such as octopus and small pelagic (sardines and mackerel) used for fishmeal.[51] Global warming may be affecting resources, while the incentives for overfishing will intensify as global fish stocks dwindle. The value of the sector in 2013 was estimated at roughly US$10 billion, though the cost of the annual depletion of fish stocks is estimated at a rate of US$390 million.

52. **Opportunities for expanding and diversifying the fish export base are clouded by poor postharvest handling of catches, the concentration of market outlets and commodities, and the shortcomings of the state export promotion agency.** The dilapidated state and poor management of national semi-industrial coastal and artisanal fleets, together with illegal fishing and inadequacies in post-harvest handling and export facilities have weakened the prospects for the exportation of high value-added fresh fish products. The dramatic expansion in frozen fishmeal exports for animal consumption occurred as a result of the dominant interventions of certain elite interests and high commodity prices. But it poses a serious threat to the sustainability of fish stocks, limits the availability of raw material for new value-added fish processors and creates few jobs or economic benefits. The Government's commitment to phasing out fishmeal exports represents a critical step in the right direction. The business environment for foreign investment in processing has improved through the launch of the Free Zone and the Fisheries Transparency Initiative (FITI), however the institutional capacity to carry out the reforms needs to be enhanced, while the lack of broader investment climate reforms is an impediment. Fish export outlets are heavily concentrated. The European Union (EU) and Japan capture 85 percent of the export value in frozen fish products. The role of the state agency for commercial trade in fish and for promoting frozen fish exports, the SMCP[52] has been questioned. The SMCP's engagement in taxation and repatriation of currency overlaps with the functions of the Customs Authority and Central Bank. As an export promotion agency, the agency has also demonstrated limited proactivity in pursuing alternative markets in Africa and Asia or supporting exporters.

53. **Mauritania stands out in the region for the Government's commitment to transparent, sustainable fish resource management.** Enhancing institutional capacity, the effective implementation of the FITI, and the radical shift to the fisheries management quotas introduced in 2015 are critical to the management of depleting fish stocks. Particular efforts are needed to deploy monitoring capacities to verify compliance with the new quotas. To harness the sector's potential for job creation and inclusive growth, the Government should boost the capacity for processing value added products for human consumption by

[51] Technical assessments were conducted by the *Institut Mauritanien de Recherches Océanographiques et des Pêches* (Mauritanian Institute for Oceanographic Research and Fisheries) in 2006 and the Fisheries Committee for the Eastern Central Atlantic of the Food and Agriculture Organization of the United Nations in 2010.

[52] *Société Mauritanienne de Commercialisation de Poissons* (SMCP)

pursuing investment climate reforms and promoting diversification in processing among fishmeal producers. Opportunities exist for diversification in the export base to prevent the overexploitation of fish stocks and to optimize revenue. This will require developing alternative export outlets (air and land), new export destinations in Africa for existing exports in small pelagic (but for human consumption), investment markets for species that are not overexploited, a modernized national fleet, public-private partnerships in the development of port facilities, enhanced postharvest handling and export facilities, and a review of the role of the state fish commercialization agency in promoting exports.

***b) Livestock***

54. **Livestock rearing occurs principally in the poorest regions with predominantly poor populations engaged in all of the three main livestock systems operating in the country.** Extensive transhumance-based pastoralism represents the dominant system and is concentrated in the southeast. Transhumant herders tend to be poor and many do not own the entirety of their herds. Though the transhumant system has proven resilient to harsh climatic conditions, the effects of climate change have a deleterious impact on the availability of water points, forcing transhumant herders across the border and into the southern agricultural areas. Traditional sedentary agro-pastoral systems exist around the Senegal River valley. In these areas, livestock is closely linked with rain-fed and irrigated agriculture where fodder production is most economical and poor pastoralists engage in mixed low productivity agro-pastoral practices. Small ruminant and poultry keeping systems are also prevalent amongst poor rural populations in these areas, with livestock considered as a principal savings mechanism. Women play an important role in animal rearing at the household level (milk collection and poultry). Modern sedentary systems, which tend to be dominated by wealthy elites, are only nascent in Mauritania. The livestock sector is highly redistributive, with an estimated 80 percent of the value-added captured by primary producers.

55. **Although international and domestic demand for livestock products has grown, domestic transformation remains below potential in all sub-sectors and the potential for export diversification outside the traditional regional market has yet to be tapped.** Meat production has so far been exclusively destined for the national market and informal transhumance-based live animal exports for traditional neighboring regional markets. Exports of livestock are handicapped by the quality of the animals and meat available on the local market, the absence of timely and reliable information on prices and demand in the import countries, the lack of professionalism of the exporters, who operate mainly in the informal sector, and the many "informal taxes" traders must pay along their route. Poor zoo-sanitary and public health safeguards preclude access to the dynamic and lucrative frozen and fresh meat markets in MENA. The local transformation of hides and skins is limited and more than 80 percent are informally exported with no significant value-added in Mauritania. The export of hides and skins is hindered by the limited competitiveness of local tanneries, the absence of modem slaughtering processes and the poor conditions of the skins offered for sale. Import substitution of milk and milk products is constrained by low supply, while efforts to export camel milk and camel cheese have interesting prospects in export niche markets but are limited by strict zoo-sanitary regulations prevailing in the EU market.

56. **Despite its significance, the livestock sector has been neglected by government spending and policy.** In 2014, less than five percent of the budget of the then Ministry of Rural Development was allocated to the sector, and the last livestock census dates to colonial times. The Government has yet to adopt a detailed strategic plan for the sector. The limited de-concentration of extension and support services, together with the lack of enforcement of animal health and sanitary policies and poor input controls, have had a significant impact on livestock productivity. The litany of failed and unproductive private sector endeavors (notably in tanneries) reflects a weak business environment for agro-processing, the prevalence of uncompetitive practices and particular difficulties in accessing credit. The dedicated credit organization *Union Nationale des Coopératives d'Epargne et de Crédit pour l'Elevage* (the National Union of Livestock Savings and Loan Associations), created in 2008 to address private sector funding constraints, has never entered into operation, although the Government is currently reviewing credit mechanisms in the sector.

57. **The Government recognizes that, to harness the potential in the livestock sector, more substantive engagement in sectoral management is needed.** In the short term, there is a pressing need to close the knowledge gap on how the sector operates and to chart a course for strategically supporting sectoral development. The creation of the Ministry of Livestock in 2014 and plans for a livestock census are pivotal first steps. The Census ought to be accompanied by an in-depth assessment of key value chains and a more detailed identification of the bottlenecks to productivity and export diversification. The ongoing elaboration of a national livestock strategic plan would need to involve the engagement of all stakeholders and incorporate a market- and private sector–driven export development stance. Budget allocations befitting the sector's weight in the economy will also be critical in facilitating the implementation of the policy.

58. **Targeted efforts to enhance the resilience of livestock and agro-sylvo-pastoral producers in the face of climate change and to promote domestic processing and export diversification will need to be prioritized.** Addressing the environmental sustainability of the transhumance-based system will require medium-term investments in pastoral hydraulics and research into genetic breeding modifications, the protection of transhumance corridors, and the promotion of fodder crops for midseason and drought. The authorities could also strengthen the early drought warning and response system for livestock. Enhancing the complementarity of mixed agro-pastoral sedentary systems will require the introduction of climate smart agriculture practices and improved land management. To develop a competitive and diversified export base, the promotion of animal product-processing activities, including animal feed, meat, milk, hide and skins, and gelatin, together with targeted measures to improve the business environment in the sector, will be critical.

### ***1.3. Promoting Productive and Inclusive Cities for Longer-Term Structural Transformation***

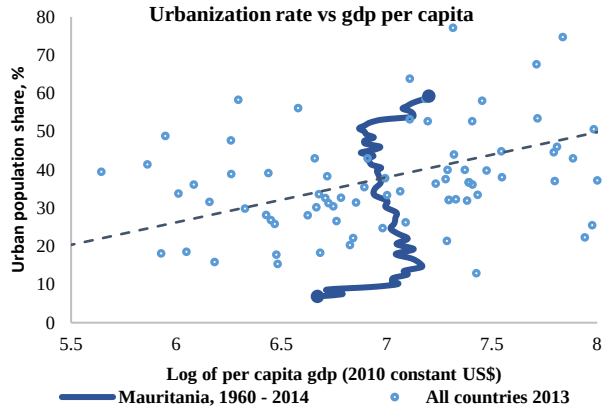
59. **Mauritania has yet to reap the economic productivity and poverty reduction gains associated with agglomeration economies.** The urbanization rate of 60 percent is well above the SSA average of 37 percent and has been driven mainly by push factors. Rural and nomadic populations have been migrating to cities as an adaptation strategy to cope with droughts and desertification. Urbanization tends to stimulate agglomeration economies and is associated with higher per capita incomes and poverty reduction. However, in Mauritania, periods of rapid per capita income growth seem to coincide with slow increases in urban populations, while periods of quasi-economic stagnation or slight regression are associated with rapid urbanization.

60. **The "leapfrog" urbanization pattern in Nouakchott raises the costs of the provision of service infrastructure and creates structural impediments to the private sector and to integrated labor markets.**[53] Nouakchott has a much flatter and lower population density gradient than other African capital cities. The urbanization pattern is characterized by discontinuous or "leapfrog" development, resulting in voids between developed land parcels and sprawling, low-density settlements. This hinders economies of scale and raises appreciably the cost of providing basic network services, such as sewerage, drainage, water, waste collection and electricity. It also impedes mobility, resulting in long, costly travel distances between jobs and services. The paucity of personal automobile ownership and public transport has led to fragmented, inefficient labor markets whereby supply and demand are met locally rather than within an integrated urban area, which likewise prevents the emergence of large-scale firms and traps Nouakchott in a low level development trajectory.

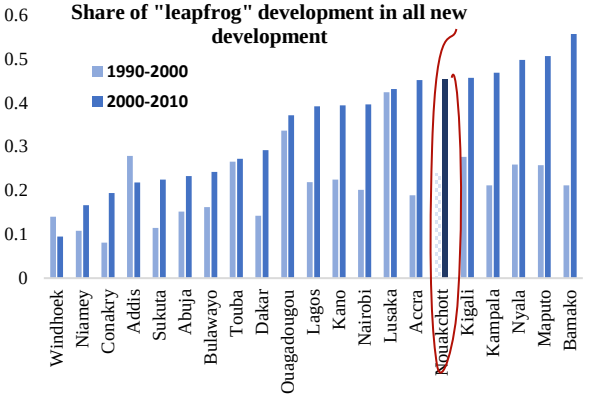
[53] The absence of data precludes a comprehensive analysis of all cities. The SCD focuses on Nouakchott, which hosts 45 percent of urban dwellers and 30 percent of the total population.

**Figure 3- Mauritania's Urbanization Dynamics**

*Urbanization in Mauritania is mainly a result of push factors linked to economic slowdowns rather than economic growth*




*The dominant urbanization pattern is of low-density, discontinuous settlements, with Nouakchott having one of the highest degrees of leapfrog development in Africa*




Sources: WDI, World Bank staff calculations based on Baruah 2015.

61. **Poor urban planning, institutional coordination failures, and policy shortcomings in land and access to finance have accentuated urbanization challenges**. Efforts to develop comprehensive city master plans have been outpaced by the speed of urbanization. Though a more refined analysis is warranted, it appears that the Government's equity-driven programs to subsidize land distribution may have fueled land speculation. Subsidized landholders have no incentive to develop their plots, but hold on to them to sell later at higher prices. The lack of efficient, affordable financing precludes private sector developers from constructing higher-density, multifamily lodgings close to activity centers. City-based private sector operators are burdened by the high cost and limited availability of reliable services. Decentralization has conferred extensive responsibilities on urban municipalities for urban management; yet capacity and fiscal resources remain limited. More broadly the lack of effective coordination within and between the structures charged with overseeing urban development create challenges for the development of individual cities, while government efforts to strategically manage national territorial development have yet to be analyzed.

62. **Environmental degradation and climate change threaten the sustainability of coastal cities.** The two main coastal cities, Nouadhibou and Nouakchott, are exposed to substantial risks of inundation and submersion. In the short term, this will affect population settlements, groundwater and aquatic resources, and infrastructure. In the medium term, the existence of the coastal cities could be jeopardized. The authorities are acutely aware of the challenges and have developed a strategic management plan for the coastline, investing in significant sand dune fixation. However, an in-depth assessment of implementation has yet to be carried out and implementation coordination challenges, particularly to enforce controls against human-induced sand dune erosion, persist.

63. **Leveraging rapid urbanization to transform cities into poles of inclusive economic growth and diversification is a long-term endeavor, requiring strategic planning.** A panoply of reforms will be needed to enhance urban planning, promote urban development, strengthen coordination between central and decentralized institutions, improve the business environment and develop coping strategies to manage the considerable environmental risks. Further analysis of the economic growth potential of cities, the spatial dimensions of strategic territorial development (including the absorptive potential of secondary cities) and a prospective modeling of specific cities will be needed.

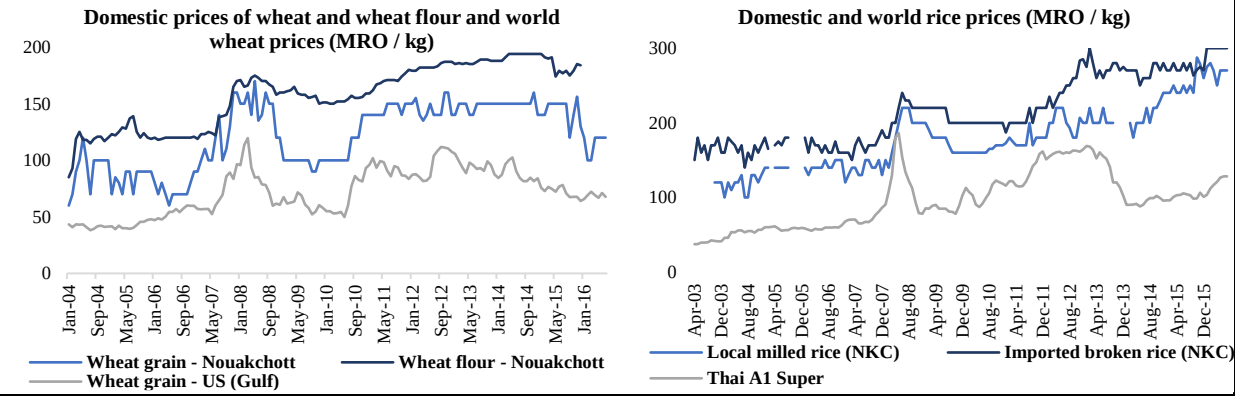
II. PROMOTING EQUITY: *Tackling the structural barriers that restrict the poor from building their financial, human capital and productive assets*

### *2.1. Addressing High Food Prices in Nouakchott*

64. **Stubbornly high domestic prices of cereal imports in Nouakchott place heavy burdens on poor urban consumers and suggest a lack of competitiveness, especially in rice.** The domestic prices of wheat and rice in Nouakchott are well above international prices. In 2004–16, the average price of wheat and wheat flour in Nouakchott were, respectively, 73 percent and 130 percent higher than world prices, while the gap in rice averaged 92 percent and 134 percent. Price transmission is asymmetric: increases in international prices are transmitted more quickly than decreases to domestic prices. The difference between domestic and world prices is not unusual in West Africa and is often attributed to the cost of transport and insurance, distributor margins, customs duties, and handling charges. An analysis of the cost structure of imported wheat and rice in Nouakchott in 2014 reveals that over half the retail price can be attributed to gross distributor margins, while tariffs, taxes, handling, and transport costs only play a minor role. Though the food import regime appears liberal and transparent, that domestic prices are influenced by importer profit margins suggests that, in practice, the sector is dominated by a concentration of interests and influenced by uncompetitive practices.

**Figure 4- Mauritania's Food Price Dynamics**

*Domestic prices of wheat and rice in Nouakchott are well above the level of international prices*




Sources: Fews Net and ONS for domestic prices; FAO for international prices; OANDA for USD / MRO exchange rate.

65. **The Government sought to raise domestic rice and wheat production to cut dependency on food imports, but the substitutability of domestic products is limited by low quality.** Government input subsidies and price support programs resulted in productivity and production improvements in rice. Yet, rice imports also rose sharply over the same period, and the prices of local and imported rice increased in Nouakchott by 50 percent and 11 percent, respectively, in 2014–16. Although domestic rice production can potentially compete with imported rice, local consumers consider domestic rice inferior, and this has kept the demand for imported rice high.[54]

66. **Tackling high food prices in Nouakchott to benefit the urban poor will require ensuring an effective trade-off between improving the substitutability of domestic rice production and enhancing the competitiveness of the rice importation market.** High food prices negatively impact upon the country's poverty reduction objectives and there is a strong case for further investigating and addressing the indications of market domination and un-competitive practices that appear to influence price levels. At the same time, if the quality of domestic production is improved, the Government's import substitutability program could reduce the country's food import dependency creating a buffer against food insecurity when world food prices are high. This would require short-term efforts to support producers in quality enhancing initiatives across the value chain and longer-term efforts to facilitate the pro-poor extension of small

[54] On the basis of estimates prepared for the SCD, the cost price of one kilogram of milled rice in Nouakchott ranged between UM 73 and UM 97, which was below the duty paid price of imported rice in 2014.

irrigation in the Senegal River valley. Lowering imported food prices and simultaneously investing in improving the substitutability of domestic food products could be counter-productive. Trade-offs would need to be made and the economic efficiency of investing in water-intensive rice production in a water-scarce country would need to be taken into account.

### ***2.2. Promoting the Equitable Distribution of Land in the Senegal River Valley***

67. **It appears that few poor small-scale producers hold formal land tenure rights in the Senegal River valley, while most rely on informal customary rights.** The land law of 1983 created a legal framework for conferring formal individual and collective land rights. Its implementation enabled cooperatives of small-scale producers, including women and Haratine farmers, to gain access to irrigated land in Brakna, Guidimaka, and Trarza. However, few formal titles appear to have been issued.[55] The length and complexity of the registration process have favored wealthier, large-scale producers, urban elites, and foreign agricultural investors. The majority of small-scale, low-income producers rely on prevailing, though formally abolished, customary land management systems, which provide for the flexible transfer of land among different users through a variety of leasehold and usufruct arrangements. Certain groups, notably women, transhumant pastoralists, and former Afro-Mauritanian landowners exiled in 1989 face difficulties accessing land under both systems.

68. **Weaknesses in the design of Mauritania's land policies have ultimately resulted in limited take up and the *de facto* continuation of a dual system that is the source of both tenure insecurity for land users and investors and social tensions.** Though customary land rights were formally abolished by the statutory law, they continue to be upheld under Islamic law. Of the total land area, an estimated 85 percent is held under customary land tenure by 90 percent of the population.[56] In addition, the availability of an option to convert collective rights into individual rights has created a disincentive for members of cooperatives to invest in collective land, while the influence of customary norms may have dissuaded many from seeking to register individual rights. The lack of clarity in the legal framework for titling and large-scale investments is a source of social tensions and tenure insecurity among local communities and investors and thus affects the business environment.

69. **Institutional capacity limitations and the influence of customary norms have created opportunities for land capture and generated citizen mistrust in the formal land registration processes.** The lack of (i) reliable cadastral surveys, (ii) mapping and databases of rural land, (iii) an up-to-date land registry, (iv) reliable record-keeping and (v) well-trained personnel constitute serious impediments to the effective implementation and enforcement of the land law and the delivery of quality land administration service. These weaknesses have also fostered patrimonial practices and corruption in the registration of land interests, enabling privileged urban elite interests to capture valuable land resources (often also co-opting traditional leaders). Local conflict resolution and judicial processes are compromised by weak capacity and by the influence of traditional cultural leaders, perpetuating the marginalization of certain groups, particularly women.

70. **There is widespread acknowledgement of the shortcomings in the existing dual system of land rights and the weak land administration apparatus and the Government has committed to an ambitious process for reforming the land policy framework.** The Government has also engaged in the development of a statutory framework for the protection of movable and real property rights tenure ("droits réels")[57]. Improving the distribution of land in the Senegal River valley will need to be a key focus of the strategic vision for land management in Mauritania and should draw upon a thorough analysis of the

[55] Except for the land cadaster in Rosso, there are no reliable statistics on land titling in the Senegal River valley.
[56] World Bank (2014), "Land Governance Framework Report," World Bank, Washington, DC.
[57] République Islamique de Mauritanie 2015: Termes de Référence pour l'Elaboration d'un Code des Droits Réels en Mauritanie. Ministère de la Justice ; Ministère des Affaires Economiques et du Développement ; Ministères des Affaires Economiques.

prevailing interests, practices and land distribution arrangements in the region. The strategic vision will need to incorporate: (i) the recognition, delimitation and formalization of the multitude of ownership and land use rights, including cultural rights; (ii) shared land and water use planning and participatory natural resource management, including the promotion of multi-stakeholder land agreements and conventions; (iii) mechanisms to strengthen communal land management institutions to facilitate the co-existence of pastoralists and agricultural producers. Improving the land conflict resolution processes also represents a key priority.

### ***2.3. Improving Equitable Access to Social Services to Promote Human Capital Development***

71. **Regressive public spending in health, education and social assistance results in inequitable access to services and reinforces the low human capital base of the poor in Mauritania.** Despite efforts to increase public spending on social services in recent years, spending is low compared with economically similar countries and it is not equitably distributed. In education, though spending on primary education is comparatively high, the poorest children receive the least benefit from overall education spending. Two thirds of children from the poorest quintile are not in schools and those who are enrolled are almost four times less likely to complete primary education than those from the richest quintile. Yet 66 percent of students who completed primary and lower secondary benefited from 51 percent of public resources in the sector, while the 17 percent of students who completed upper secondary benefited from 49 percent of education expenditures**.** The geographic distribution of education resources is also biased towards wealthier regions, with per-student expenditure in poor rural regions considerably below the national average. In health, there is evidence of geographic distortions in spending that disadvantage regions characterized by high poverty. Recent analysis also indicates that social safety net subsidies in the food and energy sectors have failed to reach the poorest segments of the population. While spending on water, sanitation and hygiene services is limited, further analysis into the distribution of spending on water and sanitation is needed to better understand the significant gaps between rural and urban areas – an issue that is common in many countries in the region.

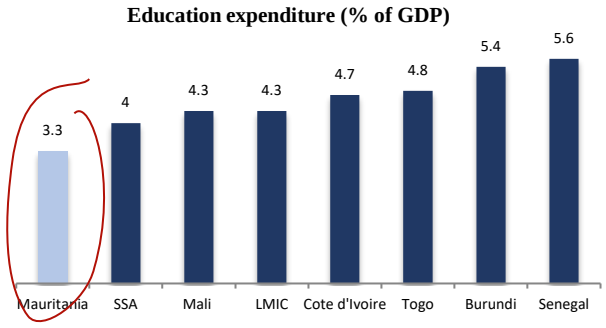
72. **Inefficiencies in public spending in social services, together with the shortage of qualified human resources compound the challenges faced by the Government in delivering quality public services that are targeted to poorer populations.** Recurrent expenditures in education represent 85 percent of total spending, leaving limited resources for critical inputs to improve learning outcomes. At the same time teacher capacity is low, with only five percent of student teachers considered to be bilingual in a system that introduced bilingualism almost two decades ago. Few teachers are actually teaching in schools, with heavy concentrations in privileged urban centers. In health, the situation is strikingly similar. Front line services that offer health care to three quarters of the population only receive one third of public health resources, while half of the resources are allocated to tertiary services and central administration. And medical expertise is also heavily concentrated in Nouakchott and regional health centers.

73. **Sectoral governance challenges cut across the social sectors, reinforcing distortions in access to services and limiting the impact of finite resource allocations on human development outcomes in Mauritania.** Institutional weaknesses in coordination and organization, together with limited statistical capacity hamper effective evidence-based policy decisions in the respective ministries. The allocative efficiency and service provision gains anticipated from the decentralization process have also yet to materialize and local governments have insufficient resources and weak capacity to fulfill their mandates. Informal institutions also play a critical role in undermining equitable access to services. The entrenched system of patronage in the public administration limits the accountability of government workers and opens opportunities for policy distortions. At the same time, social norms[58] create ongoing hurdles for certain parts of society to take advantage of basis service provision.

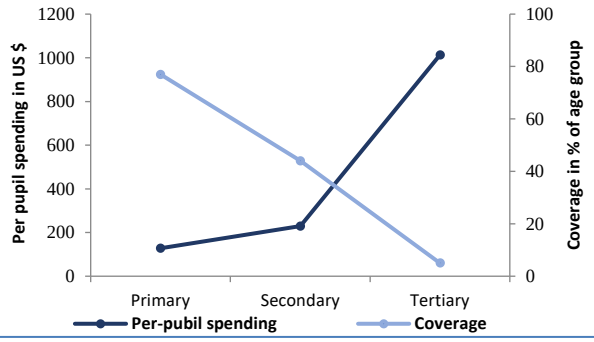
[58] For example, early marriage (even though prohibited, but still practiced) impedes girls from pursuing education or careers.

## Figure 5: Key Resource Constraints in Mauritania's Social Sectors

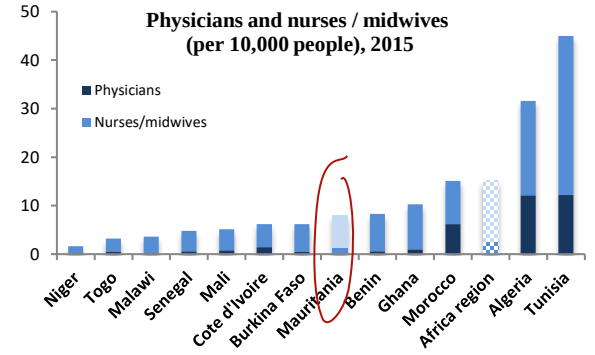
*Financial resources devoted to social services (as indicated in the education sector) fall below key comparators*



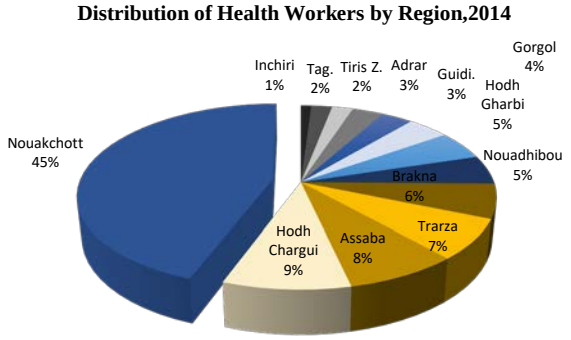

*and they are regressively distributed, disadvantaging already vulnerable groups*




*Human resources are also insufficient (as demonstrated by the health sector)*




*…and are similarly regressively distributed across regions in favor of bigger urban centers*




Sources: WDI, WHO, Ministry of Health

74. **Mauritania has made important strides in improving access to education, however these gains are undermined by policy weaknesses in improving educational quality as reflected in low learning outcomes.** There appear to be difficulties in implementing the 1999 education reforms, which introduced bilingualism and other structural changes. Low learning outcomes and falling literacy rates among young children have become evident. The deteriorating quality of public primary education has created a crisis of confidence.[59] The national education system is becoming fractured. Enrollments are rising more quickly in private schools than public schools. Though private schools generally perform better than public schools in terms of learning outcomes, the standards in the private market are heterogeneous and there are few quality assurance mechanisms in place. At the other end of the spectrum, the parallel system of religious education in the *mahadras*, captures a significant proportion of poor children who are left behind by the public education system. These institutions provide little to no instruction in Math, Science or languages other than Arabic. Government efforts to better control the *mahadras* and create bridges between traditional Islamic and modern schools date back to 1959, yet with the exception of initiatives focused on secondary and tertiary education, the public and traditional systems of education have evolved separately. Government initiatives to target underprivileged zones and introduce public schools of excellence represent positive steps towards creating a more equitable education system, yet targeting with respect to both initiatives continues to pose challenges.

[59] Parents cite the low quality of public education as one of the principal reasons—after cultural considerations and distance—for keeping their 6- to 11-year-old children out of school.

75. **To ensure effective returns to education among the poor, the relevance of education to the labor market needs to be strengthened.** There are significant skills gaps in Mauritania, particularly in sectors such as education, health and government. It is estimated that there are about 350,000 unemployed out-of-school youth (15-25 years of age) without any employable skills and 65,000 additional school leavers each year. Six percent of firms considered workers' low education levels to be their number one problem, which was an increase over 2006 and twice as high as the SSA average.[60] Despite a trebling in enrollments in technical and vocational schools, skills acquisition is limited. Spending on tertiary education also showed an upward trend, accounting for an average of one-fifth of total education spending in 2010–14. However, the quality and relevance of higher education remains a challenge. While tracer studies of university graduates are done only occasionally, job insertion rates among university graduates are low.

76. **The Government has identified critical policy reforms to address the affordability of health care services and to target reproductive and maternal health.** About 44 percent of health care spending involves direct payments by households, which is above the regional average. Vulnerable groups—mainly poor households—are the most affected by the financial burden of health care: 1.5 percent of the population is likely to fall into poverty because of catastrophic health spending (more than 160 people a day). Free health care and subsidized programs (malaria and obstetrical care) are underfunded and inefficient. The Government also developed the National Strategic Plan on Reproductive Health 2016–2020 to improve the supply of priority reproductive health services and to advocate for these types of services. The implementation of these policies and the targeting of services to poor and vulnerable populations constitute key challenges. Certain socio-cultural norms, including the widespread but illegal practice of female genital mutilation, negatively impact upon women's health and undermine health policy reforms.

77. **Good health and capacity to learn are underscored by access to potable water resources and sanitation and hygiene services, together with wholesome nutrition.** Acute deficits in access to water and sanitation in rural areas and underprivileged urban areas reflect a combination of weaknesses in the legal and policy framework and the limited promotion of private sector innovation. Social safety nets have been structured around providing crisis responses in the form of food aid, with food transfers accounting for 82 percent of total spending on social safety nets between 2008 and 2013. Yet international evidence shows that long-term food subsidy and/or distribution programs may increase vulnerability by reducing the incentive for the private sector to maintain functioning food markets. Social safety nets are fragmented and poorly coordinated and school feeding and nutrition programs have received limited resources in recent years. However, the Government's National Social Protection Strategy, if effectively implemented, would significantly improve the impact of social protection spending on the poor.

78. **Access to energy, particularly in poor rural areas, also contributes to improvements in well-being and human development.** The absence of sterilization equipment and refrigeration for the preservation of basic medicines, the lack of lighting to enable reading and other productive activities in the evening and the inability to pump potable water all influence weak human development outcomes in rural areas. Mauritania has made substantial progress in increasing generation capacity, with 20 percent solar and wind capacity in the energy mix, 23 percent hydro-carbon imports and potential to export gas-based generation. However, the rural energy access rate falls well below that of regional comparators, at only 4 percent. Access to rural energy is hindered by the absence of a coherent rural access strategy and fragmented institutional arrangements.

79. **Moving forward, a number of 'quick win' solutions, if taken in the short term, could help to yield important returns on investments in human capital down the line.** Notwithstanding the finite fiscal envelope, there is considerable scope for the Government to review the allocation of resources and the efficiency of expenditures devoted to the education, health and water and sanitation sectors to better target

[60] IFC (International Finance Corporation) and World Bank (2014), "Mauritania: Country Profile 2014," Enterprise Survey, World Bank, Washington, DC.

poor populations and to take action on specific shortcomings in human development outcomes. In education, this will require focusing on raising the quality of public schooling in the most underprivileged zones, improving targeting mechanisms to give the poorest children opportunities to access scholarships and public schools of excellence and creating effective channels between public schools and the religious educative system. It will also involve reinforcing efforts to improve the relevance of the vocational education and training system, by auditing public training and university institutions and better analyzing labor market deficits. In health, the reallocation of resources to front line primary care and focusing interventions on improving maternal and infant health are needed. Whilst in the water and sanitation sector, further analysis is required to identify the opportunities for resource re-allocations. Concerted efforts will also be needed to improve the quality of service provision by strengthening institutional and individual capacity at both the central and decentralized levels and ensuring the effective management and control of teaching and health personnel, in particular. While decentralization processes will take time to develop, there are immediate gains to be made from harnessing the potential for citizen engagement in monitoring service delivery provision, drawing from the wealth of innovative practices engaged in other countries,

80. **Building Mauritania's human capital base and ensuring equitable access to services will require a multifaceted and holistic response over the medium to long term.** At a strategic level, the heavy emphasis on capital investments that has characterized Mauritania's economic space will need to make way for increased spending in social services. While improving the education system clearly represents a top order priority, the adoption of a life-cycle approach to human development could yield much greater returns for the country in the medium to longer term. Investing in reproductive health would help to accelerate the demographic transition and consolidate the demographic dividend. Emerging evidence also indicates that investing in early childhood has a significant impact on children's health and readiness to learn and can bring important economic returns later in life, often greater than investments in formal education and training later in life. In adopting a life-cycle approach, the authorities would need to prioritize maternal, neonatal and child health, adequate nutrition (especially in the first 1,000 days of a child's life), early stimulation and learning opportunities, whilst ensuring that social protection mechanisms are consolidated and provide appropriate incentives for behavioral change to encourage early childhood development. The development of a universal health coverage policy will also be critical. Furthermore, the policy and institutional framework for rural energy access needs to be consolidated to facilitate the expansion of mini-grid and off-grid technologies, with a particular focus on renewables.

III. REINFORCING GOOD GOVERNANCE AND SOCIAL COHESION: *Broadening the political, economic and social space through transparent public resource management and the protection of the vulnerable.*

### ***3.1. Improving the Transparency and Effectiveness of Public Expenditures and Investments***

81. **Public financial management reforms have yielded discrete results, yet implementation failures have meant that the changes in practices and outcomes are limited.** The 2014 Public Expenditure and Financial Assessment (PEFA) exercise shows little or no progress since 2008 and, in some cases, deterioration in performance. Despite improvements in recent years, budget preparation processes lack credibility and are poorly aligned with policy objectives. Budget execution is characterized by weak internal and external controls and irregular oversight and monitoring of public spending. Little progress has been made on oversight of the large parastatal sector, or on the integration of financial management information systems. The low standards of the auditing and accounting profession weaken efforts to impose controls and accountability. While Mauritania scored poorly on the performance of its internal and external control institutions, some notable advances in auditing in the Court of Accounts will likely change this rating.[61] The new public finance framework law is expected to introduce, among other reforms, program-based budgeting

[61] The low performance of the internal auditor, General State Inspector and the Supreme Audit Institution is reflected in the relevant PEFA scores, which are all rated D.

and a detailed process and calendar for budget preparation. However, past experience has shown that introducing policy based budgeting in a low capacity environment can pose its own challenges and will not necessarily improve budget practices.

82. **Weaknesses in the national procurement processes, raise the risks of fraud and corruption, particularly in a context of high capital investments.** Notwithstanding improvements to the legal and regulatory framework, many of the provisions of the new Procurement Code have yet to be effectively applied. Procurement processes are managed externally by sectoral tender commissions, which operate with limited engagement of the contracting ministry. The capacity of the commissions tends to be weak and there is limited transparency with regard to the management of procurement processes by these commissions. Serious bottlenecks and delays in procurement have the effect of limiting the annual project implementation window. Lack of procurement expertise is prevalent across the institutions charged with execution, control and regulation. The influence of the control organ/regulator is relatively limited: reports, guidance and recommendations are neither published nor adopted by the Government. Many of the large state investment contracts are managed by state execution agencies, with limited controls over their sub-contracting out to the private sector.

83. **The expanded parastatal sector plays a central role in managing public expenditures and providing social services yet, government scrutiny of SOE performance is limited.** Excluding the state-owned iron ore mining company, the combined annual turnover of the 13 largest SOEs is at least 12 percent of GDP, and they hold assets valued at 35 percent of GDP. The sector imposes a substantial burden on the national budget and represents an important source of fiscal risk. Government support for SOEs increased to 17 percent of total public spending in 2013.[62] The combined debt of these SOEs was estimated at 18.0 percent of GDP in 2014, and tax arrears were 2.3 percent of GDP. The growth in the number of SOEs and public agencies is at least partly motivated by the need to create jobs in an economy characterized by capital-intensive mining and foreign-dominated fishing. However, limited information is available regarding the performance of these entities in service delivery or operational efficiency. SOE managers have sometimes been selected on the basis of political affiliations rather than expertise, contributing to their inefficiency. Some SOEs suffer from unsustainable debt burdens, large operating losses, substantial payment arrears, and other symptoms of financial distress.

84. **Improving transparency in public expenditure management without addressing corruption and the misappropriation of public funds will likely fuel public frustration and derail reform.** The authorities assigned a high priority to the fight against corruption. A new code of ethics for public servants was introduced, and several criminal investigations were launched, leading to high-profile dismissals and a few arrests. A new Anti-Corruption Law was also passed by Parliament in February 2016. Some groups, such as the military, have escaped scrutiny. Nonetheless, perceptions of corruption, though negative, appear to have marginally improved. A key challenge will be to sustain the positive signaling effect induced by the recent improvements to the anti-corruption policy framework by ensuring effective implementation, particularly in public procurement. The systems for detecting, uncovering, and prosecuting corrupt practices are only nascent. Institutions to promote accountability have not established mechanisms for working with the public to uncover fraud and corruption. The Procurement Control Commission and external or internal auditors do not report on fraud and corruption in procurement. Though provided for in current legislation, there is no system for banning firms found guilty of procurement fraud.

85. **Moving forward, a range of reforms have been identified to strengthen the transparent and effective management of public resources.** In the short term, to improve public financial management, the authorities will need to enhance the transparency and quality of fiscal data, increase budget credibility and discipline, and strengthen the oversight of SOEs through regular performance monitoring and the publication of annual financial audits. The implementation of performance-based program budgeting, in

[62] For example, see World Bank (2013), "Governance of State-Owned Enterprises and Public Agencies in the Islamic Republic of Mauritania," Report 78013-MR, World Bank, Washington, DC.

the medium term, would require significant organizational changes in public administration. Particular emphasis should also be placed on enhancing the transparency of procurement through the consolidation of the Public Procurement Code, the adoption of comprehensive regulations, and support for independent procurement entities. Oversight and complaints handling mechanisms need to be strengthened. Further analysis is also required to identify options for improving the transparency of sub-contracting between state execution agencies and the private sector. Public investment could be made more efficient by prioritizing public expenditures and improving monitoring and evaluation. Genuine attempts to combat corruption will require building the commitment and capacity of the judicial authorities to proactively pursue cases of corruption and fraud. Crucially, the authorities will also need to focus on improving communications with citizens and the media to signal commitment to substantively tackling corruption.

86. **Enhancing transparency in public expenditures is a necessary, though politically challenging, precursor to facilitating greater accountability and signaling a credible commitment to improved governance.** Despite the Government's commitment to reform, efforts to rationalize public-expenditure management, and to strengthen rules for procurement procedures and those governing conflicts of interest will likely face resistance from powerful constituents. For reforms to be successful, national reformers within the Government will need to establish broad-based and inclusive coalitions with influential sectors in society as well as international donors and investors. These forces will have a better chance of withstanding the pressures that are bound to emanate from groups standing to lose out in the reform process. In a context in which rents have declined, the effective implementation of these reforms will be a litmus test of the Mauritanian leadership's willingness to embrace a more open and inclusive model of governance and to build broader coalitions of support beyond existing informal elite networks.

87. **The creation of a more inclusive political bargain will ultimately also require sustained efforts to develop modern, rule-based institutions and more effective modalities for citizen engagement and contestation.** The in-depth analysis of the preceding priority constraints identifies a panoply of targeted institutional and governance reforms, including those related to extractive revenue mobilization, that are critical to developing the foundations for an inclusive governance environment. Across the sectors, the need to strengthen the authority and capacity of state institutions also emerges and reinforces the over-arching importance of building a public administration that is performance-driven, capable and accountable, both at the central and local levels. In the short term, the strategic vision for the modernization of the public administration needs to be refined, with particular emphasis on recruitment and nomination processes. Further along, there is a need to consolidate and effectively apply a merit-based performance management system. Modalities for strengthening citizen engagement will also be critical to unlocking the narrow confines of the political settlement. In the short to medium term, there are opportunities to draw upon the extensive coverage of local non-governmental organizations and harness the hitherto untapped potential of local citizen engagement to enhance local level accountability routes. Over the longer term, the decentralization process could play an important role in strengthening local level contestation, but will require further political commitment for an effective decentralization of resources.

### ***3.2. Consolidating the Social Contract***

88. **Fostering a sense of belonging to the nation constitutes an elemental part of building a social contract in Mauritania, but is complicated by an incomplete national unification process and a fractured education system.** Social unification processes, though advanced, have yet to achieve their expected impact. The Program for the Prevention of Conflicts and the Consolidation of Social Cohesion (*Tadamoun*), has received significant public funding but has been criticized for its heavy emphasis on investments in infrastructure and limited effectiveness in service provision. Bilingualism in schools has done little to improve feelings of alienation and resentment linked to the government's language policies. Whilst recognizing the multi-ethnic dimension of the Mauritanian State and the existence of several national languages, the Constitution upholds Arabic as the country's sole official language. Arabization policies, especially in education and justice and legitimized discrimination practices against non-Arabic speaking

communities, according to these communities, further fueling ethnic and linguistic divides.[63] Attempts to unify Arabic and French education streams through a bilingual system have encountered difficulties in implementation.

89. **More broadly, the fractured education system presents a key challenge to the cultivation of a common national identity in Mauritania, locking youth into the logic of division and socio-lingual based difference.** The poorest and most disadvantaged students are geographically and economically wedged into choosing between poor quality public education and Islamic *mahadras.*[64] Government attempts to improve connections between the Islamic and public education systems have largely failed, reflecting limitations in resources, weak institutional coordination and resistance by certain religious leaders. While the majority of *mahadras* do not propagate violent ideologies, certain *mahadras* and mosques have become important social networks that bind together students that are already alienated and isolated from their surroundings opening up the possibility for radicalization by charismatic preachers. The influence of these institutions merits more detailed analysis.

90. **Regulatory complexities and practical impediments to civil registration have also hampered the development of a unified sense of national identity.** Voting, travel within the country, and access to education, health care, and other social benefits depend on the formal registration of an individual in the civil registry. However, controversies over access to this process have fueled unrest, magnified identity cleavages, and fostered sex-based discrimination. For example, the legal framework restricts a woman's ability to transmit her nationality to children conceived out of wedlock, and urban refugees and asylum seekers face difficulties in registering their children born in Mauritania. The process of birth registration and of obtaining national identification cards is also complicated and expensive, making it inaccessible to the children of the poorest, least well-educated, and most remote members of the population. According to the United Nations Children's Fund, only 58.8 percent of under-5-year-olds are currently registered because many in this age-group have no birth certificates. The policy has led to the issuance of national identity cards, passports, and residency cards to, respectively, only 62 percent, 6 percent, and 4 percent of individuals enrolled in primary, secondary, or tertiary education.

91. **Building an inclusive social compact requires better protection of vulnerable groups by state institutions.** The poor performance of the country's judicial and informal dispute resolution institutions represents a serious obstacle to the protection of the most vulnerable, including women and people subjected to cultural slavery.[65] The 2016 Ibrahim Index of African Governance ranks Mauritania's rule of law 40th of 54 African states and points to a 15-point deterioration in the quality of the rule of law since 2006.[66] Despite government programs to strengthen the capacity of judges, improve access to legal aid, and enhance the delivery of judicial services, public spending on the justice sector has declined.[67] The absence of in-depth analysis of the needs of the vulnerable and of the interface between French, Arabic and informal dispute resolution processes impede effectively targeted reforms. The social protection system is a cornerstone of the state's protection of the vulnerable. Significant strides have been made through the adoption of a comprehensive national social protection strategy in June 2013, the creation of a social register for extremely poor and vulnerable households, and the design of a conditional cash transfer system, *Tekavoul* (solidarity), which will provide resources to support households in developing human capital and building productive capacity. The Government has recognized the need to maintain a safety net system that combines stable, continuous support to vulnerable households through a coordinated mechanism for

[63] See "Police Disperse Mauritanian Blacks in 'Racist' Protest," *Al Arabiya News* (November 28, 2011), Nouakchott, Mauritania, http://english.alarabiya.net/articles/2011/11/28/179742.html. In 2010, confrontations between Arabic- and non–Arabic-speaking students erupted after ministers said Arabic was the dominant language. In 2011, a civil census excluding non-Arabic speakers led to massive protests, conducted, for instance, by the movement *Touche pas à ma Nationalité* (don't question my citizenship).
[64] Anouar Boukhars "Mauritania's precarious stability and Islamist Undercurrent", Carnegie Endowment for International Peace, (Feb. 2016): 10.
[65] *Dialogue National Inclusif* (comprehensive national dialogue), Nouakchott, September 29–October 18, 2016.
[66] IIAG (Ibrahim Index of African Governance) (database), Mo Ibrahim Foundation, London, http://mo.ibrahim.foundation/iiag/.
[67] World Bank (2016), "Mauritania: Public Expenditure Review, Update," World Bank, Washington, DC.

activating emergency responses in the event of crises. Nonetheless, the proliferation of humanitarian emergency assistance schemes and the maintenance of untargeted subsidy programs limit the extent to which vulnerable populations are supported by the social safety net. Inadequate institutional capacity and resources also pose considerable barriers to the sustainability of the safety net system.

92. **Among the litany of potential solutions identified for consolidating the social contract, the following are considered critical:** (i) consolidate the reconciliation process that has already started by following through on committed reforms and engagement emerging from the three-week national dialogue process in 2016 and focusing on the impact of social reunification programs; (ii) explore the options for better accommodating linguistic plurality, drawing upon international experience, and reinvigorate efforts to implement education reforms, including the bilingual policy; (iii) improve the nationality and civil registration processes to ensure that the most vulnerable members of society are recognized and have access to state services; (iv) adopt a holistic approach to education that better integrates religious education, incorporates the needs of those left behind by the education system, and harnesses the educative role of actors outside the formal education system; (v) explore options for introducing affirmative action in employment, procurement, the geographical targeting of public investment, and access to credit to open economic opportunities to women entrepreneurs, as well as entrepreneurs of a specific ethnic group or social cast; (vi) improve access to justice among the most vulnerable, including protection for women, former slaves, and the landless and effectively address ongoing cases of slavery; (vii) improve the targeting and consolidation of the Social Protection System.

## E. CONCLUSION

93. **The end of the commodity super cycle marked a decisive turning point in the Government's quest to end poverty and achieve shared prosperity by 2030**. Reliant on its extractive resource wealth, the country made important inroads into both poverty reduction and economic growth during the mining boom. Yet, the dramatic downturn in international commodity prices has placed the country's extractive-driven and state-dominated development trajectory on an unstable footing. Transforming Mauritania's extractive wealth and promoting private sector–led diversification will require a phased development approach that harnesses the growth and employment creation prospects of the country's livestock and fisheries resources in the short to medium term and draws upon the country's demographic dividend and rapid urbanization as the vectors for developing productive and inclusive cities and a competent and dynamic workforce capable of supporting structural transformation in the longer term. At the same time, the equitable redistribution of land and social services and reforms to reduce high food prices in Nouakchott will be critical to creating the necessary structural conditions for the eradication of poverty. In the end, the challenges of sustaining and accelerating inclusive growth, improving equity among the bottom 40 and ensuring the sustainability of the country's development model will require a paradigmatic shift toward the creation of an open economic, political and social space, supported by capable and accountable modern state institutions and underscored by a clear vision for strengthening the country's resilience to the effects of climate change.

## Annex 1: Selected Macro- Fiscal Indicator Tables

**Table A1: Key Macroeconomic Indicators**

| | 2013 | 2014 | 2015 | E2016 | P2017 | P2018 | P2019 |
|---|---|---|---|---|---|---|---|
| **Real Economy** | annual change unless otherwise indicated | | | | | | |
| Real GDP growth | 6.1 | 5.6 | 1.4 | 2.0 | 3.5 | 2.7 | 4.6 |
| Per Capita GDP (current US$) | 1478 | 1358 | 1191 | 1112 | 1109 | 1076 | 1068 |
| Non-extractives GDP growth | 4.8 | 5.8 | 2.4 | 2.4 | 3.2 | 4.0 | 5.0 |
| **Prices** | annual change unless otherwise indicated | | | | | | |
| GDP deflator | 3.0 | -9.2 | -4.9 | 1.8 | 3.6 | 3.5 | 3.9 |
| CPI Inflation | 4.1 | 3.5 | 0.5 | 1.5 | 3.6 | 4.4 | 4.7 |
| Iron Price (US$/dmt)* | 135 | 97 | 56 | 58 | 80 | 75 | 75 |
| Copper Prices (US$/mt)* | 7332 | 6863 | 5510 | 4868 | 5941 | 6050 | 6161 |
| Oil Price (US$/bbl)* | 104 | 96 | 51 | 43 | 55 | 60 | 61 |
| Gold Prices (US$/ troy oz)* | 1411 | 1266 | 1161 | 1249 | 1234 | 1222 | 1210 |
| **Fiscal Accounts** | Percent of GDP, unless otherwise indicated | | | | | | |
| Expenditures | 25.8 | 29.5 | 32.7 | 28.6 | 28.0 | 27.7 | 27.6 |
| Revenues | 30.1 | 26.1 | 29.3 | 28.5 | 27.7 | 27.8 | 28.1 |
| Primary Government Balance | 5.2 | -2.4 | -2.3 | 1.0 | 0.6 | 1.2 | 1.7 |
| General Government Balance | 4.3 | -3.4 | -3.4 | -0.1 | -0.3 | 0.1 | 0.5 |
| Public Debt (including Kuwait debt) | 70.0 | 77.8 | 94.2 | 99.4 | 99.5 | 100.2 | 99.2 |
| domestic | 4.1 | 6.2 | 5.6 | 4.6 | 3.7 | 3.0 | 3.4 |
| external | 65.9 | 71.5 | 88.6 | 94.8 | 95.8 | 97.2 | 95.8 |
| Public Debt (excluding Kuwait Debt) | 52.5 | 59.2 | 73.5 | 77.8 | 74.7 | 76.0 | 74.8 |
| PV of Public Debt /GDP | | | | 56.8 | 61.8 | 63.2 | 62.6 |
| **Balance of Payment** | Percent of GDP, unless otherwise indicated | | | | | | |
| Current Account Balance | -22.0 | -27.3 | -19.9 | -16.0 | -17.1 | -10.7 | -9.6 |
| Imports | -53.2 | -49.1 | -40.6 | -41.0 | -44.6 | -41.5 | -40.7 |
| Exports | 46.3 | 35.9 | 29.0 | 30.2 | 32.9 | 35.2 | 34.5 |
| Foreign Direct Investment | 19.7 | 9.3 | 10.5 | 5.9 | 11.3 | 7.0 | 7.3 |
| Gross Reserves (million US$, eop) | 982 | 620 | 821 | 825 | 826 | 875 | 945 |
| in months of goods imports | 3.9 | 2.8 | 5.1 | 5.2 | 4.7 | 5.4 | 5.8 |
| in months of imports (goods & services) | 3.0 | 2.2 | 4.2 | 4.4 | 3.9 | 4.4 | 4.9 |
| ToT (index) | 34.2 | -23.4 | -18.5 | -10.5 | 1.7 | -7.5 | -2.1 |
| Exchange Rate (avg) | 296 | 302 | 324 | 352 | | | |
| GDP (nominal - billion MRO) | 1,696 | 1,626 | 1569 | 1629 | 1747 | 1857 | 2018 |
| GDP (nominal - million US$) | 5724 | 5391 | 4844 | 4635 | 4734 | 4703 | 4777 |

Source: MEF, *Office National des Statistiques*, BCM, IMF Article IV, UN Population World Bank Staff calculations.
*The public debt ratio includes a dormant US$1 billion debt to Kuwait (around 20 percent of GDP). No interest or principal repayment is done on this loan. Negotiations between the two governments are underway to cancel it.

**Table A2: Key Fiscal Indicators**

| % of GDP | 2013 | 2014 | 2015 | E2016 | P2017 | P2018 | P2019 |
|---|---|---|---|---|---|---|---|
| Total Revenues | 30.1 | 26.1 | 29.3 | 28.5 | 27.7 | 27.8 | 28.1 |
| Revenues excluding Extractives and Grants | 24.3 | 20.5 | 25.8 | 24.8 | 24.2 | 24.6 | 24.2 |
| Tax Revenues (excl. extractives) | 14.6 | 15.8 | 17.0 | 17.8 | 17.3 | 17.6 | 17.9 |
| Income and corporate tax | 5.1 | 5.8 | 6.1 | 5.8 | 5.8 | 5.8 | 6.0 |
| Tax on goods and services | 6.7 | 7.3 | 7.9 | 8.4 | 7.8 | 8.0 | 8.1 |
| Tax on trade | 1.9 | 2.3 | 2.5 | 2.9 | 2.5 | 2.5 | 2.6 |
| Other tax | 0.9 | 0.4 | 0.6 | 0.7 | 1.2 | 1.3 | 1.2 |
| Non-tax revenues | 9.7 | 4.4 | 9.1 | 7.8 | 6.9 | 7.0 | 6.4 |
| Revenues from fishing | 3.8 | 2.2 | 2.8 | 3.6 | 3.6 | 3.8 | 3.7 |
| Dividends from SOEs | 0.7 | 0.5 | 0.9 | 0.6 | 0.5 | 0.5 | 0.5 |
| Special Accounts | 3.8 | 0.7 | 3.0 | 2.6 | 1.5 | 1.5 | 1.1 |
| Others | 1.3 | 1.1 | 2.4 | 1.0 | 1.3 | 1.3 | 1.1 |
| Extractive Revenues | 5.2 | 5.4 | 1.7 | 1.6 | 1.7 | 1.4 | 2.1 |
| Mining Revenues | 3.9 | 4.0 | 0.8 | 1.0 | 1.1 | 1.4 | 2.1 |
| Petroleum Revenues | 1.2 | 1.5 | 0.8 | 0.7 | 0.6 | 0.0 | 0.0 |
| Grants | 0.7 | 0.1 | 1.8 | 2.1 | 1.8 | 1.8 | 1.8 |
| | | | | | | | |
| Total Expenditure | 25.8 | 29.5 | 32.7 | 28.6 | 28.0 | 27.7 | 27.6 |
| Recurrent Expenditures | 15.8 | 17.7 | 18.5 | 17.0 | 16.2 | 16.0 | 16.0 |
| Wage Bill | 6.1 | 6.8 | 7.6 | 7.6 | 7.5 | 7.3 | 7.3 |
| Goods and Services | 3.5 | 4.0 | 4.0 | 3.6 | 3.7 | 3.6 | 3.6 |
| Transfers to SOEs | 4.1 | 4.5 | 4.3 | 3.4 | 3.3 | 3.2 | 3.2 |
| Interest Payments | 0.9 | 1.0 | 1.1 | 1.1 | 0.9 | 1.1 | 1.2 |
| external | 0.7 | 0.7 | 0.8 | 0.8 | 0.7 | 0.9 | 0.9 |
| domestic | 0.2 | 0.2 | 0.3 | 0.2 | 0.2 | 0.2 | 0.2 |
| Others | 1.0 | 1.5 | 1.5 | 1.3 | 0.7 | 0.7 | 0.7 |
| Special Accounts | 0.4 | 0.6 | 0.2 | 0.6 | 0.1 | 0.1 | 0.1 |
| Capital Expenditure | 10.0 | 11.8 | 14.0 | 11.7 | 11.5 | 11.4 | 11.3 |
| through external resources | 2.9 | 3.6 | 5.0 | 2.5 | 3.7 | 3.6 | 3.6 |
| through domestic resources | 7.1 | 8.2 | 9.0 | 9.2 | 7.8 | 7.8 | 7.7 |
| Restructuring | 0.0 | 0.0 | 0.2 | 0.0 | 0.2 | 0.2 | 0.2 |
| | | | | | | | |
| Primary balance (excluding grants) | 4.6 | -2.5 | -4.1 | -1.1 | -1.1 | -0.6 | -0.1 |
| Primary balance | 5.2 | -2.4 | -2.3 | 1.0 | 0.6 | 1.2 | 1.7 |
| Budget balance (excluding grants) | 3.6 | -3.5 | -5.2 | -2.2 | -2.1 | -1.7 | -1.3 |
| Budget balance | 4.3 | -3.4 | -3.4 | -0.1 | -0.3 | 0.1 | 0.5 |

Source: Ministry of Economic and Finance, World Bank Staff Calculation. Figures for 2016 are based on estimated GDP figures.

* According to the budget law, extractives revenues include various tax revenues from extractives companies, royalties and dividends.

FOR OFFICIAL USE ONLY

# SYSTEMATIC COUNTRY DIAGNOSTIC OF MAURITANIA

May 2017

WORLD BANK GROUP

# Executive Summary

*Mauritania's abundant endowment of natural resources, its strategic location at the gateway between Sub-Saharan and Northern Africa, its richly diverse, yet stratified, cultural and social make-up and its position in a restive region, increasingly beholden to the ravaging effects of Climate Change, create a complex development space for poverty reduction and shared prosperity. Over the last decade, the country has reaped the benefits of historically high commodity prices, departing from its stagnant economic growth trajectory. The super-cycle spurred solid economic growth, allowed for significant government investments in infrastructure, and enabled Mauritania to register one of the best performances in poverty reduction in the region. Yet as the reality of the 'new normal' of low commodity prices sets in, the narrow, and largely temporary nature of growth and poverty reduction trends, as well as the concentrated character of the nation's political bargain, have exposed the unstable foundations of the country's recent progress.*

*This Systematic Country Diagnostic (SCD) charts a course that would help to put the country on track to ending extreme poverty and improving shared prosperity in a sustainable way amongst the poorest forty percent of the population by 2030.*

Photo credit: WFP / Justin Smith

# Executive Summary (contd.)

***Four resource pathways:***

- *Leverage abundant mineral wealth to stimulate diversification in labor-intensive sectors and pro-poor investments*
- *Harness the employment creation and diversification potential of natural endowments in fisheries and livestock through environmentally resilient productivity enhancements; private sector-led transformation and export diversification*
- *Capitalize on urbanization trends and the emerging demographic dividend to trigger structural transformation through the development of productive and inclusive cities and human capital.*
- *Reinforce the productive, financial and human capital assets of the poor by alleviating structural inequities in land distribution, access to social services, and high food prices, by prioritizing the development of an effective education system and by expanding energy access in rural areas.*

***Three essential policy areas:***

- *Adopt well designed macro-fiscal rules to counter-balance the cyclical nature of the resource-based economy and create the market incentives for a competitive economy in non-extractive sectors*
- *Improve efficiency and pro-poor targeting of public expenditure and investment policies, with a particular focus on education.*
- *Create a more level playing field for private sector development through regulatory policies that tackle underlying anti-competitive practices and enhance transparency in key product markets*

***Two foundational features:***

- *Reinforce the legitimacy and authority public institutions by building a public administration that is performance-driven, capable, and accountable at the local and central levels and uniformly enforcing rules that strengthen the cohesiveness of the social contract*
- *Anchor development in consolidated and sustained action for building national resilience against the harsh effects of climate change*

Photo credit: WFP / Justin Smith

# Contents


5 Analytical Framework & Key Findings

PART A. DIAGNOSTIC

9 Diagnostic Methodology

12 Economic Growth

40 Poverty & Shared Prosperity

82 Governance

94 Sustainability

107 Overview of Priority Constraint Areas

PART B. CONSTRAINTS AND SOLUTIONS

109 Methodology

112 Deep Dive into Constraint Areas

- Weak Management of Extractives
- Failure to Harness Fisheries & Livestock Potential
- Rapid and Outpaced Urbanization
- Distorted Food Prices
- Inequitable Distribution of Arable Land
- Low and Inequitable Access to Social Services
- Lack of Transparency in Public Expenditure
- Social Fragility

132 Conclusion

134 Knowledge Gaps, Bibliography and Acronyms




WORLD BANK GROUP

# Overaching Analytical Framework

**Is based upon a comprehensive analysis to arrive at principal constraint areas and prioritized potential solutions**

## PART A. DIAGNOSTIC

**Growth** **Poverty** **Governance** **Sustainability**

*Constitutive dimensions* *Cross-cutting dimensions*

**Priority Constraint Areas**

## PART B. DEEP DIVE INTO EACH PRIORITY CONSTRAINT AREA

**Detailed analysis of each constraint area through the following lenses:**

**Resources** **Policies** **Institutions**

**Identification and assessment of solution areas based on the following criteria:**

- Authorizing environment
- Implementation capacity
- Time required for change
- Degree of complementarity

**Solution areas**



WORLD BANK GROUP

# Key Diagnostic Findings

## Growth

- **Accelerated**, but **narrow** and cyclical, following global commodity prices
- **Capital-intensive**, driven by extractive resource-revenues and public investment
- **Lacking** productivity-enhancing **structural transformation**
- Underscored by **limited job creation,** concentrated private sector and weak business environment

## Poverty

- Overwhelmingly **rural**, clustered among **agro-pastoral** producers
- Recently demonstrating **leading performance** in the region (both poverty and inequality)
- **Driven by relative price increases** rather than labor productivity or structural mechanisms to sustain trickling down of extractive wealth
- Underpinned by **uneven access to services** and distribution of assets

## Governance

- Rent distribution consolidating political bargain and reinforcing **political stability**
- Dominance of parallel informal structures and weak **authority of modern state institutions**
- Narrow political settlement reliant on rentier economy and patronage
- Limited **transparency in public expenditures** create enabling conditions for rent-seeking

## Sustainability

- Culturally **rich and diverse**, but delicate and **complex social structures**, based on traditional, **hierarchical and stratified conceptions** of societal order
- Underscored by slow progress towards **political and economic inclusion** and…
- **Environmental challenges** associated with an encroaching coastline and an expanding desertification

## Priority Constraint Areas

**Weak Management of Extractives**

**Failure to Harness Potential in Livestock & Fisheries**

**Rapid and Outpaced Urbanization**

**Distorted Food Prices**

**Inequitable Distribution of Arable Land**

**Low and Inequitable Access to Social Services**

**Limited Transparency in Public Spending***

**Social fragility***

**Cross-cutting governance and environmental fragility issues are addressed across all priority constraint areas*

WORLD BANK GROUP

# Key Constraint Analysis Findings

## 4 Critical resource pathways

1. **Leverage** a strong comparative advantage in abundant **mineral resources**
2. **Harness** an untapped economic and employment potential of significant **endowments in fisheries and livestock**
3. **Capitalize** on rapid urbanization trend and emerging demographic dividend for medium term **structural transformation**
4. **Reinforce the human capital** as well as productive and financial **asset base of the poor**

## 3 Overarching policy areas

1. **Adopt prudent and well-designed macro-fiscal rules** to counter the cyclical nature of resource-based economic growth
2. **Improve efficiency and pro-poor targeting of redistributive public expenditure and investment policies** in areas with the highest potential for inclusion (livestock and human development)
3. **Strengthen regulatory policies** targeted at creating a more level playing field for private sector development

## 2 Underling foundational features

1. **Enhance the legitimacy and authority of modern rules-based state institutions** by building a public administration that is performance-driven, capable, and accountable at the local and central levels and uniformly enforcing rules to protect the vulnerable.
2. **Reinforce the resilience** of the nation **against the deleterious effects of climate change,** particularly important in light of heavy reliance upon the nation's natural wealth endowments

Part A

# DIAGNOSTIC

# Analytical Methodology for Diagnostic

**Diagnostic assesses progress towards the World Bank's twin goals and identifies key constraints to achieving them**

- The SCD examines Mauritania's progress towards achieving the World Bank's twin goals of (i) ending extreme poverty and (ii) improving shared prosperity among the bottom 40 percent through an analysis of **two constitutive dimensions** (Inclusive Growth, and Poverty and Shared Prosperity) and **two cross-cutting dimensions** (Governance and Sustainability)*.

- For each of the dimensions, the diagnostic draws upon a series of metrics and methods to achieve an **evidence-based** identification of priority constraint areas.

- The **priority constraint** areas are those that, if removed, are **likely to have the most significant impact on the twin goals**.

*Advisory Group for SCD in "Analytical Approaches for Systematic Country Diagnostic: A Resource Document", World Bank, 2014



WORLD BANK GROUP

# Analytical Methodology for Diagnostic

**It builds upon a wide range of qualitative and quantitative data and analysis**

## QUANTITATIVE ANALYSIS

### Government data

Reports and datasets of National Statistical Office and various ministries

### WB data & benchmarking

Public Expenditure Review; Poverty Assessment; Doing Business; etc.

### Other relevant literature

Reports by IMF, WEF, UNICEF, WFP, IFPRI, WHO, etc.

## QUALITATIVE ANALYSIS

### Government consultations

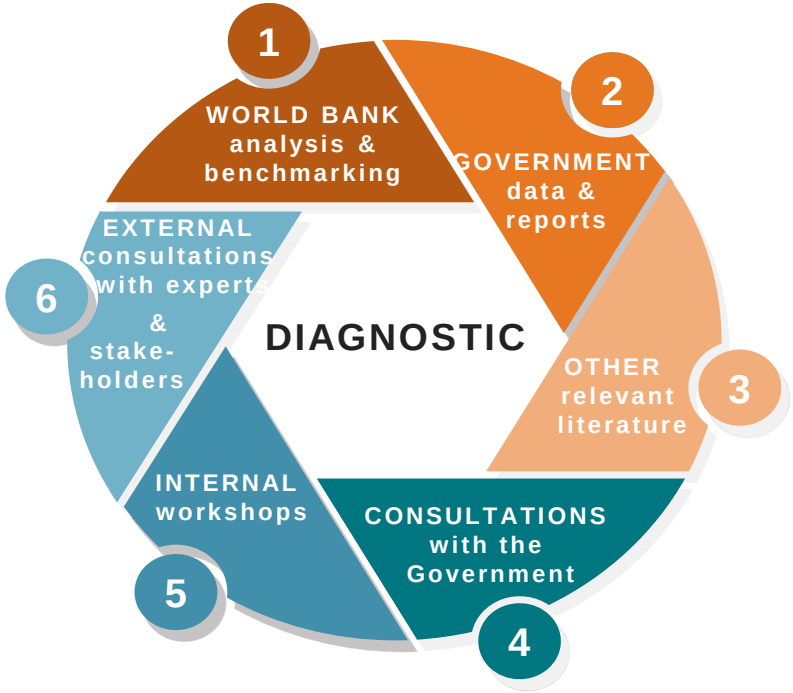
Coordination with authorities; focus groups with relevant ministries

### Internal workshops

Multiple country team meetings and discussions

### External consultations

Focus groups with experts and other relevant stakeholders



Growth

Poverty

Governance

Sustainability

# Country Context

**Mauritania is sparsely-populated, arid, but resource-rich with a small domestic market and a low human capital base**

Map of Mauritania

**Population**

- 4.07 million people with very low (4th lowest in Africa) density of 3.95 p/sq. km
- Largely urban with 60% living in cities (mainly Nouakchott and Nouadhibou)
- Complex and hierarchical systems with high degree of social stratification

**Territory & Resources**

- Dominance of desert with arable land at only 0.5% of the territory
- Wealth of natural resources: iron ore, gold, copper, oil, and gas
- Abundant fish endowment and significant livestock potential

**Economy**

- High GDP growth of 5.5% in 2003-14 driven by commodities and public investment
- Recent slow-down - real GDP growth at 3.5% in 2015.
- Lower-middle income country- GNI at 1,270 USD in 2014

**Human Development**

- Accelerated poverty reduction – 33% in 2014 (down from 44.5% in 2008), but…
- Low and decreasing levels of employment (particularly for the poor) – 35.6% in 2014 (down from 39.3% in 2008).
- Limited human development outcomes: 156th out of 188 in HDI



Source: World Development Indicators

Photo credit: Kinross Gold from mining.com

# GROWTH

*Robust growth performance during the commodity super-cycle relied on a narrow economic base, was capital-intensive, brought limited job creation and is now jeopardized by the low commodity price environment*

WORLD BANK GROUP

# Growth Trends

**Growth accelerated during the commodity super-cycle, but remained in line with the average in Sub-Saharan Africa**



## Average growth rate (2003-2015)

**5.5%**

- Largely driven by global commodity prices, growth has been **robust,** almost doubling vis-à-vis the 1990s, when annual growth averaged only 2.7 percent.
- At the same time it has been **volatile** due to a combination of political instability, droughts and external price shocks.
- And it is roughly **consistent with the average growth in Sub-Saharan Africa (SSA).**

**Figure 1.1 Real GDP growth and global iron ore, 2000-2015**

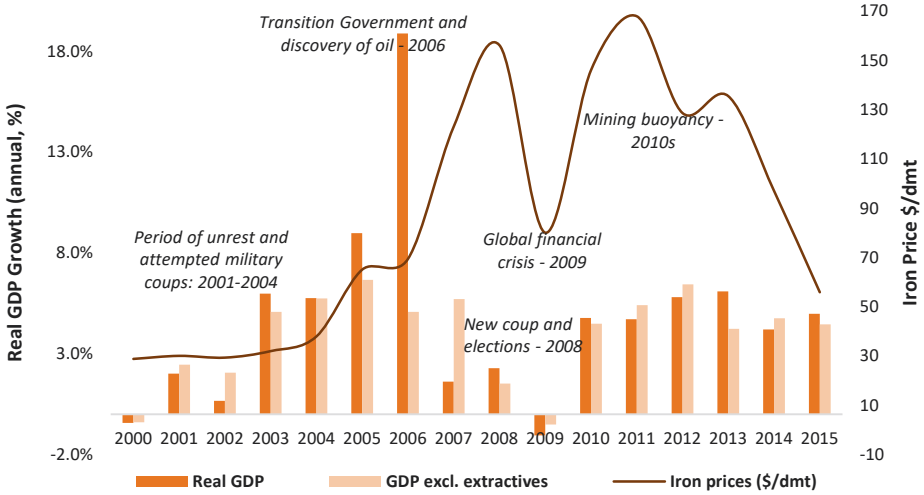
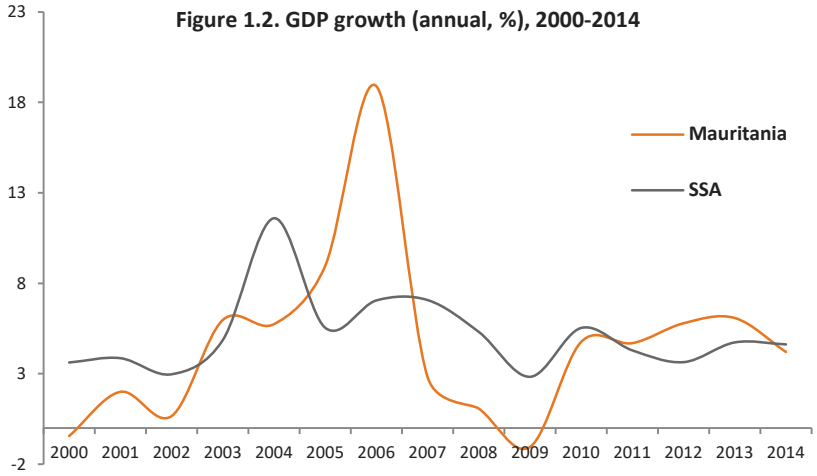



**Figure 1.2. GDP growth (annual, %), 2000-2014**




Source: Mauritania Central Bank, National Statistical Office, World Bank Staff Calculations; World Development Indicators, World Bank Commodity Price Data (Pink Sheet), 2016

WORLD BANK GROUP

# Growth Trends

**GDP per capita has increased, but has proved insufficient to enable convergence with higher income countries**



## GDP per capita comparison (2014)

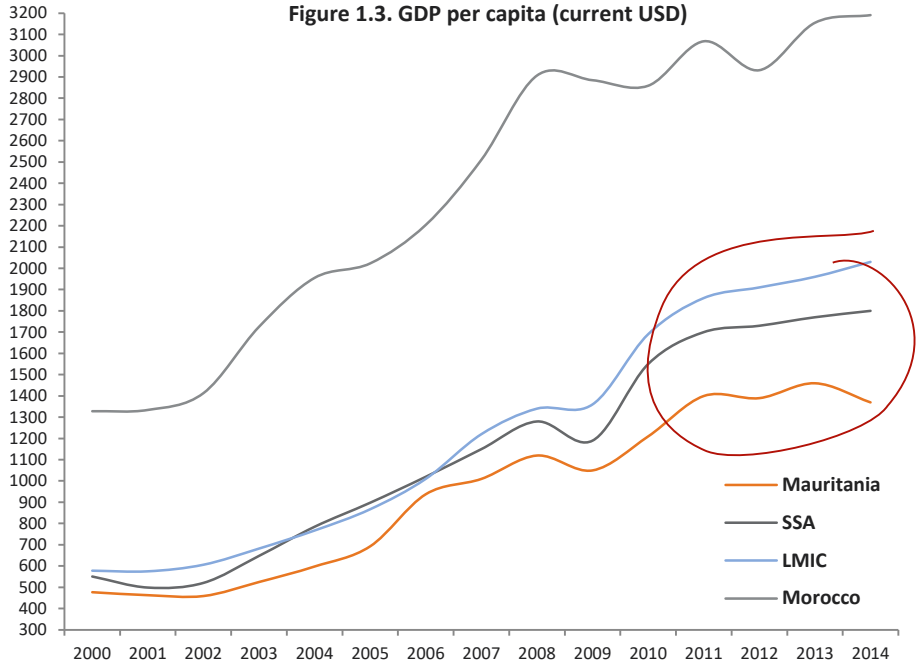
**1,370** Mauritania

**1,800** Sub-Saharan Africa

**2,030** Lower-middle Income countries

- GDP per capita in Mauritania has more than doubled from US $525 in 2003 to US $1370 in 2014, enabling the country to join the ranks of lower-middle income countries (LMIC).
- However, it is still below the averages of both SSA and LMIC.

Figure 1.3. GDP per capita (current USD)






Source: World Development Indicators

WORLD BANK GROUP

# Growth Trends

**Income per capita grew faster than GDP per capita, translating mainly into investment rather than private consumption**



- Due to a large positive shock to the value of its exports during the super-cycle, **per capita real gross domestic income (RGDI) grew almost at twice the pace of real GDP per capita**.
- However, this **has not translated into an improvement in national income,** due to large outflows (mainly repatriation of extractives profits) since 2006. After 2012, these were not compensated by external production factors, such as official grants and private remittances.
- Unlike public consumption, the share of private consumption stagnated between 2003-2015. As a result, per capita growth in **real private consumption has increased by one percentage point less than per capita GDP**.

**Table 1.1. Real GDP vs. RGDI vs. RNNDI versus private consumption**

| Real prices (2004=100) | Growth (%) | |
|---|---|---|
| | Average 2003-2013 | Average 2014-2015 |
| GDP | 5.6% | 3.6% |
| RGDI (GDP + ToT gains) | 8.0% | 3.9% |
| RNNDI (RGDI + real net income from abroad) | 6.8% | 3.5% |
| Real Private Consumption | 4.1% | 3.8% |
| GDP per capita | 2.8% | 2.2% |
| RGDI per capita | 5.1% | 1.4% |
| RNNDI per capita | 4.0% | 1.0% |
| **Real Private Consumption per capita** | 1.3% | 1.3% |



Source: Mauritania Central Bank, National Statistical Office, World Bank Staff Calculations

WORLD BANK GROUP

# Growth Drivers

## Driven by rising commodity prices, the exportation of extractives has been the main engine of economic growth



- The pace of the non-oil mining sector production growth has been modest, at 4.6 percent annually between 2003-2013, with the overall sector not expanding much in real terms.

- However, underpinned by high global prices and favorable terms of trade, the value of mineral exports jumped from US$164 mln (2003) to US$2,263 mln (2013), reaching 85 percent of total export value, 40 percent of GDP and 18 percent of domestic budget revenues.

**Figure 1.4. Contribution to Growth (% of real GDP), supply side, 2005-2015**

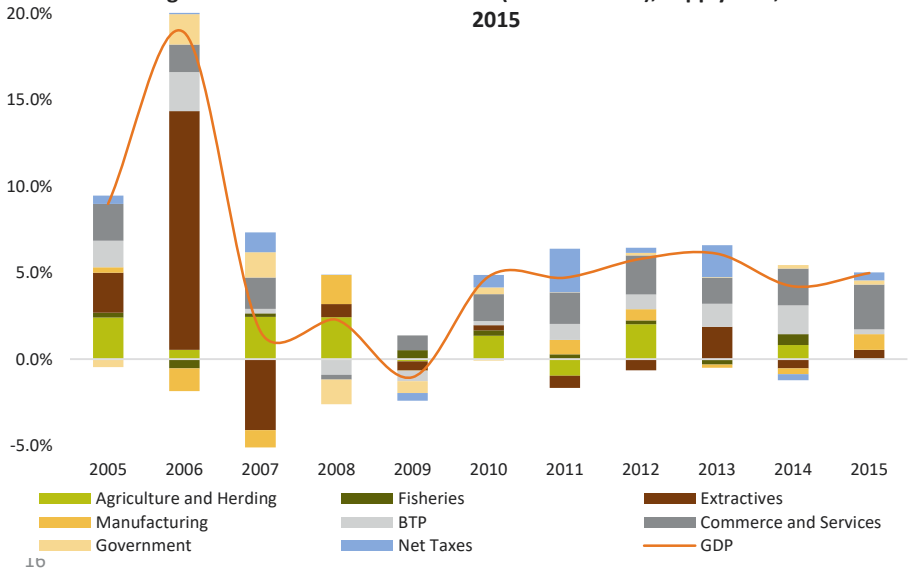
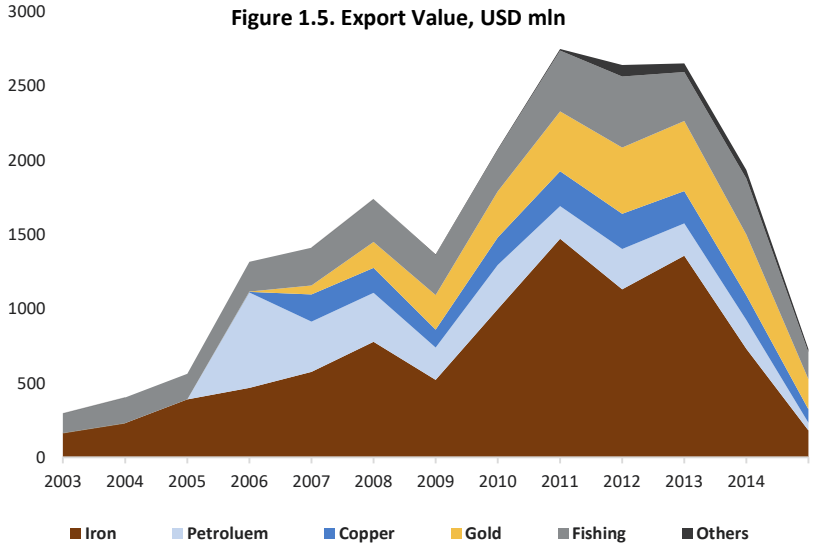



**Figure 1.5. Export Value, USD mln**




Source: Mauritania Central Bank, National Statistical Office, World Bank Staff Calculations

# Growth Drivers

**Linked to the mining boom, non-tradable sectors displayed impressive growth, while primary sectors performed less well**



- Benefiting from the extractive industries boom and public investments financed by resource rents, **non-tradable services** (incl. construction, transport and communications) have grown at a **combined annual rate** of almost **12 percent** since 2003.

- **Agriculture** has grown **more slowly than the economy as a whole.** Generally, **the share of primary sectors** in total **GDP has fallen steadily** from 36 percent in 2003 to 27 percent in 2015.

**Figure 1.6. Growth by Sector (%, real 2004 prices), average for 2003-2013**

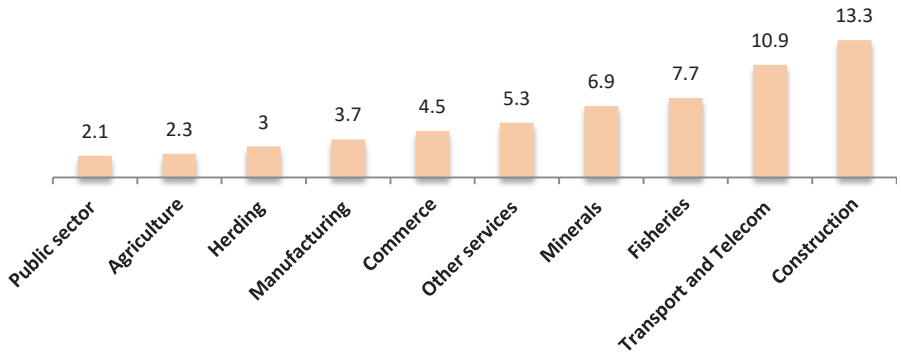
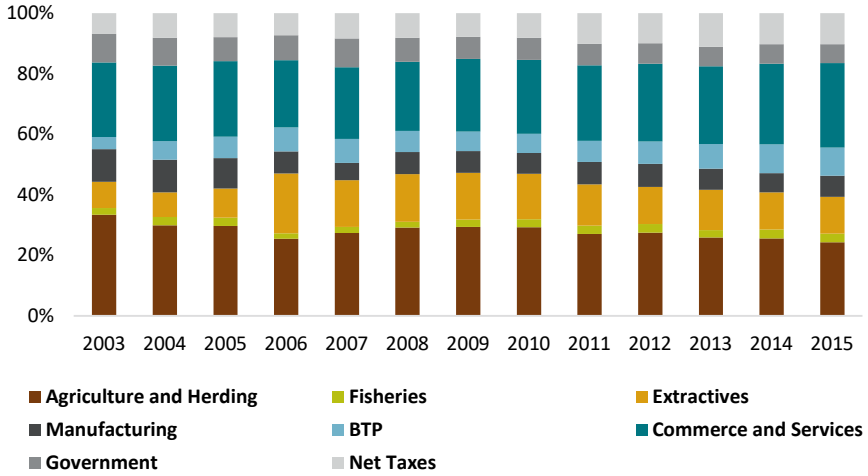



**Figure 1.7. Real GDP Structure, 2003-2015**






Source: Mauritania Central Bank, National Statistical Office, World Bank Staff Calculations

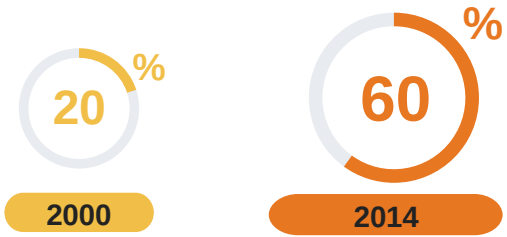
WORLD BANK GROUP

# Growth Drivers

**On the back of large investments in mining and construction, GDP growth has been dominated by capital formation**

Growth | Poverty | Governance | Sustainability | Constraints

## Investment to GDP ratio




## Investment to GDP ratio, average for 2000-2014

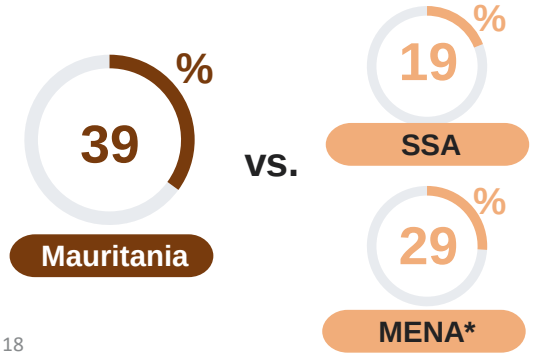



**Table 1.2. Expenditure Decomposition of Growth, 2000-2014**

| Real prices (2004=100) | Structure (% GDP) | | | Growth (%) | | |
|---|---|---|---|---|---|---|
| | 2003-2015 | 2003-2013 | 2014-2015 | 2003-2015 | 2003-2013 | 2014-2015 |
| **Consumption** | 85.8 | 87.0% | 79.3% | 3.9% | 4.2% | 2.2% |
| Government Consumption | 23.3% | 23.9% | 20.3% | 3.5% | 4.6% | -2.2% |
| Household Consumption | 62.5% | 63.1% | 59.0% | 3.9% | 4.1% | 3.8% |
| **Gross Capital Formation** | 51.6% | 50.4% | 58.7% | 16.6% | 21.6% | -2.8% |
| **Net External Demand** | -37.1% | -37.3% | -35.8% | 14.7% | 21.6% | -16.7% |
| Exports of G&S | 28.7% | 29.1% | 26.4% | 4.6% | 6.5% | -5.6% |
| Imports of G&S | 65.8% | 66.4% | 62.2% | 8.5% | 12.8% | -12.3% |
| **GDP** | 100% | 100% | 102% | 5.5% | 5.6% | 3.6% |

*Note: 2013 & 2014 figures are provisional, while 2015 figures are projections



Note: MENA – Middle East and Northern Africa, as defined by IBRD
Source: National Statistical Office, World Bank staff calculations; World Development Indicators

WORLD BANK GROUP

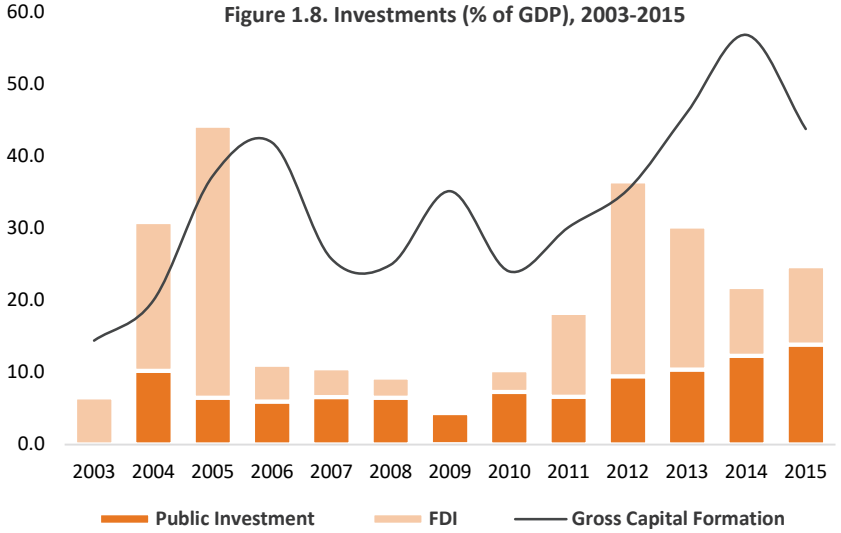
# Growth Drivers

**Public investment and FDI in extractives have accordingly been key contributors to growth on the demand side…**



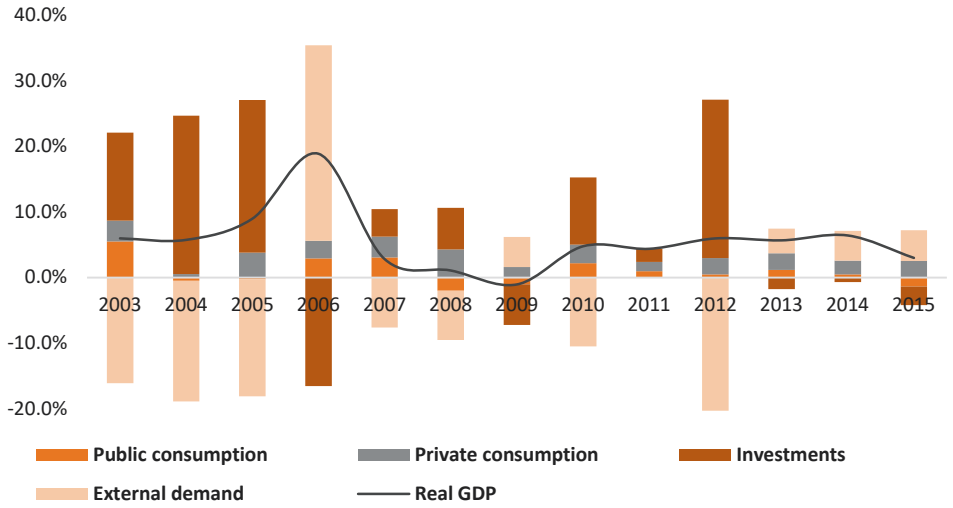
- Capital formation has been the major contributor to accelerated growth during the commodities boom with public investment and foreign direct investment (FDI) in extractives, a sector with heavy public sector presence, playing a central role. This role has by far exceeded that of domestic private investment.

Figure 1.8. Investments (% of GDP), 2003-2015




* No data available for public Investment in 2009

Figure 1.9. Contribution to Growth (% of real GDP), demand side, 2003-2015




Source: Mauritania Central Bank, National Statistical Office, World Bank Staff Calculations



WORLD BANK GROUP

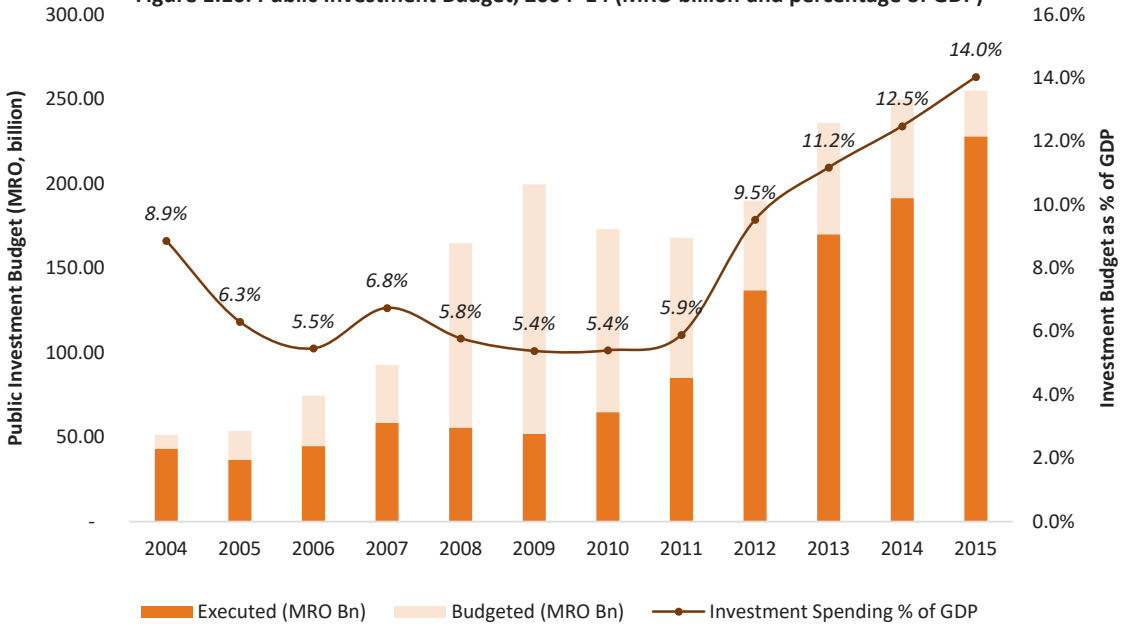
# Growth Drivers

**…resulting in an extractives-dominated and state-driven growth model**



- The public investment budget increased from MRO 173 billion (US$ 576 million) in 2010 to a high of MRO 255 billion (US$ 850 million) in 2015, **an increase of 47 percent between 2010 and 2014**.
- **The investment rate tripled**, going from 65 Bn MRO (US$ 216 million) or 5.4 percent of GDP in 2010 to 228 Bn MRO (US$ 760 million) or **14 percent of GDP in 2015.**
- The proportion of investment to recurrent expenditures in the national budget has also changed significantly, increasing from 36 percent to 53 percent in 2014.

**Figure 1.10. Public Investment Budget, 2004–14 (MRO billion and percentage of GDP)**






Source: Mauritania Central Bank, National Statistical Office, World Bank Staff Calculations

WORLD BANK GROUP

# Growth Drivers

**Growth driven by capital accumulation has come at the expense of increases in Total Factor Productivity…**



- Mauritania's Total Factor Productivity (TFP) has fallen at an annual rate of 2.5 percent since 2000.
- This TFP decline underscores the limited contribution of human capital to growth and helps to explain the country's inability to sustain per-capita income convergence.

**Table 1.3. Extended Growth Accounting Decomposition, Mauritania, 1991-2014**

| Period | Real GDP per capita | Capital stock per unit of labour | Pop., labour & human capital per capita | TFP | Real total GDP |
|---|---|---|---|---|---|
| **1991 - 2000** | -0.14 | 0.44 | 1.07 | -1.63 | 2.79 |
| **2000 - 2010** | 1.87 | 2.75 | 1.53 | -2.38 | 4.74 |
| **2010 - 2014** | 2.98 | 3.72 | 2.26 | -2.96 | 5.46 |
| **2000 - 2014** | 2.18 | 3.02 | 1.73 | -2.54 | 4.94 |



Source: DTIS, 2016

WORLD BANK GROUP

# Growth Drivers

## …while limited inter-sectoral labor movements have further impeded structural transformation



- The reallocation of labor from primary sectors has been limited and has not contributed to productivity gains, with a significant proportion of this employment focused in mostly informal and low productive trade (commerce).
- By contrast, virtually no labor movements to industry were registered. High-wage jobs in mining, manufacturing and transport and communication were not created on a sufficient scale to absorb the growing labor force.

**Figure 1.11. Employment Share by Sectors**

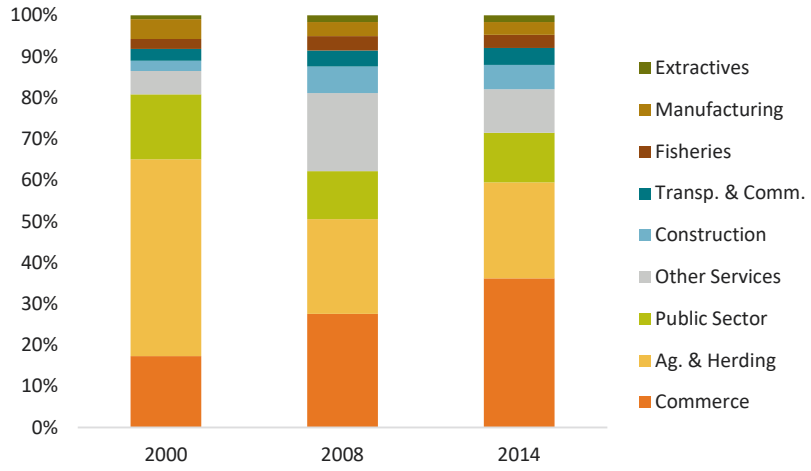
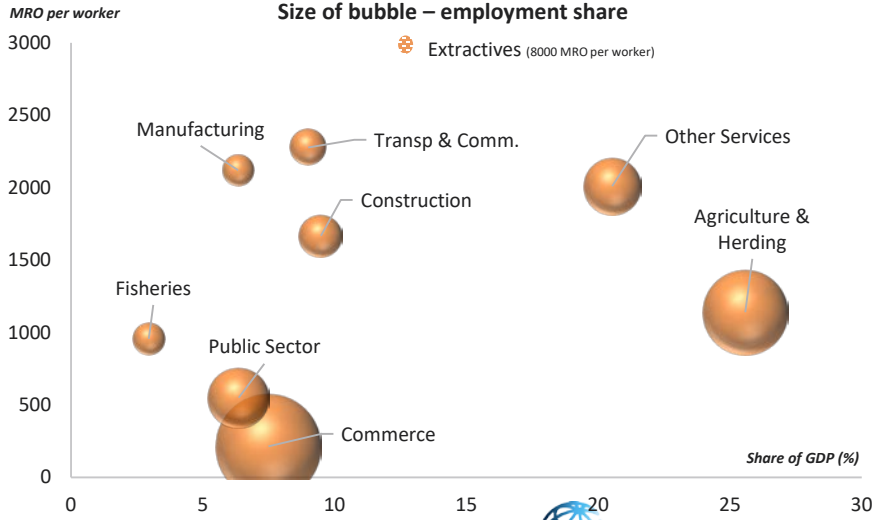



**Figure 1.12. Level of Productivity vs. Share of GDP, 2014**
**Size of bubble – employment share**






Source: Mauritania Central Bank, National Statistical Office, World Bank Staff Calculations

WORLD BANK GROUP

# Growth Model Limitations

***Mauritania's dependence on extractive resource revenues and increased public investment has yielded strong growth during the commodity super-cycle, but volatility during periods of deceleration.***

***This state-dominated and rent-driven development model creates a number of structural challenges in the context of low global commodity prices.***

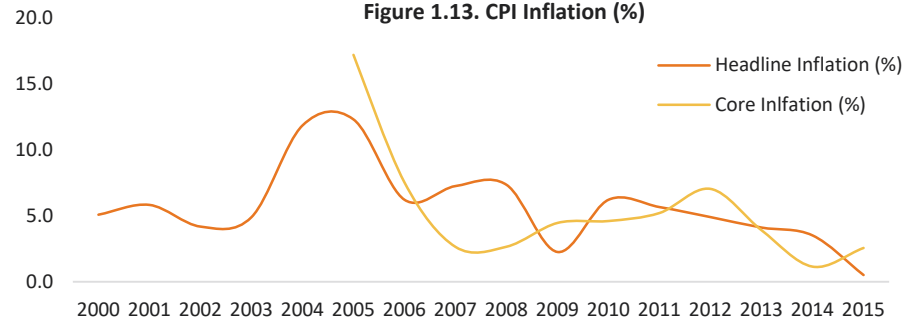
# Growth Model Limitations

**High inflation and appreciated exchange rate, symptomatic of *Dutch Disease*, eroded Mauritania's competitiveness**



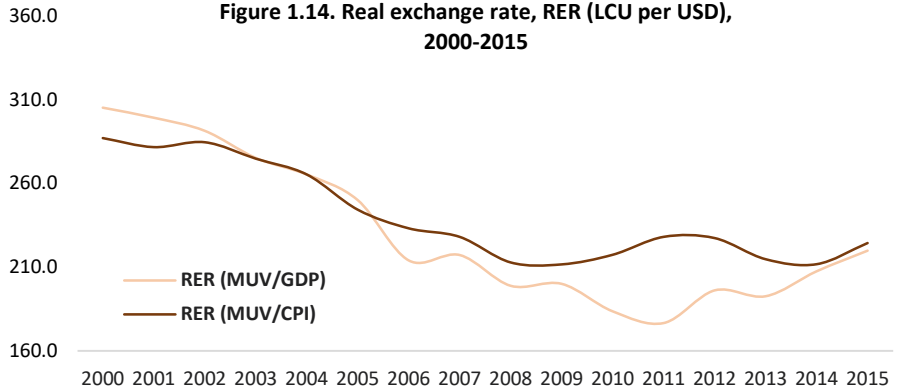
- As expected from a commodity producer, during the period of high commodity prices Mauritania experienced increased inflation and an appreciated exchange rate:
  - ✓ Headline inflation averaged 6.4 percent over 2000-2011, compared to 4.2 percent between 2012 and 2014.
  - ✓ On the back of higher domestic inflation, the real exchange rate (RER) appreciated significantly, with its annual appreciation rate averaging 3.8 percent over 2000-2011. This has undermined Mauritania's external competitiveness and increased its vulnerability to shocks.
- As global prices tumbled, MRO started depreciating (by an average of 4.8 percent in the first half of 2016), bringing the currency closer to its medium-term equilibrium. The continued nominal depreciation could help to bring about a real depreciation and regained competitiveness.

**Figure 1.13. CPI Inflation (%)**




**Private Consumption deflator from national accounts is used for 2000-2005 due to lack of CPI data in this period*

**Figure 1.14. Real exchange rate, RER (LCU per USD), 2000-2015**






Source: WDI, World Bank

WORLD BANK GROUP

# Growth Model Limitations

## Large public investment has fueled rapid public debt accumulation…



**Total public and publicly guaranteed debt-to-GDP ratio (2015)**

89%

- Largely driven by spending on public investment program (PIP)

- The absence of fiscal buffers and increasing recourse to bilateral loans and other less-concessional forms of external financing have worsened the debt profile and increased the vulnerability of the debt stock to exchange-rate risks. The joint WB-IMF DSA 2016 indicates that the country is at high risk of debt distress.

**Foreign-financed PIP**

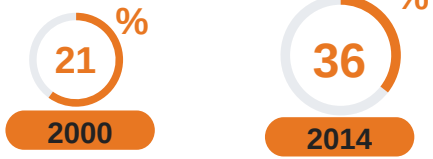
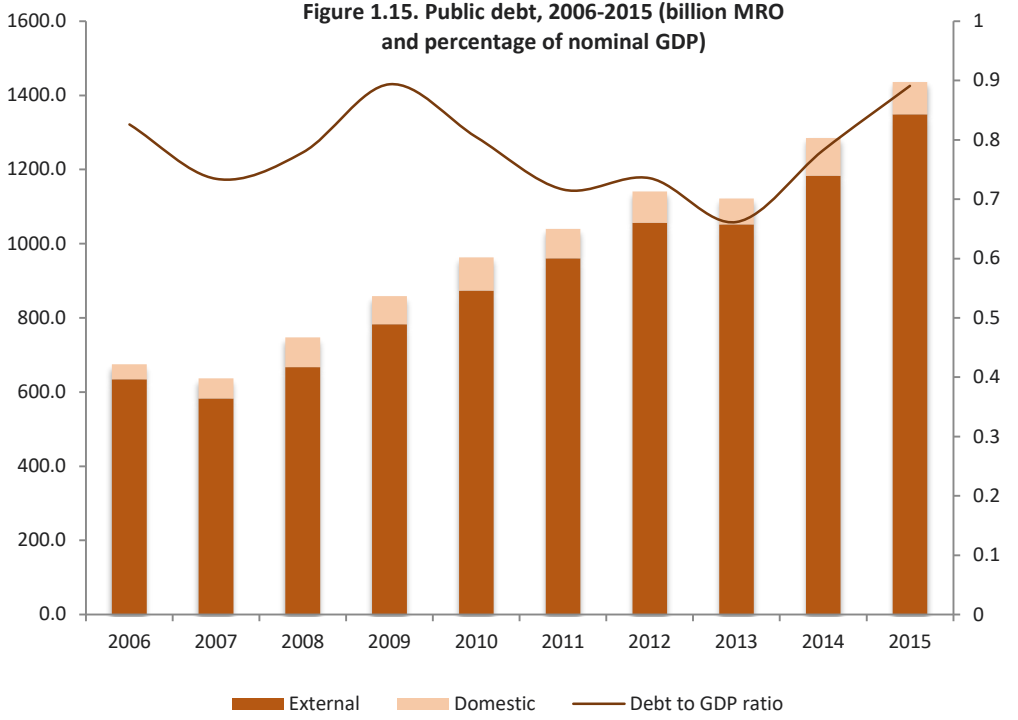



Figure 1.15. Public debt, 2006-2015 (billion MRO and percentage of nominal GDP)






Source: Mauritania Central Bank, National Statistical Office, World Bank Staff Calculations

WORLD BANK GROUP

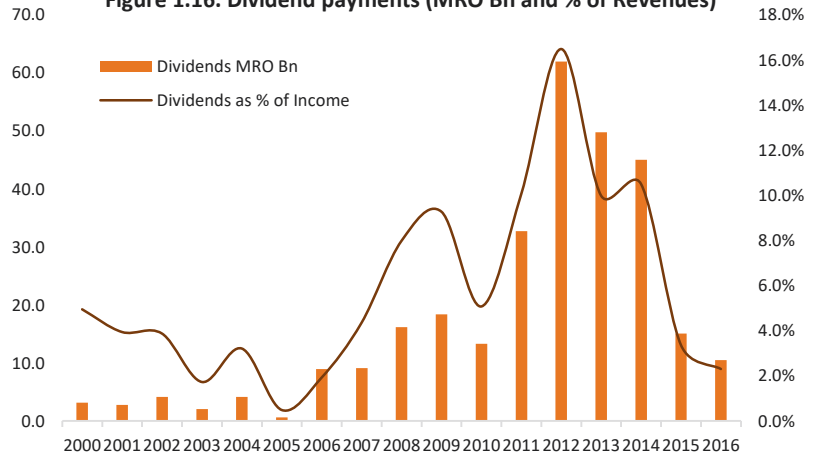
# Growth Model Limitations

**…with a significant additional burden imposed on the national budget by the large para-statal sector**



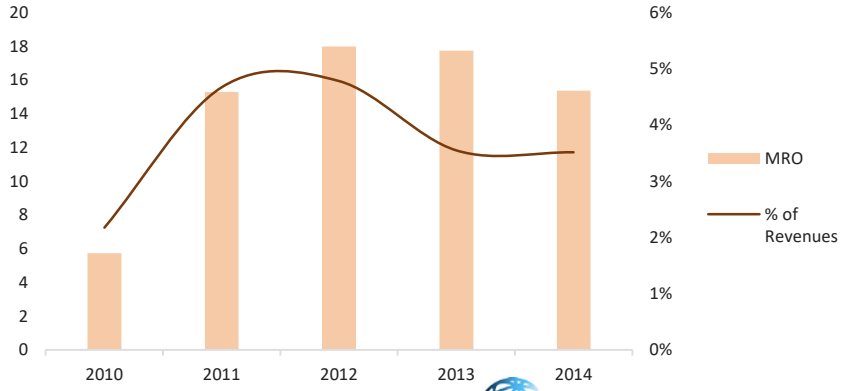
- Dividend payments from SOEs to the national budget rose from 0.6 to 16.5 percent of total domestic revenues between 2004 and 2012.
- However, the gradual decline in parastatal contributions to 2.3 percent in 2016, linked primarily to the state iron ore company (SNIM), has created fiscal pressures.

**Figure 1.16. Dividend payments (MRO Bn and % of Revenues)**




- Meanwhile, explicit subsidies to commercial SOEs averaged 3.7 percent of revenues in 2010-14. Around MRO 26.8 bn was spent on capital injections alone through share purchases or as loans and advances in 2011-13.
- The net fiscal impact of SOEs was negative starting 2015, signaling an increased contribution to the fiscal deficit.

**Figure 1.17. Subsidies to SOEs (MRO Bn and % of Revenues)**






Source: World Bank, Mauritania Public Expenditure Review, 2016

WORLD BANK GROUP

# Growth Model Limitations

**The concentration of revenues in extractives and the expansionary fiscal policy resulted in limited fiscal space**



- After averaging 20 percent of domestic revenues, fiscal revenues from extractives collapsed at the bust of iron prices in 2014.
- The rise in public debt, despite major tax reforms in 2011, is a result of an expansionary fiscal policy that outpaced improvements in revenues, with total spending increasing by more than 200 percent in 10 years.

- This expansion reflects not only a 5 fold increase in public investment, but also a surge in public employment (with the wage bill rising from 3.5 to 7.7 percent of GDP) and the proliferation of public enterprises (transfers to SOEs increasing from 2.6 to 4.5 percent of GDP).

**Figure 1.18. Revenues composition (bn MRO)**

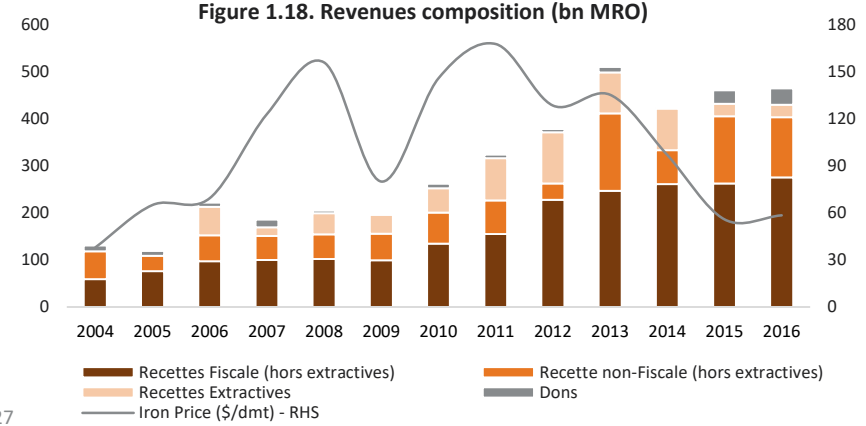
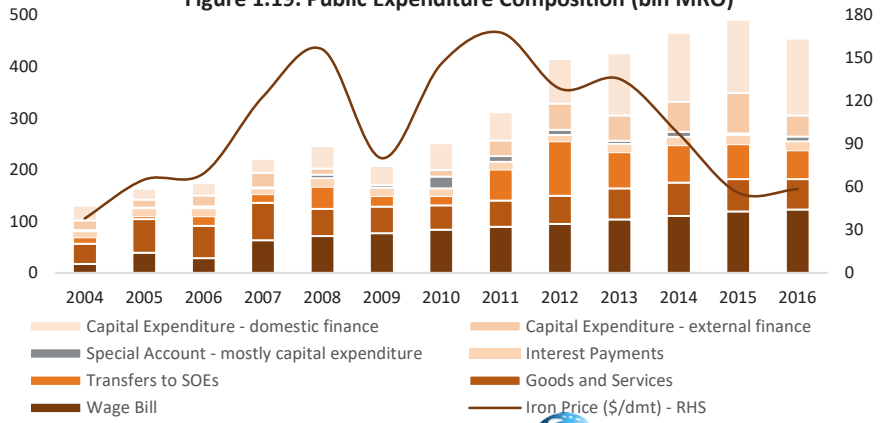



**Figure 1.19. Public Expenditure Composition (bln MRO)**






WORLD BANK GROUP

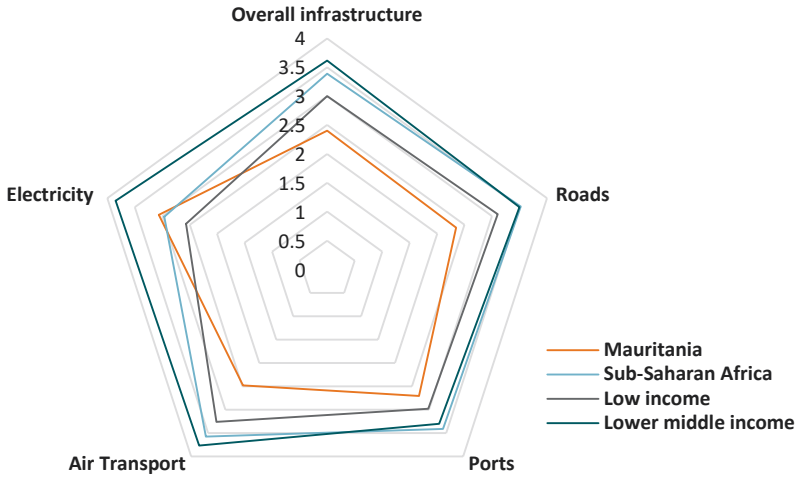
# Growth Model Limitations

**The state-driven development model also raises concerns about the quality and efficiency of investment**



- Despite the rapidly expanded public investment program (PIP), its impact on economic growth has been lower than expected.
- One indicator of public investment spending efficiency is the average **incremental capital-output ratio (ICOR)**, which **in Mauritania is estimated at 10.4**, far above the benchmark ratio of 3.0 for the best-performing countries, indicating low productivity of capital, and therefore a low level of efficiency of public investments (PER, 2016).
- The PER (2016) estimates that the PIP for 2014-16 has the potential to increase by 3.2 percent in 2019 while maintaining a modest effect on prices and imports. However, poor project management, cost overruns, delays and other forms of wastage (including corruption) could reduce those returns to zero.
- These inefficiencies reduce the overall quality of Mauritania's infrastructure and act as a drag on productivity growth.

**Figure 1.20. Infrastructure Quality Index**






Source: Fraser Institute 2015; World Bank, 2016, Mauritania Public Expenditure Review (PER)

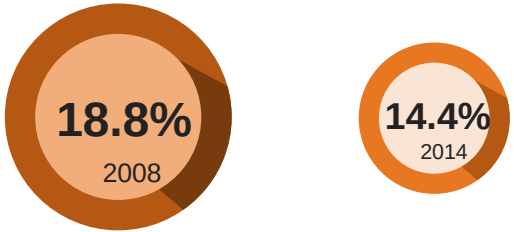
WORLD BANK GROUP

# Growth Model Limitations

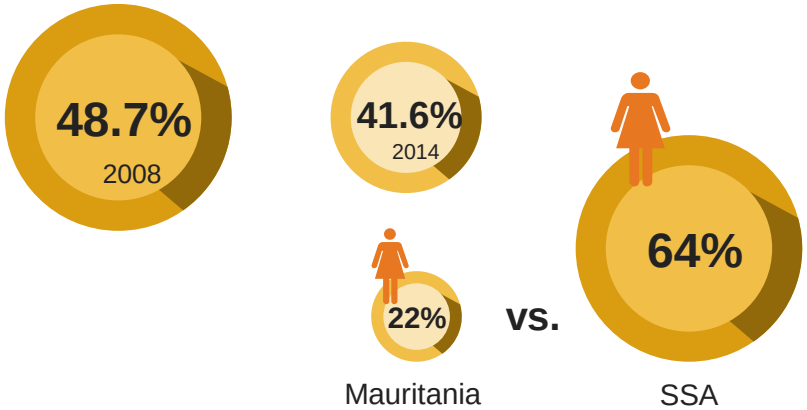
## Moreover, narrow economic growth failed to stimulate job creation

Growth | Poverty | Governance | Sustainability | Constraints

**Unemployment** declined

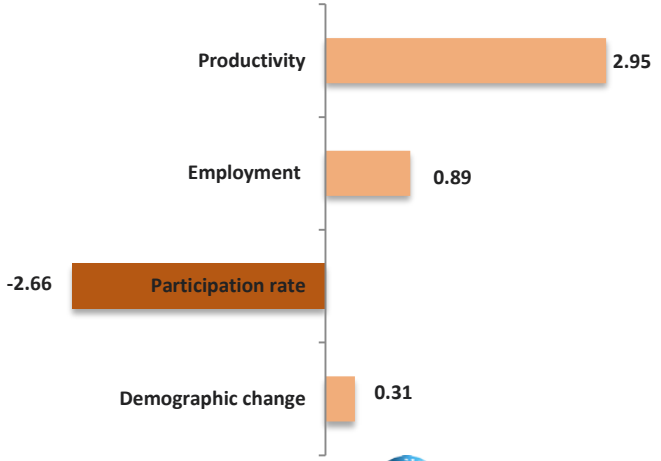



However, this has largely been due to **people leaving the Labor Force,** as the Labor Force Participation Rate also declined




The growth decomposition analysis confirms a decline in the labor participation rate, which continues to act as a brake on the country's economic growth.

**Figure 1.21. Shapley Decomposition of Growth in Per Capita Value Added, 2008-2014**






Note: Includes informal employment (based on standard international definition of employment) as used in the Household survey EPCV
Source: EPVC 2014, WDI, ILO KILM Data, 2012-2014 values (for cross-country data), World Bank

WORLD BANK GROUP

# Growth Model Limitations

**…with labor markets persistently burdened by high degree of informality…**



- Most Mauritanians are employed in the informal sector (i.e., without a formal contract and lacking contributions to the national social security fund) in subsistence occupations, as well as in precarious, seasonal jobs*.

- The prevalence of informal employment is even higher among young graduates, which is an ominous trend given Mauritania's dynamic demographic transition.

**Figure 1.22. Total employment structure, 2012**

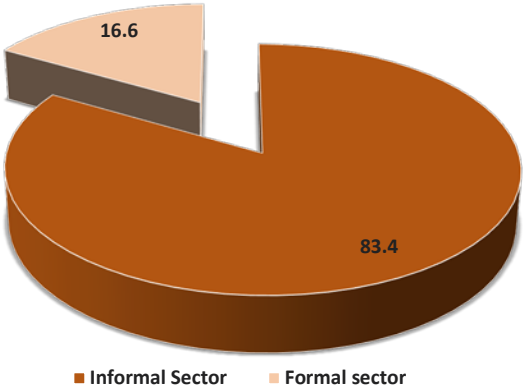
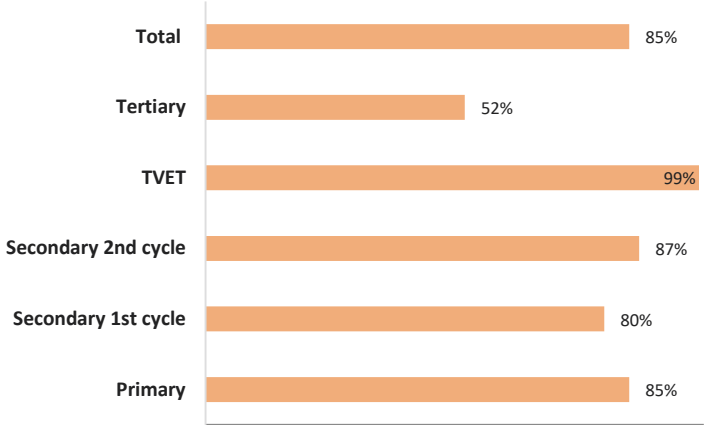



**Figure 1.23. Rate of Informal Employment Among Graduates (% of labor force)**




**For further information on the labor market profile and dynamics in Mauritania, please refer to World Bank (2016), Transforming the Trajectory of the Youth, Labor Market Dynamics and Growth, Brief.*



Source: RESEN 2015; World Bank (2016), Transforming the Trajectory of the Youth, Labor Market Dynamics and Growth, Brief

WORLD BANK GROUP

# Growth Model Limitations

## …and low level of female participation



- The gender gap in labor markets is particularly severe. Three out of four jobs are held by men despite women representing 55 percent of the working-age population. Labor force participation is especially low for young women – only 21% among 20-24 years-old, likely linked to early marriage and child rearing*.

**Figure 1.24. Labor Force Participation by Age, 2012**

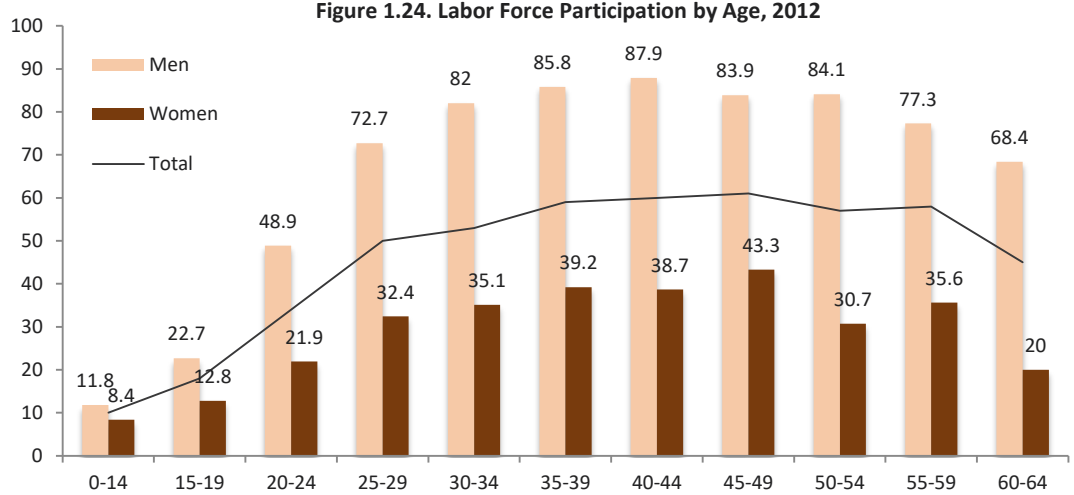
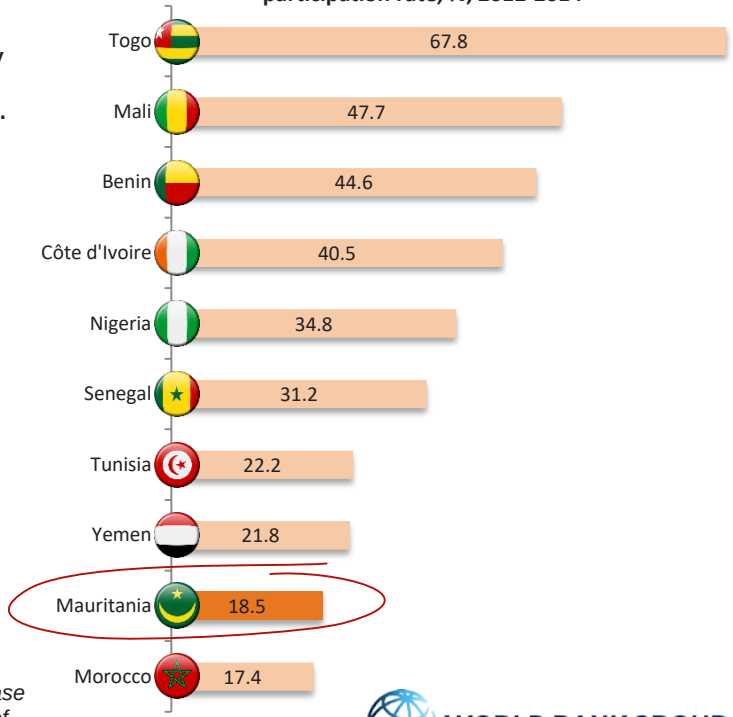



**Figure 1.25. Female youth (15-24 y.o.) labor participation rate, %, 2012-2014**




*For further information on the labor market profile and dynamics in Mauritania, including profile of women, please refer to World Bank (2016), Transforming the Trajectory of the Youth, Labor Market Dynamics and Growth, Brief.*



Source: 2012 Mauritania Labor Force and Informal Sector Survey; ILO KILM Data, 2012-2014 values, as reported in World Bank (2016), Transforming the Trajectory of the Youth, Labor Market Dynamics and Growth, Brief

WORLD BANK GROUP

# Growth Model Limitations

## Combined with Dutch Disease symptoms, the poor investment climate holds back private sector growth



WORLD ECONOMIC FORUM

Mauritania ranked **138 out of 140**
(2015-2016 WEF Report)

Doing Business — THE WORLD BANK — IFC

Mauritania ranked **168 out of 189**
(2016 World Bank Doing Business Report)

**Figure 1.26. Comparative ranking, 2015-2016**

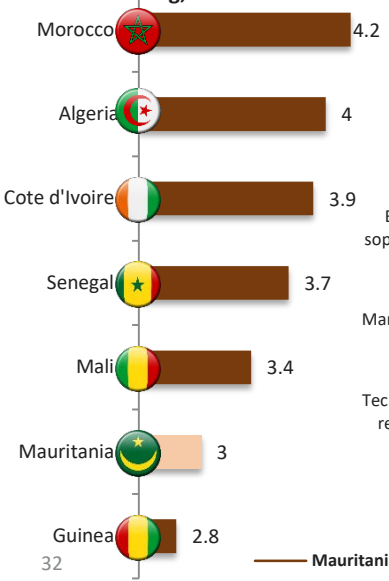



**Figure 1.27. Global Competitiveness Index, Selected Scores (1-7, best), 2015-2016, WEF**

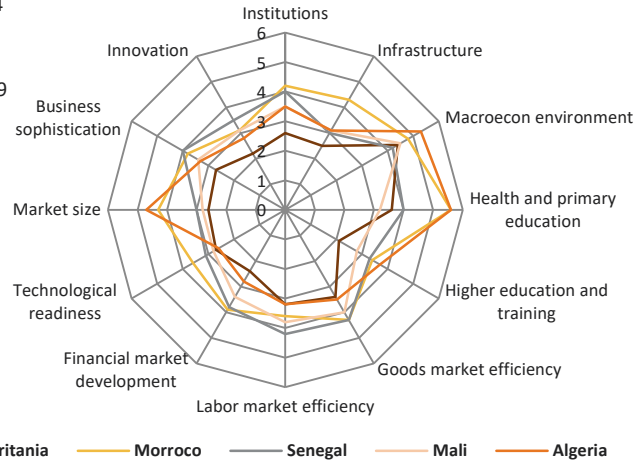



**Figure 1.28. Comparative ranking, 2016**

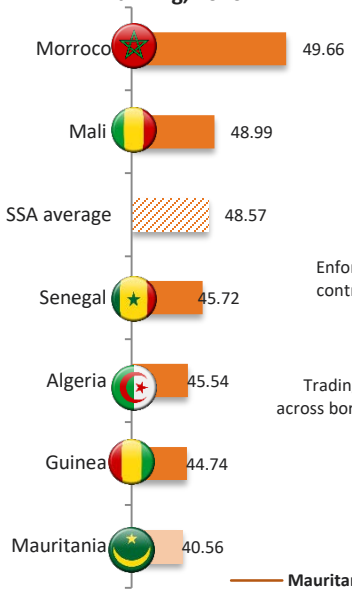



**Figure 1.29. Doing Business Index, Selected Scores, 2016, WB**

Source: World Economic Forum, Global Competitiveness Report 2015-2016; World Bank Doing Business Report 2016

# Growth Model Limitations

**Limited access to finance by the private sector presents a particular investment climate challenge**

- Mauritania's banking system remains small, shallow and fragmented, with total assets of around $2 billion ($320 million for the largest bank). Financial intermediation is improving but remains weak; in spite of rapid credit growth over the last few years, the credit/GDP ratio is still around 22% and payments are principally conducted in cash.
- Firms report access to finance as the main constraint in the 2014 Enterprise survey (52% compared to 42% in sub-Saharan Africa).
- More than three quarters of Mauritania's firms (77%) continue to rely on internal financing for investment (compared to 75% and 71% for Sub-Saharan African and Lower Middle Income countries).
- Financial inclusion is also low, even compared to countries at similar income levels, with only around 20% of the adult population having a bank account (23% if mobile accounts are counted) - below the average for sub-Saharan Africa in particular for mobile accounts.



**Figure 1.30. Most problematic factors for doing business, WEF survey**

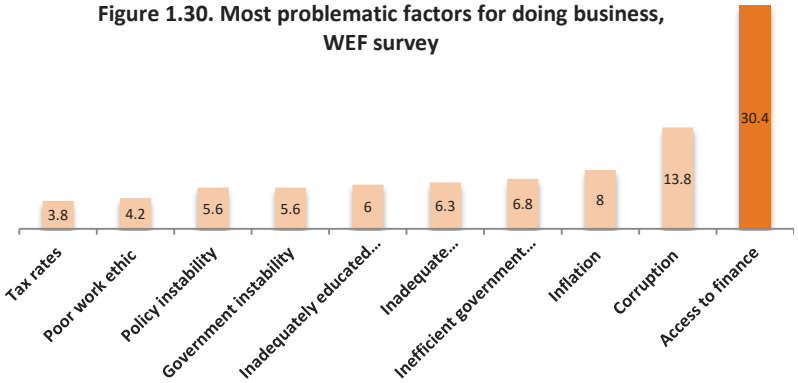
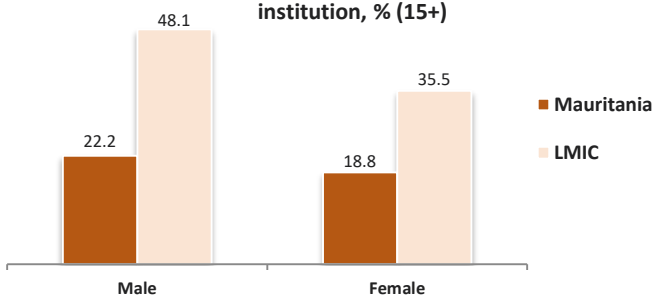



**Figure 1.31. Population with an account in financial institution, % (15+)**






Source: DTIS, 2016; World Development Indicators

WORLD BANK GROUP

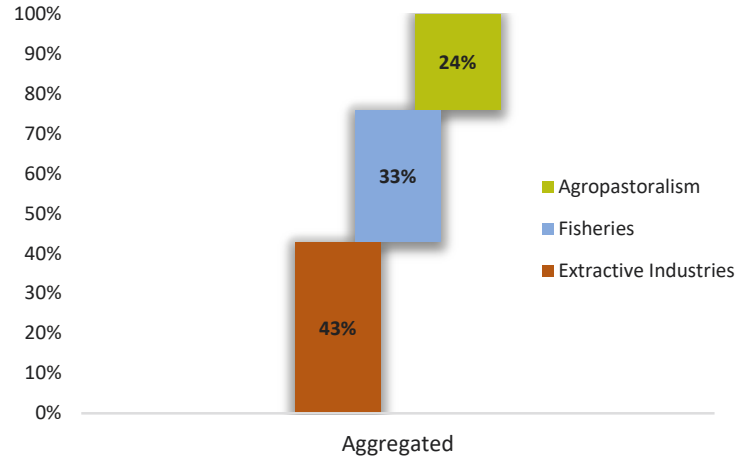
# Growth Opportunities

**Growth prospects in the short to medium term are based on Mauritania's comparative advantages in natural endowments**



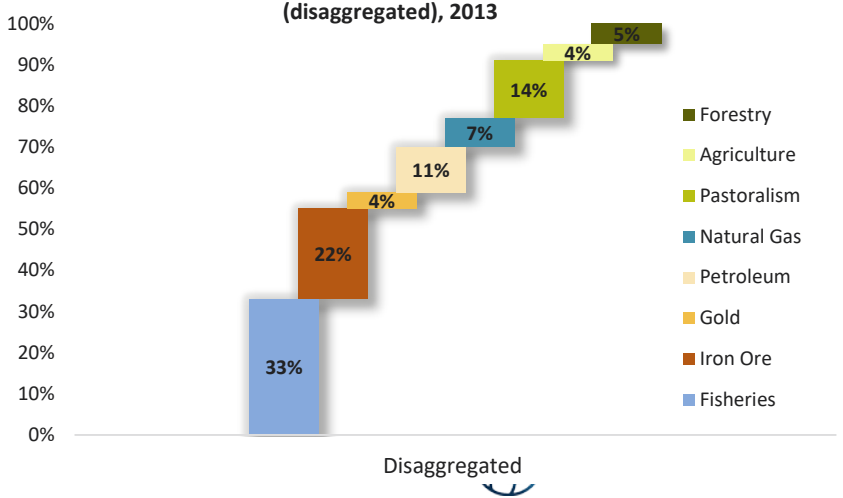
- Recent estimates from the World Bank's Green Growth Report put mineral resources (iron ore, oil, gold, copper and natural gas) at the top of Mauritania's comparative advantages - they account for 43 percent of the total natural resource wealth.

**Figure 1.32. Natural resource wealth in Mauritania, 2013**




- Mineral resources are followed by fisheries, and agro-pastoralism, dominated by livestock.
- Disaggregated analysis demonstrates that fisheries and livestock together account for almost half of Mauritania's natural resource wealth.

**Figure 1.33. Natural resource wealth in Mauritania (disaggregated), 2013**






Source: World Bank, 2014, Mele, Gianluca, *Mauritania: Counting on Natural Wealth for a Sustainable Future*

# Growth Opportunities

**Long-term growth is linked to structural transformation driven by urban-based competitive and labor intensive sectors**



- Productivity analysis demonstrates that services, largely concentrated in urban centers, have the biggest contribution to total productivity growth in the economy, highlighting their importance in stimulating long-term job-creating structural transformation.
- With the second highest urbanization rate in the continent, Mauritania's cities will play a critical role in stimulating economic diversification through the growth of productive, labor intensive service sectors.

**Table 1.4. Shapley Decomposition of per Capita Value Added Growth, Productivity and Employment by Major Sector, 2008-2014**

| | Percent | Contribution |
|---|---|---|
| Annual Growth per capita Value Added | 1.48 | 100% |
| Change in Productivity | 2.95 | 199% |
| Agriculture | 0.45 | 30% |
| Industry | 0.09 | 6% |
| Services | 2.59 | 175% |
| Intersectoral Reallocation Effect | -0.18 | -12% |
| Change in Employment Rate | 0.89 | 60% |
| Agriculture | 0.24 | 16% |
| Industry | -0.01 | -1% |
| Services | 0.66 | 45% |
| Change in Participation Rate | -2.66 | -180% |
| Change in Share of Working Age Population | 0.31 | 21% |



Source: World Bank staff calculations based on data from Mauritania Central Bank, National Statistical Office

WORLD BANK GROUP

# Mining Potential

**Rich and diversified resources, principle source of government revenues**

**Mauritania's rank** by International Council on Mining and Metals (ICMM):

**2nd**

On a global list of countries in terms of **relative potential contribution of the mining sector to the national economy** (only after Democratic Republic Congo)

- Mauritania benefits from abundant and diversified mineral endowments, with the recoverable resources estimated to allow **100 years of iron ore and gold production** at current capacity.
- The total **copper resources** amount to almost **1000 times the 2014 output**. **Significant gas discoveries** have the potential to redefine access to energy across the country, increasing direct and indirect employment well as state revenues.
- Despite the abundance of mineral resources, water scarcity and infrastructure deficits limit the potential growth contribution of the sector and highlight the delicate trade-offs between optimizing extraction and ensuring sustainability. Moreover, the upstream governance of the extractive sector creates obstacles to attracting foreign investment and generating revenue.

Photo credit: WFP / Justin Smith

# Livestock Potential

**One of the most important pillars supporting rural livelihoods**

**Agro-pastoralism** is a main livelihood for:

**60%** of rural households

It is **dominated by livestock rearing,** which accounts for:

**75%** of agricultural GDP (average for 2005-2015)

**16%*** of nominal national GDP (average for 2005-2015)

**Contribution is likely to be underestimated because livestock operations are largely informal*

- Livestock plays an important role in **food security and resilience**: local production is estimated to cover 30% of milk and 100% of red meat national consumption.
- Livestock is not only a source of revenue and food, but a **form of capital accumulation and insurance**, especially for the poorest, in the context of low productive and highly volatile agriculture.
- Though the pastoral economy benefited from higher prices, production stagnated and is burdened by low productivity. It is subject to acute desertification and climate change stresses. Moreover, exports are handicapped by low meat quality, poor zoo-sanitary and public health safeguards, and limited domestic transformation etc.

Source: World Bank staff calculations based on National Statistic Office, Diagnostic Trade Integration Study (DTIS) Update, 2016

Photo credit: WFP / Justin Smith

# Fisheries Potential

## Significant economic potential and employment opportunities

**Fisheries sector** accounts for (average for 2005-2015):

- **18%** of total export value
- **15%** of government revenue
- **25%*** of revenue in foreign currencies
- **40,000*** Jobs, **80%** of which are in the **artisanal segment**

*Numbers for revenue in foreign currencies and jobs taken from DTIS, 2016

- By contrast, the sector's contribution to **GDP** (incl. catches and ancillary upstream and downstream activities) is **rather small at 2.2%** over 2005-2015, reflecting its weak linkages with the national economy.
- Despite its economic and employment potential, the sector faces serious challenges in sustainability and generating local revenue, being characterized by low productivity and low value addition. The dominant products (frozen octopus and fishmeal) have low value added, resulting in modest onshore employment and limited offloading from foreign vessels. Only 5-10% of the fish caught are unloaded at Mauritanian ports, and a much smaller percentage is processed locally.

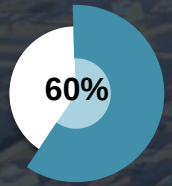
Source: World Bank staff calculations based on National Statistic Office, Diagnostic Trade Integration Study (DTIS) Update, 2016

Photo credit: WFP / Agron Dragaj

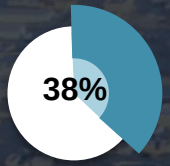
# Urbanization Potential

**Rapid growth, but limited positive agglomeration effects**

Mauritania has the **second largest urbanization rate** on the continent (after South Africa)

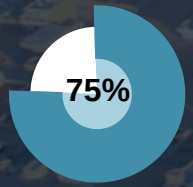



Urban population in Mauritania

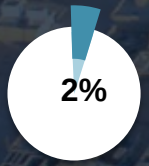



Urban population in Sub-Saharan Africa

And has experienced a dramatic structural change in its population composition




Nomadic population in 1960s




Nomadic population today

These demographic and lifestyle changes seem largely a result of push factors associated with coping strategies against adverse climatic shocks.

Due to high informality, poor infrastructure, uneven service coverage, and weak human capital, urbanization has not brought positive agglomeration effects normally associated with increased economic productivity per capita.

Photo credit: Ouad Naga Photo (http://mr.worldmapz.com)

# Growth Diagnostic Summary (1/2)

**Volatile, extractives-dominated, and state-driven growth with limited job creation and weak private sector diversification**

Growth | Poverty | Governance | Sustainability | Constraints

- Accelerated growth largely driven by extractive resource revenues and public investment, which helped Mauritania ride the commodities super-cycle; growth vulnerable to terms-of-trade shocks and weakened by political uncertainty, droughts, the decline in labor force participation, and poor macroeconomic management.
- On the back of the mining boom, solid performance of non-tradable sectors, weaker performance of traditional productive sectors, and no structural transformation despite high urbanization rates.
- Dominance of the State in key economic sectors, such as extractives, fisheries, and construction, with associated negative externalities, notably the rise of public debt, weak competition and private sector development, and limited job creation.
- In light of the new normal in commodity prices, **inclusive growth in the short to medium term can be achieved by leveraging existing comparative advantages in extractives, as well as fisheries and livestock, both of which have high potential in promoting job-intensive growth, and gradually shifting towards private sector-led diversification in urban-based competitive and labor intensive sectors in the long-term.**

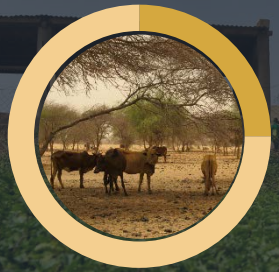
# Growth Diagnostic Summary (2/2)

**Priority constraints relate to managing natural endowments and triggering structural transformation in urban centers**

Growth | Poverty | Governance | Sustainability | Constraints

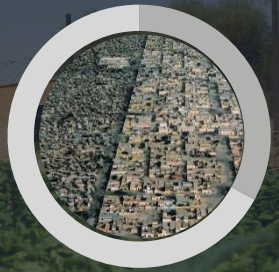
## PRIORITY BINDING CONSTRAINT AREAS

**Weak Management of Extractives**



**Failure to Harness Potential in Livestock**

**Failure to Harness Potential in Fisheries**



**Rapid and Outpaced Urbanization**

Photo credit: WFP / Agron Dragaj

# POVERTY & SHARED PROSPERITY

*Significant reduction in poverty and inequality in the past decade was primarily driven by elative price shifts that benefitted poor rural producers, rather than gains in productivity or structural mechanisms to build the human capital, productive and financial assets of the poor over the longer term*

WORLD BANK GROUP

# Poverty Trends

**During the commodity super cycle Mauritania experienced a significant reduction in poverty, especially extreme poverty**



- Before the commodity super-cycle (1990s - early 2000s), Mauritania had been on a steady but slow poverty reduction trajectory with a modest annual rate of poverty reduction of slightly less than one percentage point per year.
- During the commodity boom poverty reduction accelerated…
- … with an average rate of reduction increasing to around 1.5 percentage points per year for the 2004-2014 period and being particularly high during 2008-2014 sub-period.
- The extreme poor have done particularly well with their number almost halving between 2008 and 2014.

**Figure 2.1. Official poverty rates, 1996-2008 - old poverty line (light bars) ; 2008-2014 new poverty line (dark bars)**

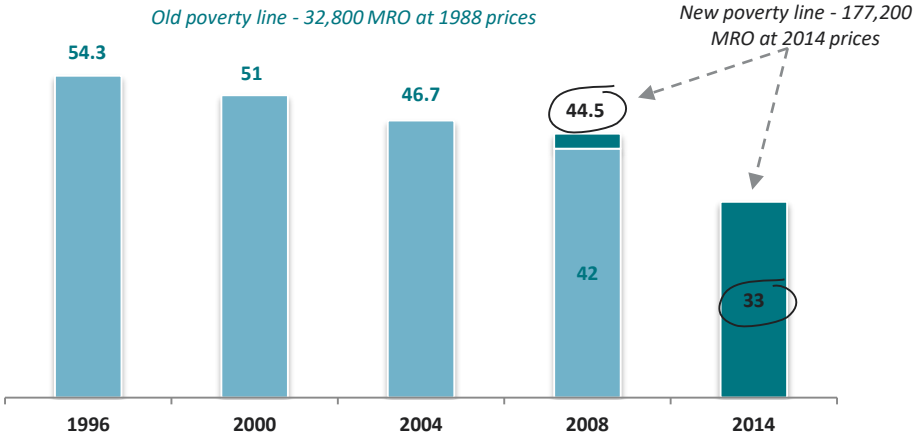
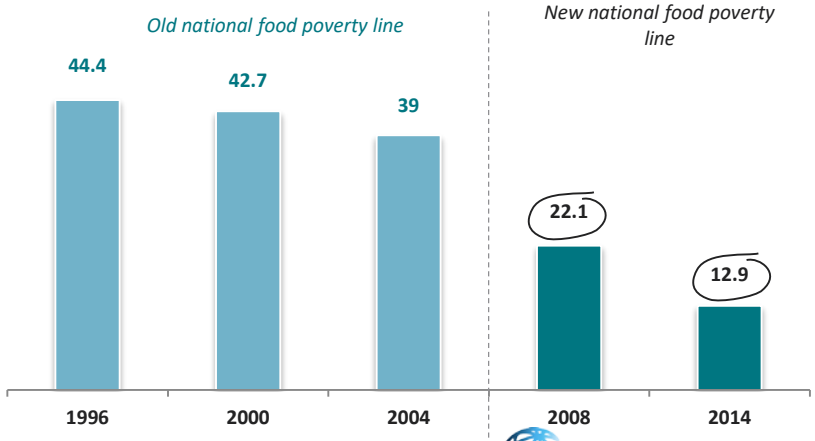



**Figure 2.2. Extreme poverty rates as defined by National food poverty line, 1996-2014**






Source: World Bank staff calculations based on EPCV 2008 and 2014, as reported in the Poverty Dynamics and Social Mobility Report, World Bank, July 2016

WORLD BANK GROUP

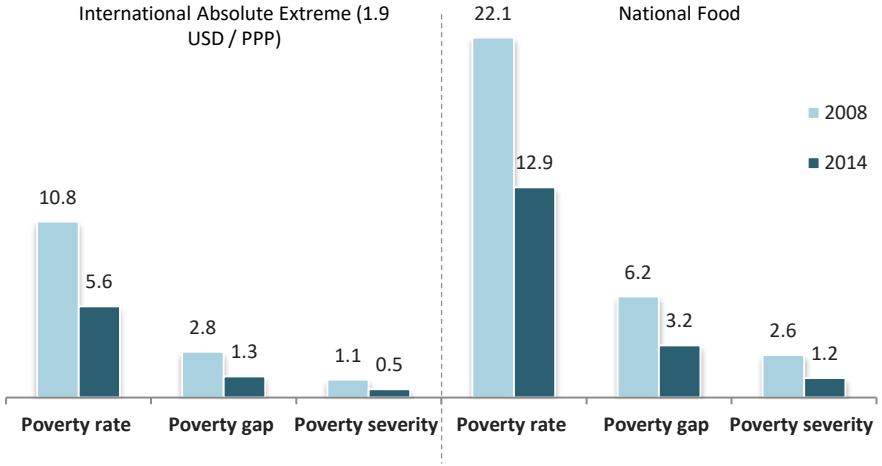
# Poverty Trends

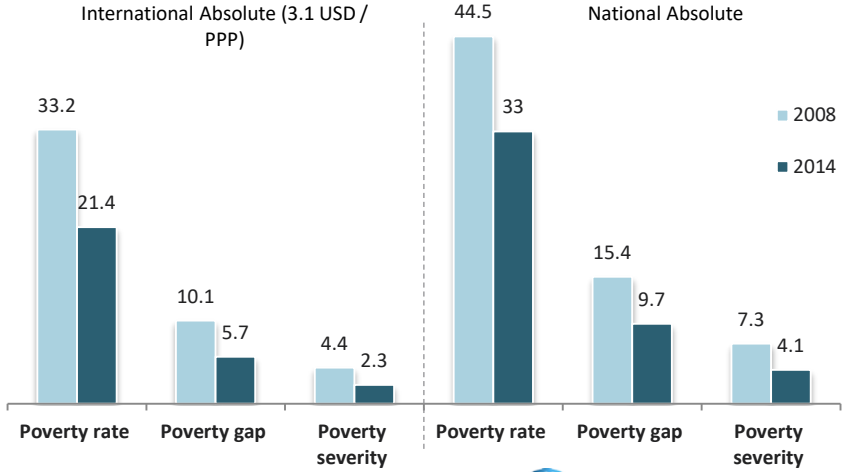
**The estimates of large poverty reduction in the recent period are robust across various poverty lines or indicators**



- Across the various **extreme poverty lines** (International extreme poverty and national food poverty lines) and all the three poverty measures (poverty rate, poverty gap and severity of poverty) poverty halved between 2008 and 2014.
- Across the **absolute poverty lines** (International and national absolute poverty lines), poverty declined by about a third for all three measures, confirming particular progress on the alleviation of extreme poverty.

**Figure 2.3. Various Poverty measures, 2008-2014**






Source: World Bank staff calculations based on EPCV 2008 and 2014, as reported in the Poverty Dynamics and Social Mobility Report, World Bank, July 2016

WORLD BANK GROUP

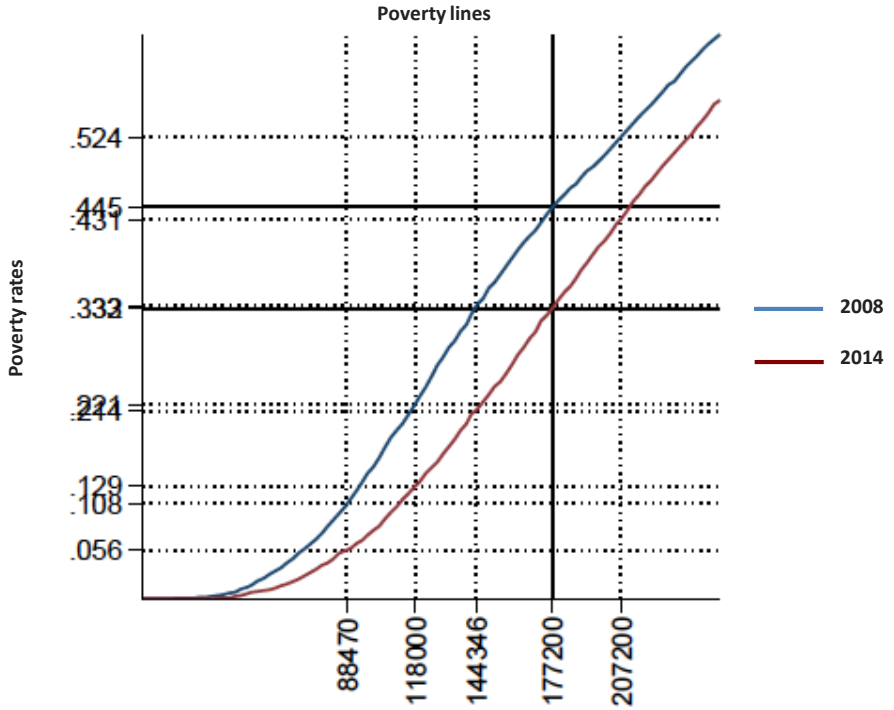
# Poverty Trends

**However, the current national poverty line makes the poverty decline particularly large**



- Sensitivity analysis demonstrates that the particular absolute poverty line chosen for Mauritania is positioned in a part of the cumulative distribution functions for 2008 and 2014, where the distance between the two curves is the highest (i.e. poverty decline is the largest).
- If the poverty line is moved to the right or to the left, the decline in poverty and the elasticity to growth indicators would be smaller.
- However, shifting the poverty line around this threshold would still result in poverty declines within a 9-12 percentage points range, hence the poverty change cannot simply be attributed to the poverty line.

**Figure 2.4. Cumulative Distribution Function (censored at 250K)**






Source: World Bank staff calculations based on EPCV 2008 and 2014, as reported in the Poverty Dynamics and Social Mobility Report, World Bank, July 2016

WORLD BANK GROUP

# Poverty Trends

**Based on the current poverty line, Mauritania is a leading performer in poverty reduction in the region**

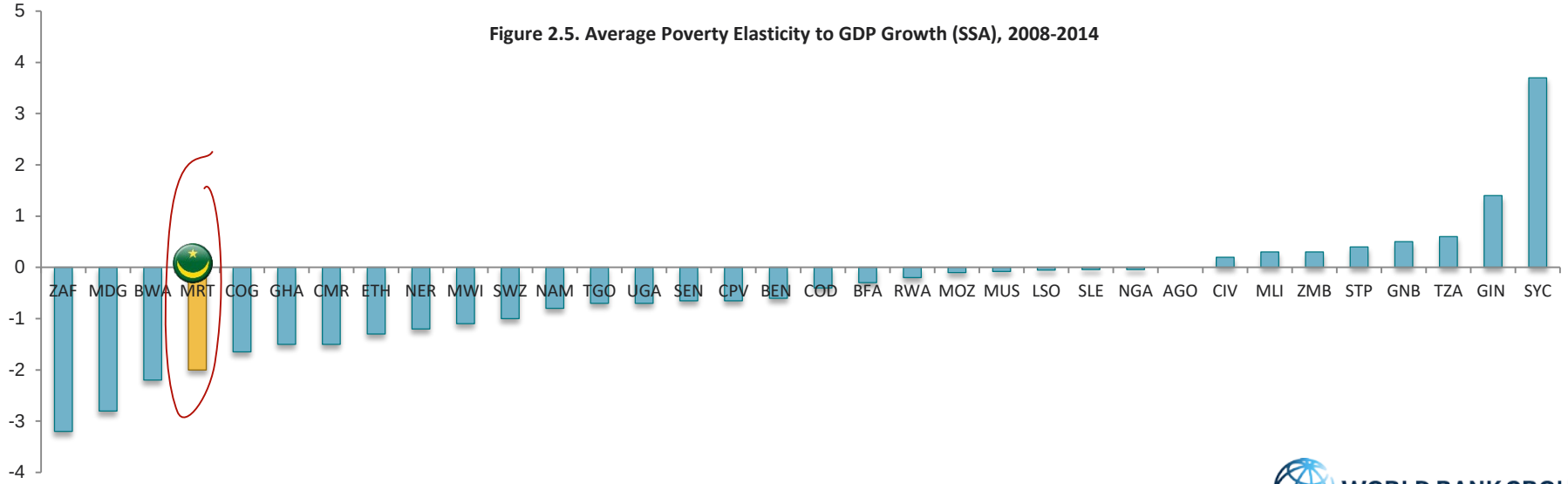


## Mauritania's rank in poverty elasticity to GDP in SSA

**4th**

Mauritania performs well vis-à-vis other African countries in terms of poverty elasticity to GDP, ranking 4th after South Africa, Madagascar and Botswana. This cross-country benchmarking confirms that Mauritania's poverty performance has been above-average.

**Figure 2.5. Average Poverty Elasticity to GDP Growth (SSA), 2008-2014**




Source: World Bank, Poverty Dynamics and Social Mobility in Mauritania, July 2016



WORLD BANK GROUP

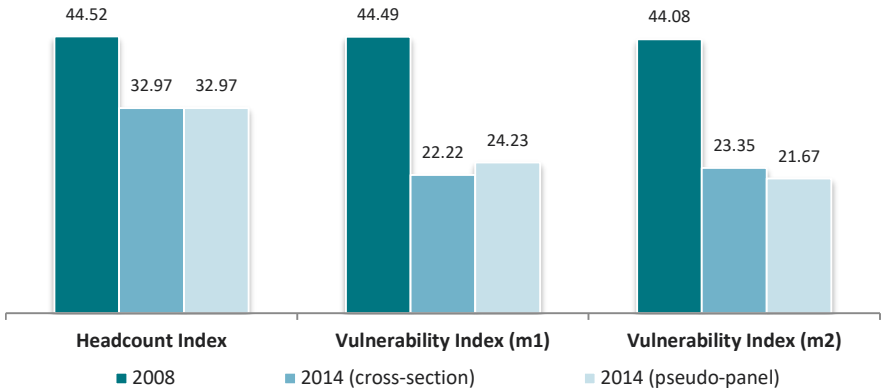
# Poverty Trends

## Poverty reduction has been accompanied by improvements in vulnerability…



- According to various estimation methods, vulnerability to poverty* has also decreased, indicating that **the assets base of the lowest quintiles has improved** over time (see Annex for further technical details).

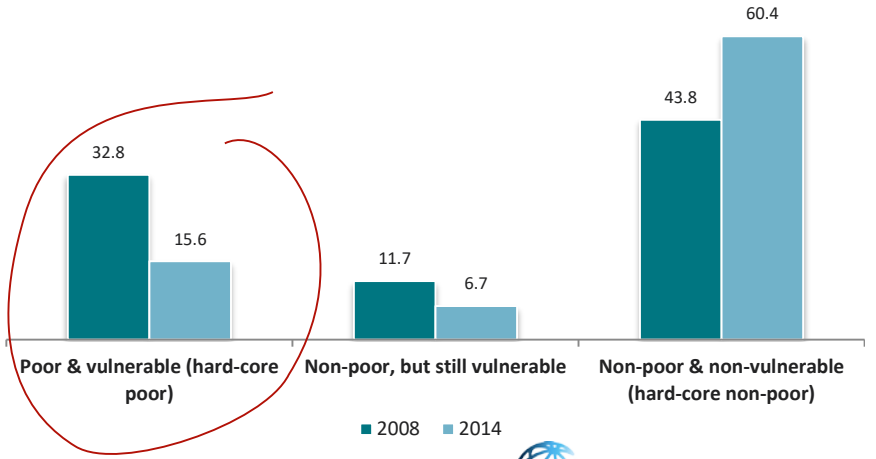
**Figure 2.6. Vulnerability Indices, 2008-2014**




**Vulnerability to poverty* is the probability of being poor in the future, measured by predicting poverty using individual or household endowments (If an individual is observed to be poor but his/her endowments are associated with higher welfare, the risk of being poor in the near future is expected to be lower).*

- The group of hard-core poor (both poor and vulnerable to poverty in the near future) has declined substantially from 32.8 to 15.6 percent while the group of hard-core non-poor has increased from 43.8 to 60.4 percent, which signals **potential for a further reduction in poverty in the future**.

**Figure 2.7. Poverty and Vulnerability, 2008-2014**






Source: World Bank staff calculations based on EPCV 2008 and 2014, as reported in the Poverty Dynamics and Social Mobility Report, World Bank, July 2016

WORLD BANK GROUP

# Poverty Trends

**…and inequality, which has also significantly decreased in the most recent period**



- Household expenditure growth has been positive for all percentiles with no exceptions, although it has been **much higher for the lower percentiles**.

- As a result, overall inequality, as measured by the **Gini index, declined** from 35.3 to 31.9 percent in 2008-2014. Comparing the two Lorenz curves shows that they are apart all along the distribution, indicating **a robust inequality decrease**.

**Figure 2.8. Growth Incidence Curve, 2008-2014**

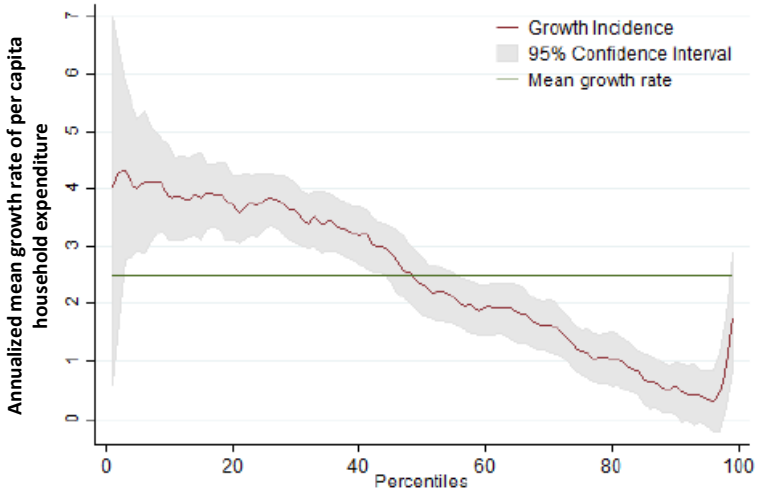
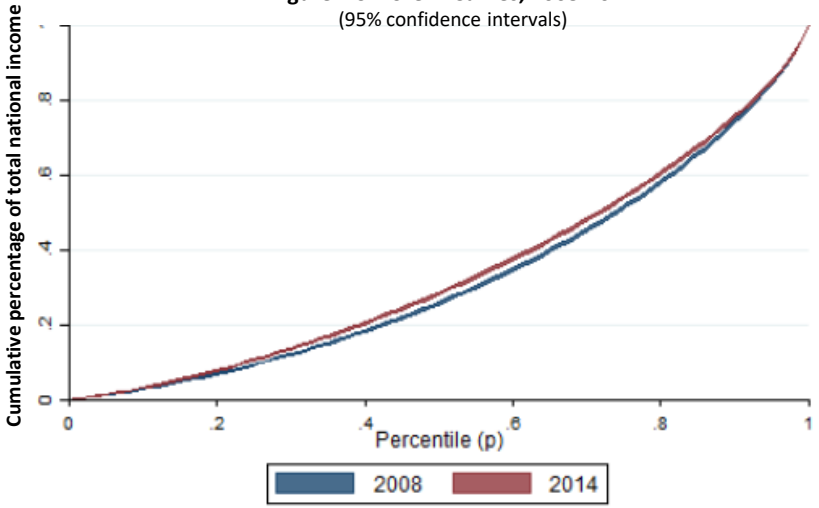



**Figure 2.9. Lorenz Curves, 2008-2014**
(95% confidence intervals)






Source: World Bank staff calculations based on EPCV 2008 and 2014, as reported in the Poverty Dynamics and Social Mobility Report, World Bank, July 2016

# Poverty Trends

**Social mobility indicators have demonstrated equally positive dynamics**

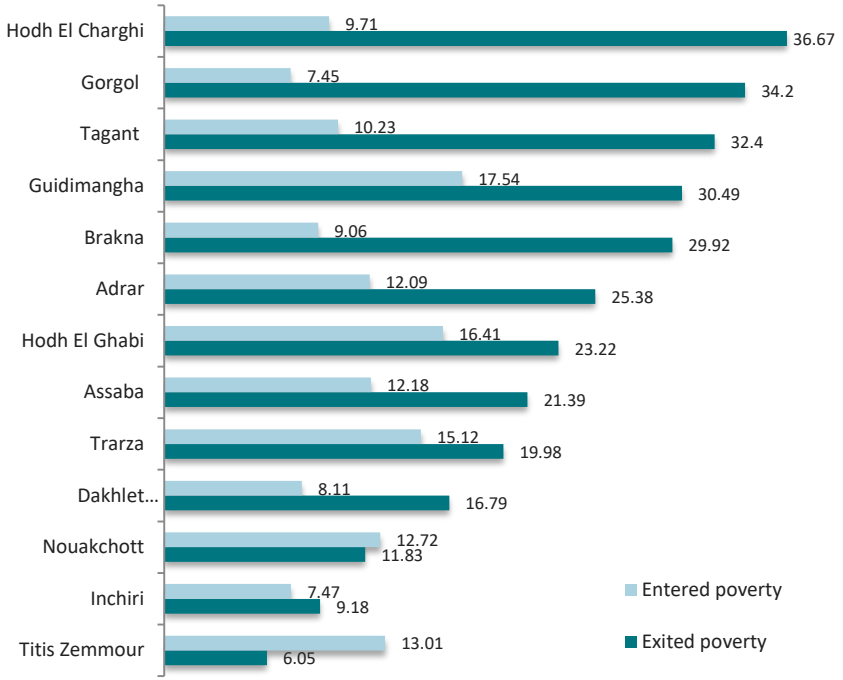


## Exited poverty

**23.2%** versus **12.07%** of those who **entered poverty** and 20.89% of those who stayed poor (chronic poverty)

- Over the past six years more than one third of the Mauritanian population transited to / from poverty with more than 65 percent of them exiting, rather than entering, poverty.
- The exit rate has been significantly higher in predominantly rural areas, particularly in the “poverty triangle” of Mauritania: Hodh EL Charghi with 36 percent, Gorgol with 34 percent, Tagant with 32 percent, Guidimanka and Brakna with 30 percent.

**Figure 2.8. Social mobility by region, %, 2014**






Source: World Bank staff calculations based on EPCV 2008 and 2014, as reported in the Poverty Dynamics and Social Mobility Report, July 2016

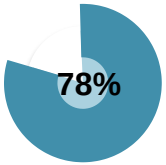
WORLD BANK GROUP

# Poverty Reduction Drivers

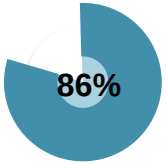
## In 2008, most of the poor were concentrated in rural areas and engaged in agriculture and livestock



### Contribution of rural areas to poverty




Poor living in rural areas



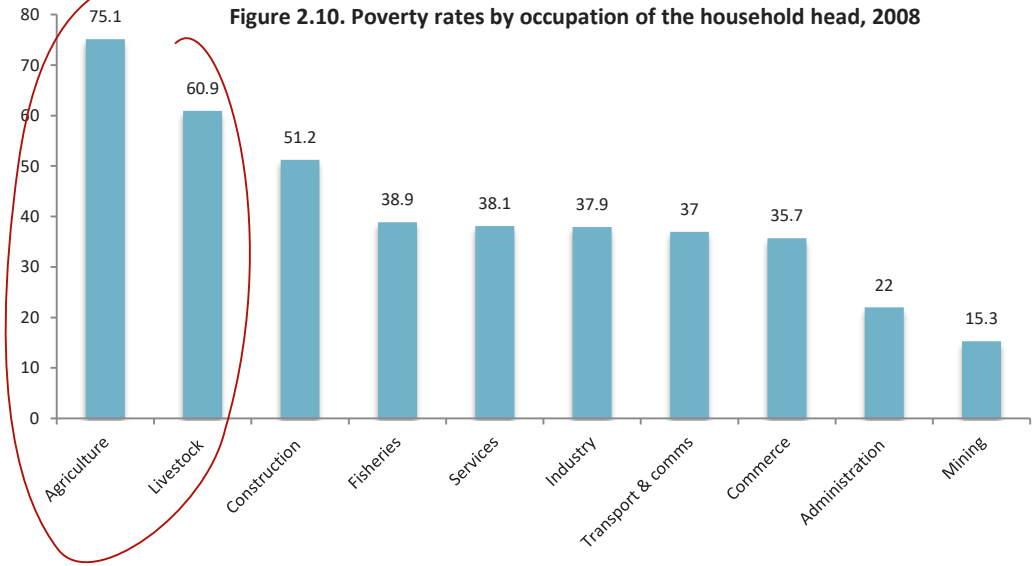

Extreme poor living in rural areas

*2008, according to EPVC 2008*

- Vast majority of the poor and extreme poor were concentrated in rural areas.
- More than half of all the poor (54 percent) were in four southern wilayas: Brakna, Gorgol, Hodh El Charghi, and Assaba).

- Most of the rural households were engaged in agriculture and livestock and experienced the highest poverty rates, ranging between 60 and 75 percent.

**Figure 2.10. Poverty rates by occupation of the household head, 2008**






Source: Mauritanian Office of National Statistics based on EPCV 2008, *Profil de la Pauvrete en Mauritanie 2008*

WORLD BANK GROUP

# Poverty Reduction Drivers

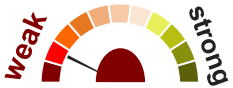
## Since 2008 rural areas have witnessed the strongest increase in household expenditure

Growth | **Poverty** | Governance | Sustainability | Constraints

### Rural areas performance

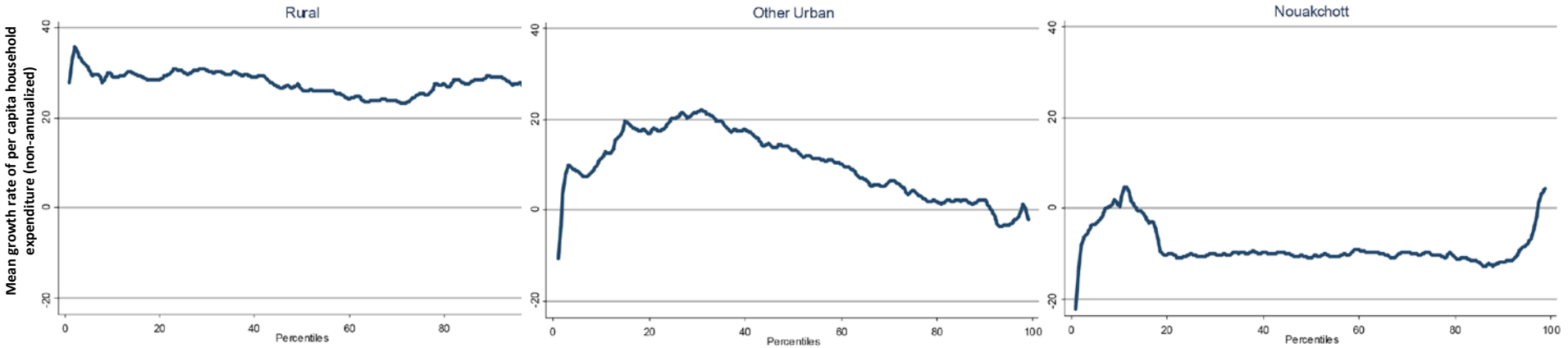
- Changes in household expenditure have been **asymmetric** in favor of rural areas, where all percentiles of the distribution have done very well.

### Nouakchott performance




- In Nouakchott, however, most of the households experienced a decrease in mean expenditures with only a small Fraction of the poor showing positive developments.

**Figure 2.11. Growth Incidence Curves by Area, 2014**



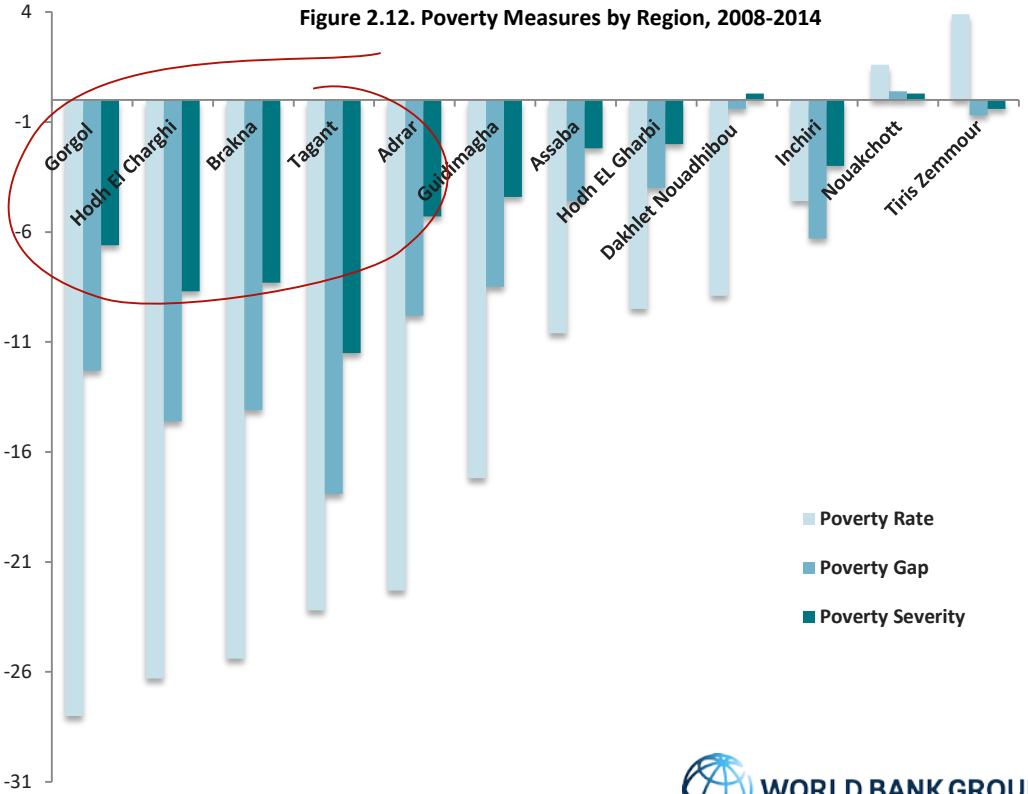

Source: World Bank staff calculations based on EPCV 2008 and 2014, as reported in the Poverty Dynamics and Social Mobility Report, World Bank, July 2016

# Poverty Reduction Drivers

**Closer spacial analysis confirms that the poorest rural regions have experienced the largest progress in poverty reduction**

Growth | **Poverty** | Governance | Sustainability | Constraints

- Cross-regional changes in poverty confirm that predominantly rural regions (Hodh El Charghi, Gorgol, Brakna, Adrar and Tagant) have done much better than predominantly urban regions in terms of poverty reduction, experiencing significant declines in poverty.
- The progress of Gorgol and Tagant is particularly encouraging, as these regions had the highest level of poverty in 2008.
- **By contrast, Nouakchott experienced an increase in poverty**, which combined with the growth of the urban population, has increased the share of the poor living in the capital.






Source: World Bank staff calculations based on EPCV 2008 and 2014, as reported in the Poverty Dynamics and Social Mobility Report, World Bank, July 2016

WORLD BANK GROUP

# Poverty Reduction Drivers

## Thus, rural areas have the largest contribution to the overall poverty reduction



**Share of total poverty reduction explained by improvements within rural areas**

**78%**

Versus **13.6 percent** of poverty reduction explained by **population shifts**

- Changes within areas are due mostly to changes in rural areas that explain 78 percent of the total within area effect of 88.4 percent.
- And within rural areas consumption growth played a more important role than redistribution.

**Figure 2.13. Poverty Change Decomposition into Population and Areas Effects**

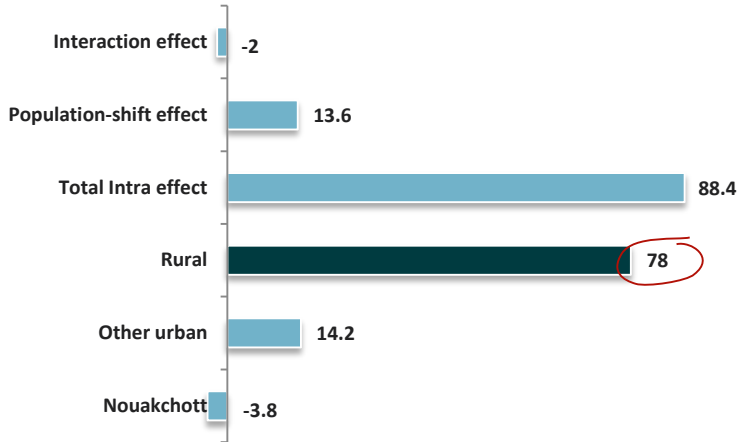
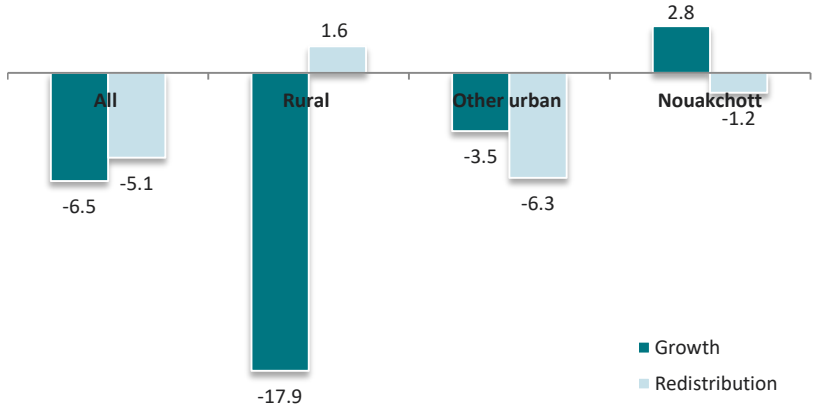



**Figure 2.14. Shapley poverty decomposition, 2008-2014**






Source: World Bank staff calculations based on EPCV 2008 and 2014, as reported in the Poverty Dynamics and Social Mobility Report, World Bank, July 2016

WORLD BANK GROUP

# Poverty Reduction Drivers

## Increase in rural household expenditure benefitted mostly livestock and agriculture producers

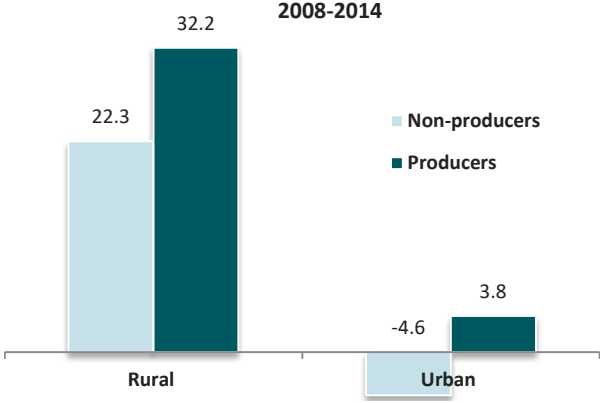


### Expenditure increase of food producers

**33%**

Versus **1.4%** of household expenditure per capita increase for **non-producers**

**Figure 2.15. Average Expenditure Growth, 2008-2014**




Households engaged in **agriculture and livestock** demonstrated the **biggest decrease in poverty rate** over 2008-2014 period.

**Table 2.1. Poverty Decomposition into Economic Sectors, 2008-2014**

| Economic Sector | 2008 | | 2014 | | Pop. Share change | Poverty change 2008-14 |
|---|---|---|---|---|---|---|
| | Pop. share | Poverty rate | Pop. share | Poverty rate | | |
| **Agriculture** | 7.7 | 75.1 | 3.8 | 57.5 | **-3.9** | **-17.57** |
| **Livestock** | 8.8 | 60.9 | 14.0 | 44.0 | **5.4** | **-16.88** |
| **Construction** | 4.5 | 51.2 | 4.7 | 35.5 | 0.2 | **-15.64** |
| **Transport & Comms** | 3.0 | 37.0 | 3.3 | 22.1 | 0.3 | **-14.84** |
| Fishing | 2.2 | 38.9 | 2.2 | 27.8 | 0 | -11.13 |
| Industry | 1.7 | 37.9 | 2.2 | 26.9 | 0.5 | -11.00 |
| Services | 13.1 | 38.1 | 12.8 | 29.3 | -0.3 | -8.77 |
| Commerce | 16.8 | 35.7 | 25.0 | 31.9 | 8.2 | -3.84 |
| Admin | 9.5 | 22.0 | 4.8 | 18.4 | -4.7 | -3.59 |
| Mining | 1.3 | 15.3 | 1.3 | 20.4 | 0 | 5.01 |
| Others | 31.4 | 48.3 | 25.7 | 31.3 | -5.7 | -16.98 |
| Total | 100.0 | 44.50 | 100.0 | 33.0 | n/a | -11.55 |



Source: World Bank staff calculations based on EPCV 2008 and 2014, as reported in the Poverty Dynamics and Social Mobility Report, World Bank, July 2016

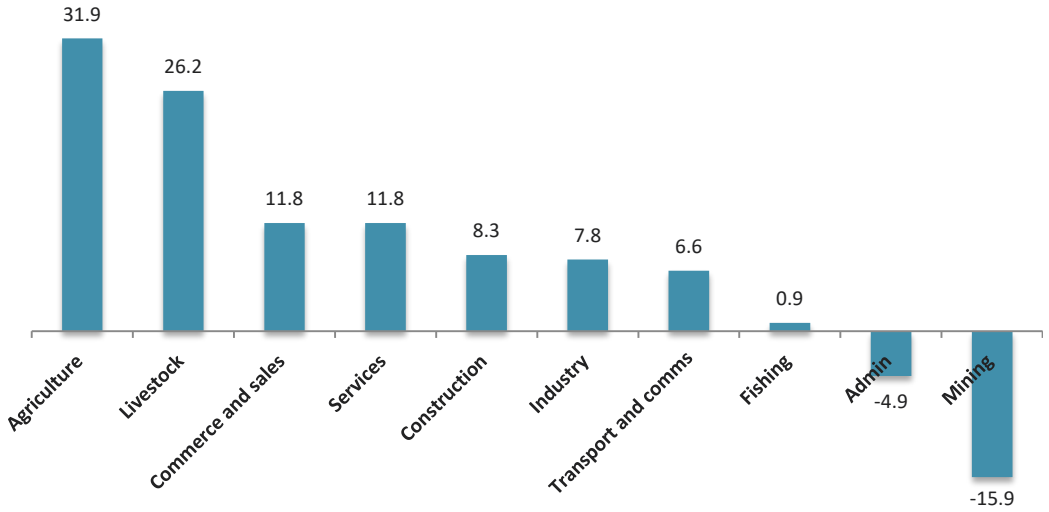
# Poverty Reduction Drivers

**This, however, has been accompanied by a significant structural employment reallocation out of agriculture**

Growth | Poverty | Governance | Sustainability | Constraints

- The analysis of the welfare of employed population confirms a strong performance of agriculture and livestock in terms of increases in mean household expenditures.

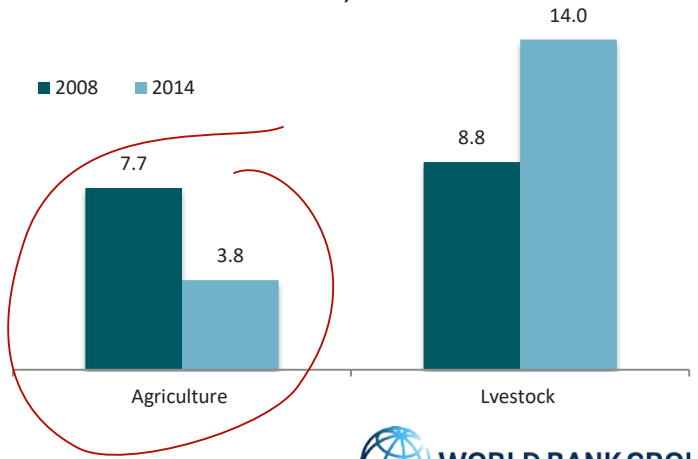
**Figure 2.16. Mean Expenditure Change, Employed Population (15+), 2008-2014**




- This, however, has been accompanied by a structural labor outflow from the agriculture sector.

**Population share decrease in agriculture** vs. +5.4% population share increase in livestock

**Figure 2.17. Population share, engaged in agriculture and livestock, 2008-2014**






Source: World Bank staff calculations based on EPCV 2008 and 2014, as reported in the Poverty Dynamics and Social Mobility Report, World Bank, July 2016

WORLD BANK GROUP

# Poverty Reduction Drivers

**Strong performance in poverty reduction of agriculture and livestock has been largely driven by rising prices**



- Real GDP growth for both agriculture and livestock has been modest and much lower in 2008-2014 compared to 2004-2008. Thus the expansion of output played a small, but less significant role in poverty reduction.

- Strong performance of these sectors in terms of poverty reduction is largely a result of favorable relative price shifts, benefitting rural producers.

**Figure 2.18. Average Annual Real GDP Growth in Agriculture and Livestock, 2004-2008 and 2008-2014**

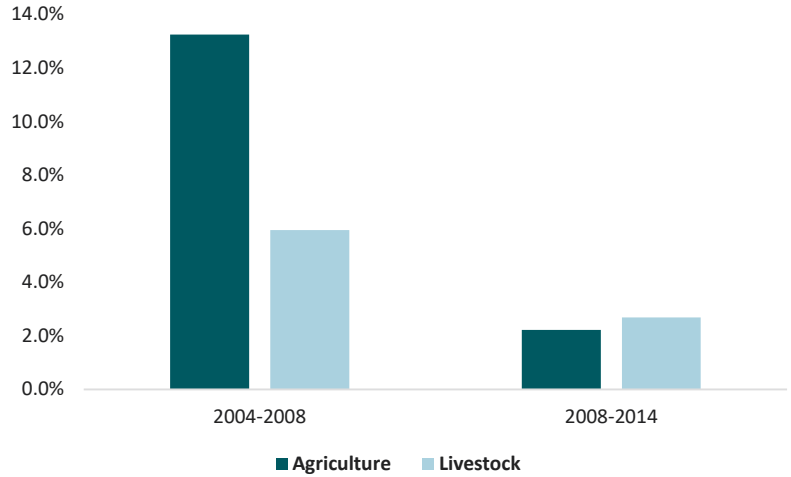
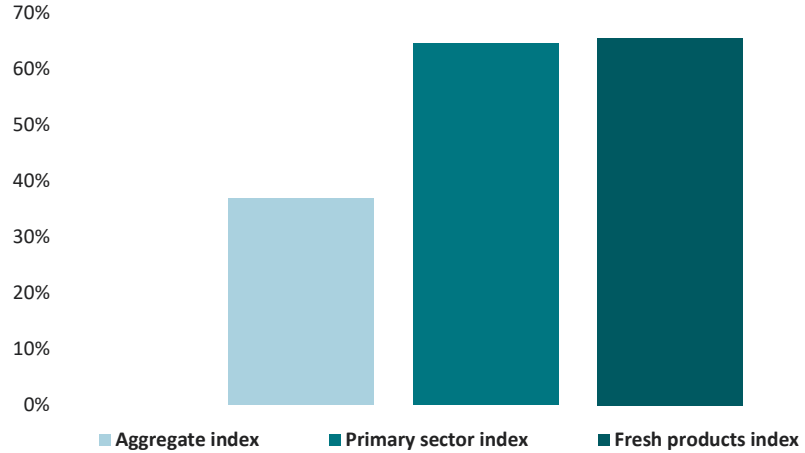



**Figure 2.19. Prices by Category: Cumulative Growth 2008-2014**






WORLD BANK GROUP

# Poverty Reduction Drivers

## More specifically, livestock producers benefitted the most due to high meat prices



### Increase in meat prices

**15%**

More inflation for meat (beef and camel) than for overall CPI

**Figure 2.20. Cumulative Price Increase over CPI inflation**

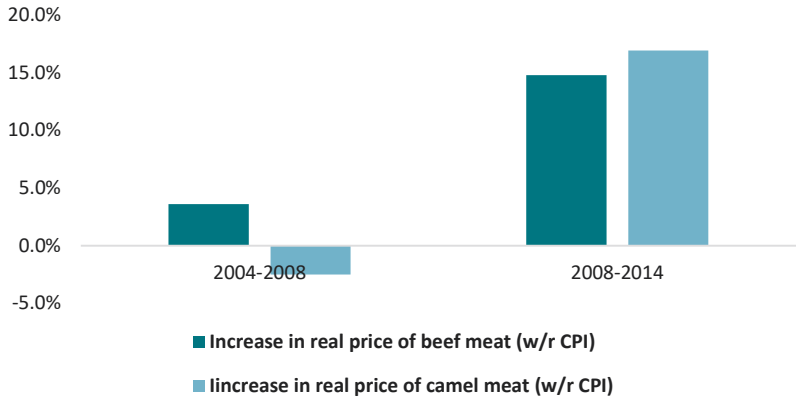
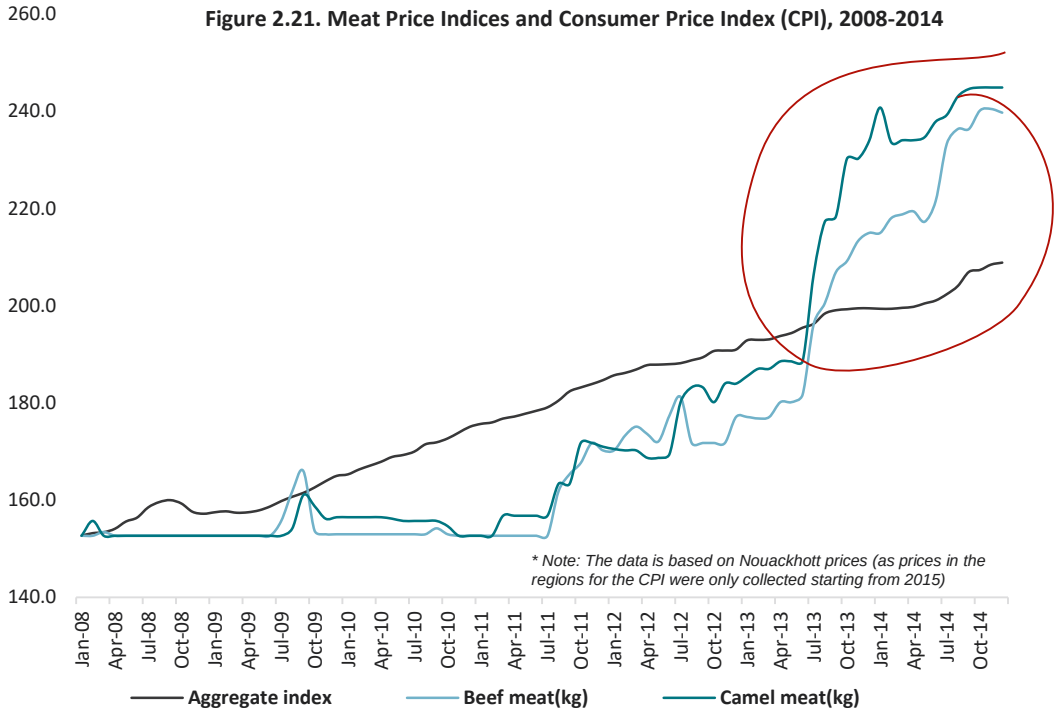



**Figure 2.21. Meat Price Indices and Consumer Price Index (CPI), 2008-2014**






Source: World Bank staff calculations based on EPCV 2008 and 2014, as reported in the Poverty Dynamics and Social Mobility Report, July 2016; prices – World Bank staff calculations based on Central Bank data

WORLD BANK GROUP

# Poverty Reduction Drivers

**Internal migration and rapid urbanization have also contributed to asymmetric poverty reduction**



- The population of Mauritania has become more urbanized and sedentary with the share of nomadic people decreasing from 5.1 to 1.9 percent between 2000 and 2013
- Nouakchott has increased its share of population from 22.3 to 27.1 percent, explaining about half of the urbanization process.

- Although there is a lack of data to conclude confidently, it is likely that migrating people were predominantly poor, resulting in a shift of poverty from rural to urban areas. This appears highly probable given that incomes and productivity have been increasing in rural areas but not employment.

**Figure 2.22. Population changes, 2000-2013**

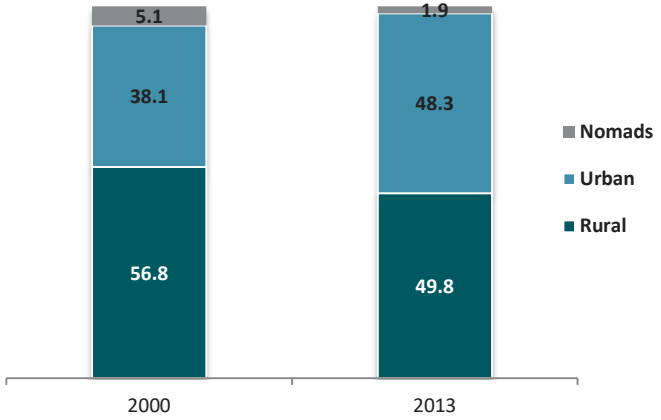
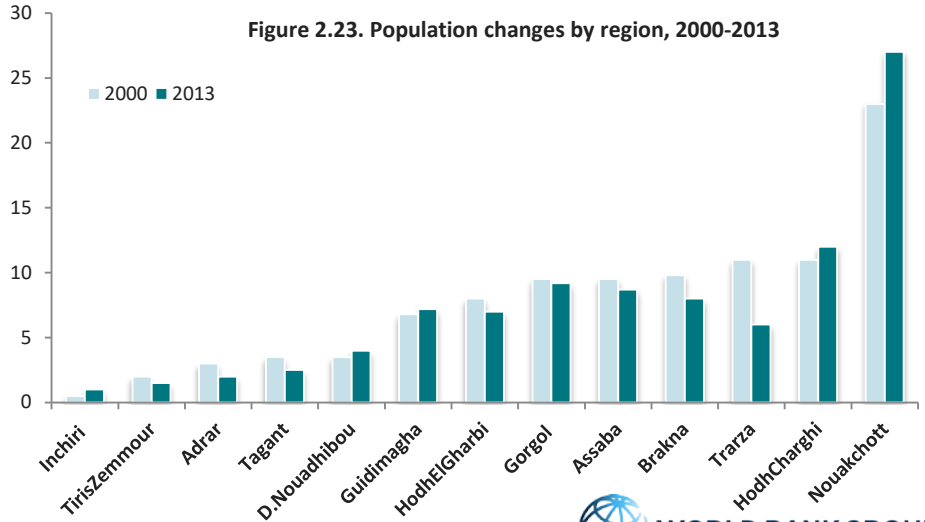



**Figure 2.23. Population changes by region, 2000-2013**






Source: World Bank staff calculations based on EPCV 2008 and 2014, as reported in the Poverty Dynamics and Social Mobility Report, World Bank, July 2016

WORLD BANK GROUP

# Nouakchott

## What explains the increase in poverty?

### MIGRATION

- Analysis of asset ownership (2008-2014) shows that **the share of households with proper roof and floor has declined** in Nouakchott which combined with the growth in the capital's population confirms that those who migrated were likely to be predominantly poor. Moreover, social mobility indicators demonstrate that **more people entered rather than exited poverty** in Nouakchott (12.72 percent versus 11.83 percent respectively).

### FOOD PRICES

**Price of wheat in Nouakchott**

73% **Higher** than the world price

**Price of wheat flour**

130% **Higher** than the world price

- **Food** constitutes **54 percent of the household consumption basket in Nouakchott** and is by far the largest bundle. Hence, **higher domestic and imported food prices** contributed to the deterioration of purchasing power for net food purchasers, especially urban populations.

Source: World Bank, Mauritania Poverty Dynamics and Social Mobility Report, July 2016

Photo credit: Wikimedia / Bertranz

# Poverty Reduction Drivers

**Government investment program also contributed to poverty reduction**



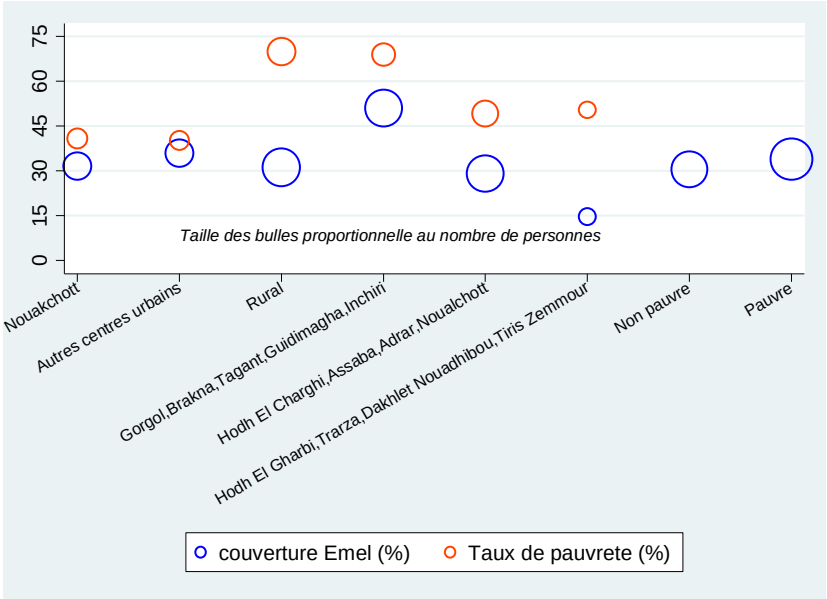
## Public capital investment increased

**34%** And contributed to improved access to services and infrastructure and poverty reduction in general

## EMEL Program

- **Created in 2011** in response to a major drought and food crisis.
- Consisted primarily in **selling subsidized food** (wheat flour, rice, vegetable oil, sugar and pasta) and **supporting livestock-raising**.
- **Relatively good targeting in relative, but not in absolute terms:** 4% increase of food consumption for the poorest 30% versus 2% increase for the richest 30%, while annual per person benefit was MRO 2,420 for the bottom 30% and MRO 4,990 for the top 30%.
- However, **contribution to reducing overall headcount poverty was limited, around 1 percent*** (reducing poverty further from 33% to 32.2%).

**Figure 2.24. EMEL coverage and poverty rate by region**






Source: World Bank staff calculations based on EPCV 2008 and 2014, as reported in the Poverty Dynamics and Social Mobility Report, World Bank, July 2016

WORLD BANK GROUP

# Where are the poor now?

**Poverty in Mauritania is still overwhelmingly a rural phenomenon, quite concentrated geographically**

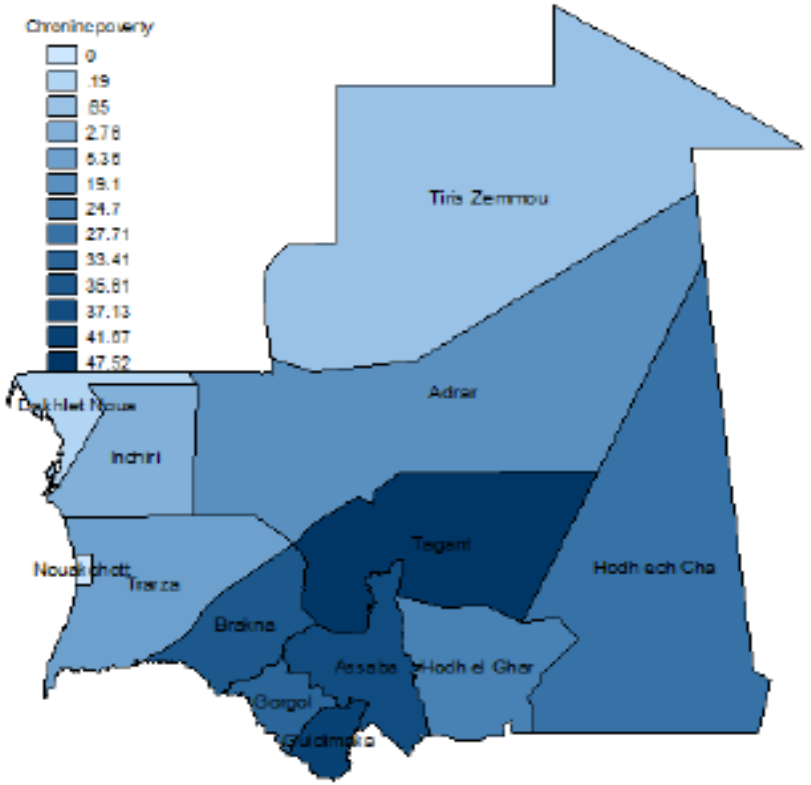


## Contribution of rural areas to poverty

**70%** **Poor living in rural areas**

- The areas with the highest poverty rates are concentrated in the southern part of the country, while the urban coastal areas have the lowest poverty rates.
- Correspondingly, highest poverty rates still affect households engaged in primary sectors: agriculture - 57.4 percent and livestock – 44 percent.
- Hence, continued focus on these sectors is warranted in light of their importance for poverty reduction.

**Map 2.1. Chronic Poverty by Wilaya, 2014**






Source: World Bank staff calculations based on EPCV 2008 and 2014, as reported in the Poverty Dynamics and Social Mobility Report, July 2016

# Non-monetary Poverty Trends

**The wellbeing of Mauritanians has also improved, as reflected in the non-monetary poverty indicators**



- Multidimensional poverty index (MPI) **improved by 7 percentage points** over 2008-2014.
- Its decomposition into the various components (Shapley decomposition) shows that most components performed well, **with the exception of water.**

- Human Opportunity Index (HOI), measuring the availability of opportunities and their equitable distribution, shows progress in education, health and water, but **deterioration in labor** (access), signaling that labor markets fail to meet demand and tend to **disproportionately affect poorest** quintiles.

**Figure 2.24. Multidimensional Poverty Index (MPI), 2008-2014**

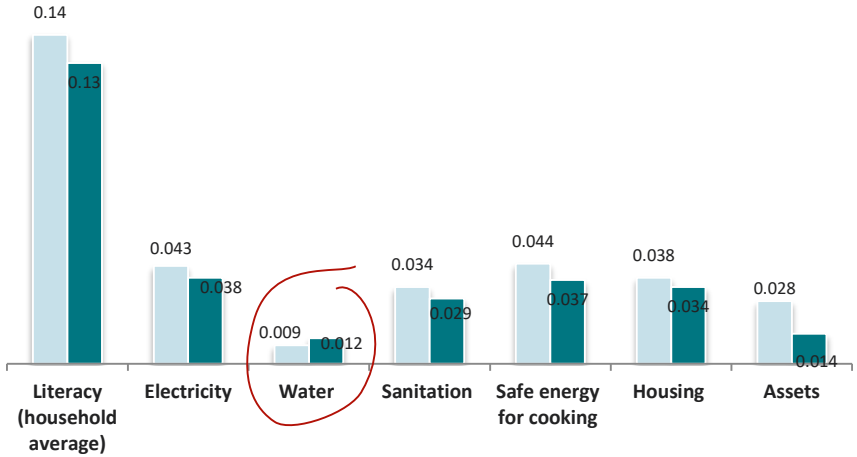
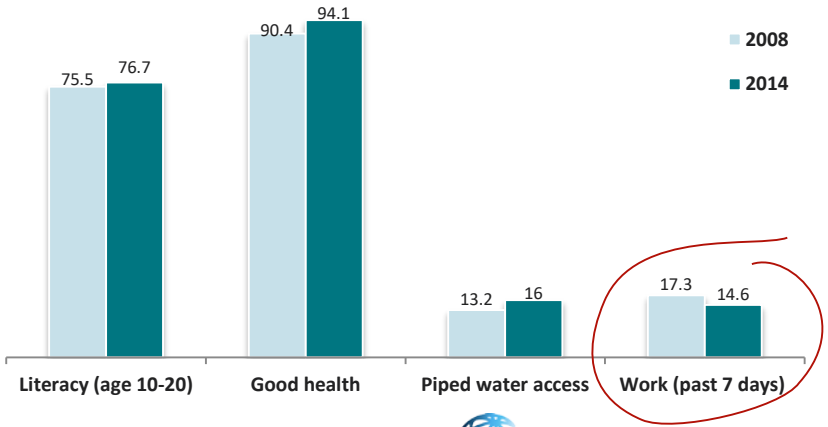



**Figure 2.25. Human Opportunity Index (HOI) for selected indicators, 2008-2014**






Source: World Bank staff calculations based on EPCV 2008 and 2014, as reported in the Poverty Dynamics and Social Mobility Report, World Bank, July 2016

WORLD BANK GROUP

# Human Development Outcomes

## However, Mauritania still exhibits limited progress in human development outcomes



### Mauritania's HDI rank (2014)

**153rd**

Out of 186; classified as a low Human Development country

- Progress has been made, but the goals now appear to have been too ambitious and most of them were not met in 2015.
- The notable exceptions are child malnutrition and gender parity in primary education. Progress was also achieved in the control of malaria, though no quantitative target was set.

**Table 2.2. Mauritania's Progress on the Main Millennium Development Goals**

| MDG | Actual performance 1990 | Actual performance 2014 | MDG target |
|---|---|---|---|
| **1. Eliminate extreme poverty and hunger** *Poverty incidence (%)* | **56.6** | 31.0 | 28.3 (✗) |
| **2. Ensure education for all** *Net primary enrollment rate (%)* | **49.0** | 81.1% | 100 (✗) |
| **3. Promote equaity between the sexes** *Girl/boy enrollment in primary school* | **0.73** | 1.03 | 1.00 (✓) |
| **4. Reduce maternal mortality** *Mortality rate for children under five (of every 1000)* | **137** | 115 | 45.0 (✗) |
| **5. Improve maternal health** *Maternal mortality rate (of every 1000,000 live births)* | **930** | 582 | 232 (✗) |
| **6. Combat HIV/AIDS, malaria and other diseases** *Tuberculosis incidence (TP+) per 100 000 inhabitants* | **128** | 61* | 44 (✓) |
| **7. Ensure environmental sustainability** *Proportion of the population using an improved potable drinking water source (%)* | **37** | 65 | 68.5 (✗) |



Source: World Bank staff estimations; Human Development Report, UNDP, 2015

WORLD BANK GROUP

# Education

## Access: Decreasing enrolment in primary schools with limited progress for pre-school and secondary

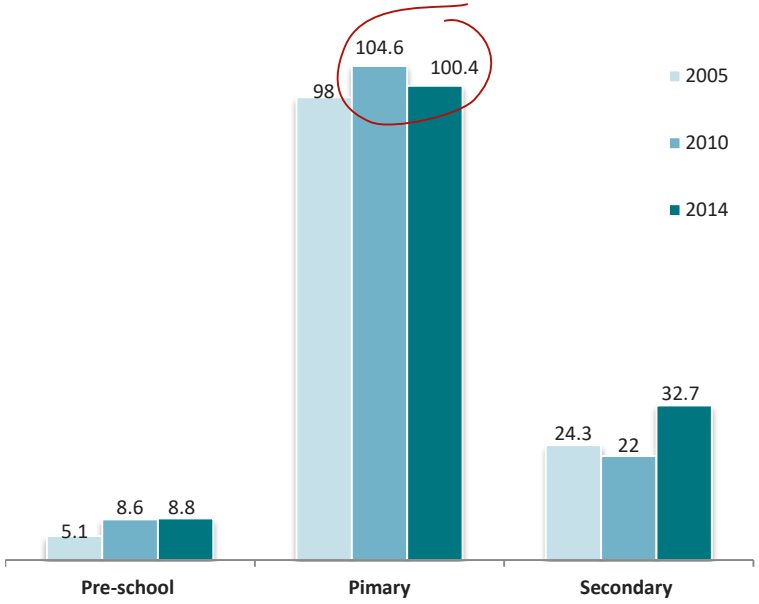
Growth | **Poverty** | Governance | Sustainability | Constraints

- **Gross enrolment rates (GER) for primary school** demonstrate concerning dynamics: according to official data, primary GER decreased from 104.6 to 100.4 percent between 2010 and 2014.* However, net enrollment rates improved for all ages between 2008 and 2014, with no exceptions.

- **For the poorest 20 percent, almost two-thirds of children aged 6 to 11 are not in school**. Many of them attend traditional religious educational institutions, *Mahadras*, for which attendance is not included in the official enrollment figures, as *Mahadras* do not provide the basic curriculum.

** GER has fluctuated above the 100 percent mark since 2008 and there is some concern regarding the reliability of administrative data: see Mauritania, Ministry of National Education (2015), Rapport d'État sur le Système Éducatif National (RESEN). Although the household surveys include data on attendance rates, these do not produce more reliable statistics on attendance or enrollment rates: World Bank 2016. Islamic Republic of Mauritania: Poverty Dynamics and Social Mobility 2008-2014, Washington, DC: World Bank.*

**Figure 2.26. Gross Enrollment Rates, 2005-2014**




Source: Rapport d'État sur le Système Éducatif National (RESEN), August 2015

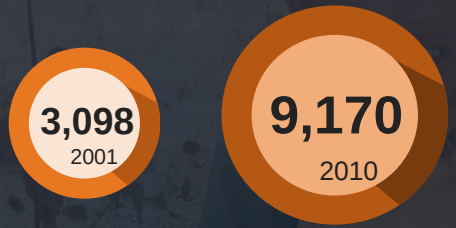


WORLD BANK GROUP

# Education: Islamic Schools in Mauritania

**Unprecedented expansion, yet still under-regulated**

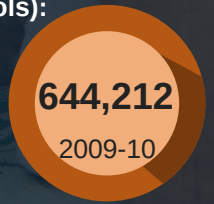
## Number of schools:




## Number of students:

Religious schools **(21% of all schools)**:

Non- religious primary + secondary schools **(79% of all schools):**




- **Varying levels** of education: from Quran recitations to studying various subjects and religious reference works (pre-primary to tertiary levels).
- **Many** students (46% in 2010) **follow in parallel both** informal Islamic and formal modern systems of education.
- Potential benefit: recitation *may* contribute to the eradication of illiteracy at a **relatively low cost** (less than 1 percent of the education budget).
- Key weaknesses: (i) minimizing the importance of scientific disciplines; (ii) providing **limited scope for developing analytical** problem-solving and synthesizing **skills**; (iii) low employability prospects; (iv) **vulnerability to extremism.**

Photo credit: Wikimedia / Ferdinand Reus

Source: UNICEF 2016, L'Enseignement Originel en Mauritanie: Contribution de la Mahadra a la Realisation de Droits des Enfants; based on 2010 census

# Education

## Quality: Serious issues persist at all levels



- Learning outcomes across all educational levels are low, although primary education is particularly affected, owing to early drop-outs and inadequate learning conditions (UNICEF, 2014).
- Standardized tests in math, French, and Arabic in primary schools have shown that students' learning achievements are not only low, but have stagnated or deteriorated over the past 15 years, with the exception of improvements in Arabic (RESEN, 2015)

**Figure 2.27. Level of Academic Proficiency, Grade 5 of Primary School, 2003-2014**

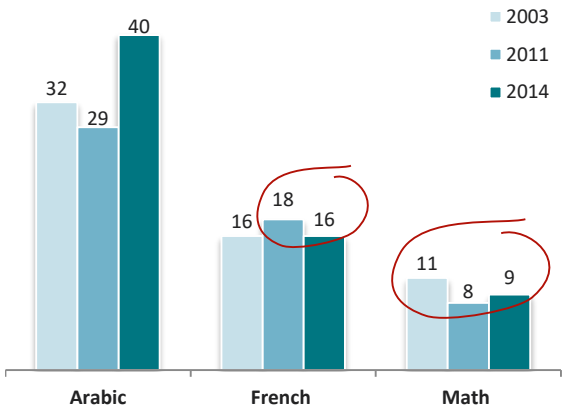
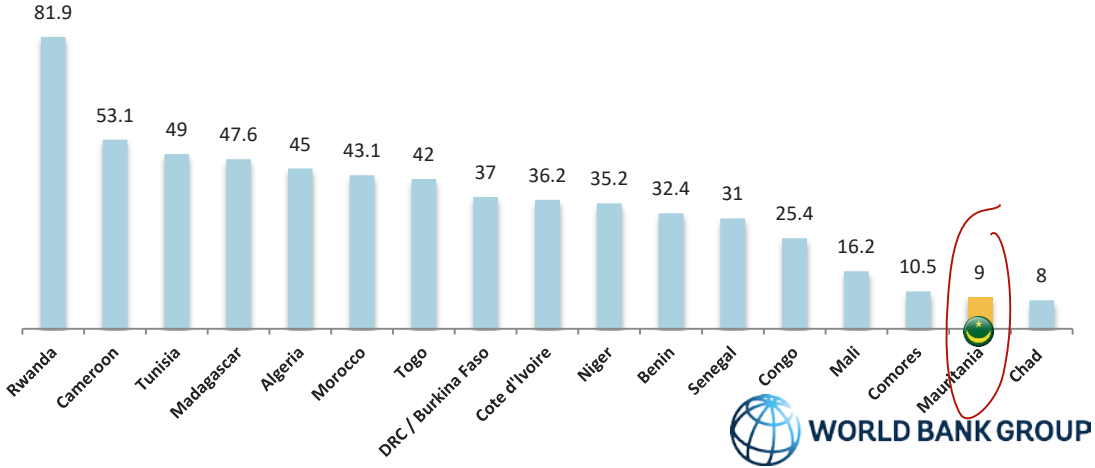



**Figure 2.28. Pass rate of secondary school final exam (BAC) for Francophone Africa**






Source: Rapport d'État sur le Système Éducatif National (RESEN), August 2015

WORLD BANK GROUP

# Education

## Particularly worrisome are declining literacy rates of children under 15



- Literacy rates for children under 15 have declined across gender groups between 2008 and 2014.
- The deterioration coincides with the introduction of bilingualism and structural changes to the secondary cycle. These issues require further analysis to understand the underlying causes of this alarming trend.

Figure 2.29 Literacy rate by age for boys, 2008-2014

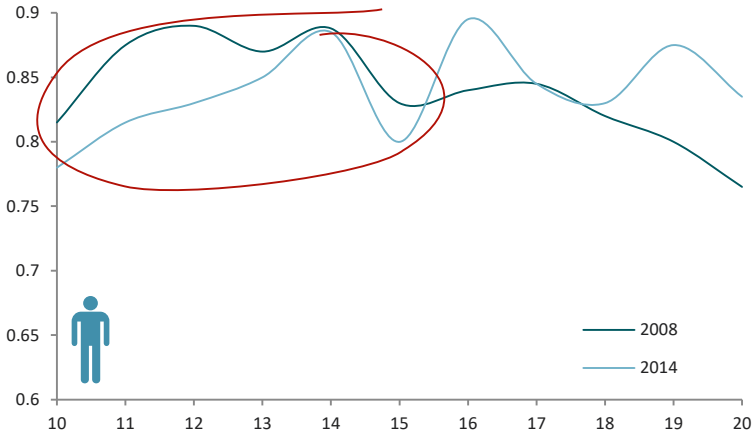
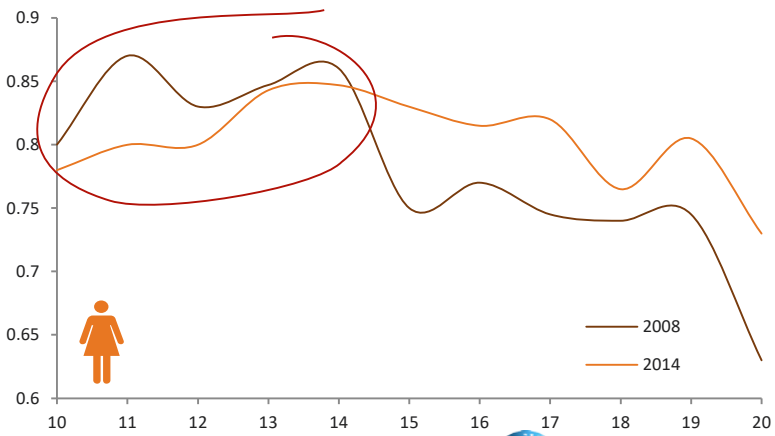



Figure 2.30. Literacy rate by age for girls, 2008-2014






Source: World Bank staff calculations based on EPCV 2008 and 2014, as reported in the Poverty Dynamics and Social Mobility Report, World Bank, July 2016

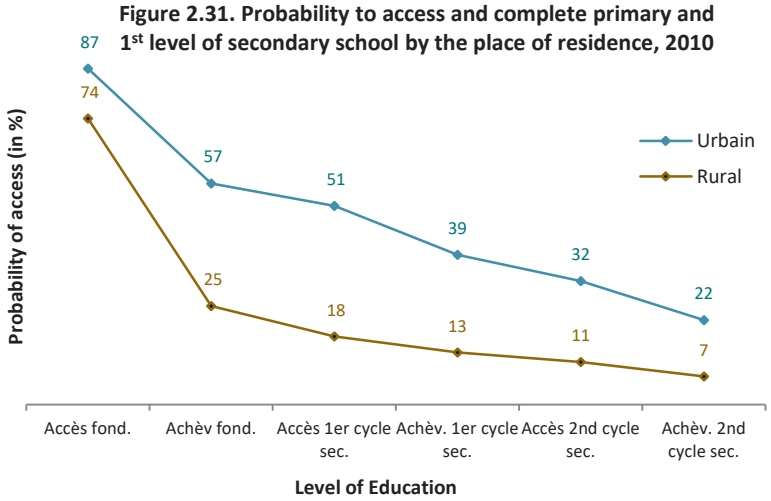
WORLD BANK GROUP

# Education

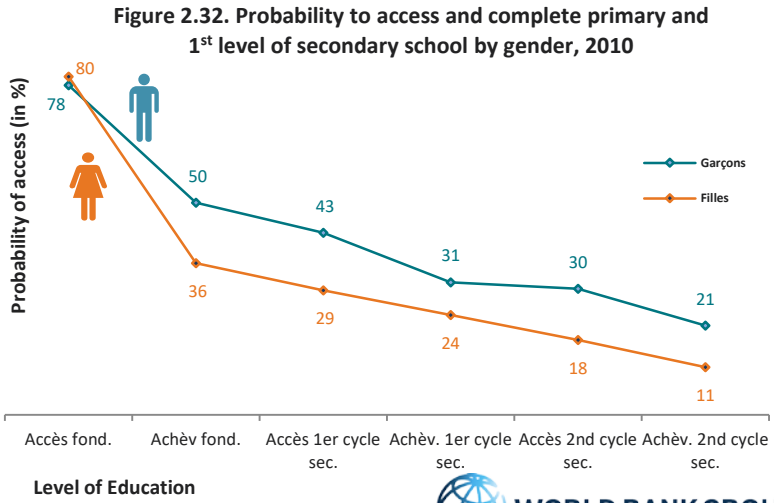
## Education services are inequitably distributed with marked distortions between rural and urban areas and gender groups

Growth | **Poverty** | Governance | Sustainability | Constraints

- There is a clear divide between rural and urban areas across the education value chain with the **primary completion and secondary access rates in urban areas double those in rural areas**




- Although boys and girls start on par, the gap between them increases after primary school with **boys being almost twice as likely to access secondary school as girls**.






Source: Rapport d'État sur le Système Éducatif National (RESEN), August 2015

WORLD BANK GROUP

# Education

**Inequality is particularly evident between income groups, with education being one of the main correlates of poverty**



- Poverty is highly correlated with the level of education, being the highest among those who never went to school or have an incomplete primary education.

- Both enrollment and completion rates are decreasing linearly with poverty, the **lowest quintile reaching less than one third of the completion rates of the richest quintile.**

**Figure 2.44. Poverty by education of household head, 2008-2014**

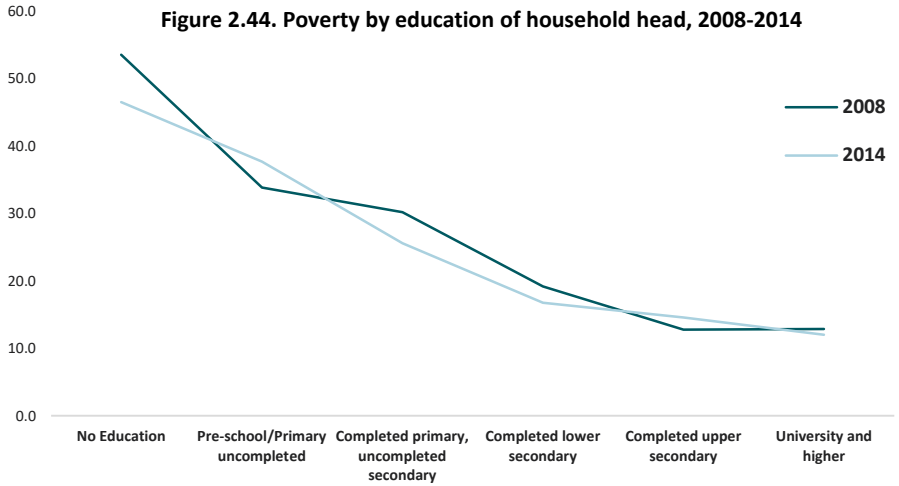
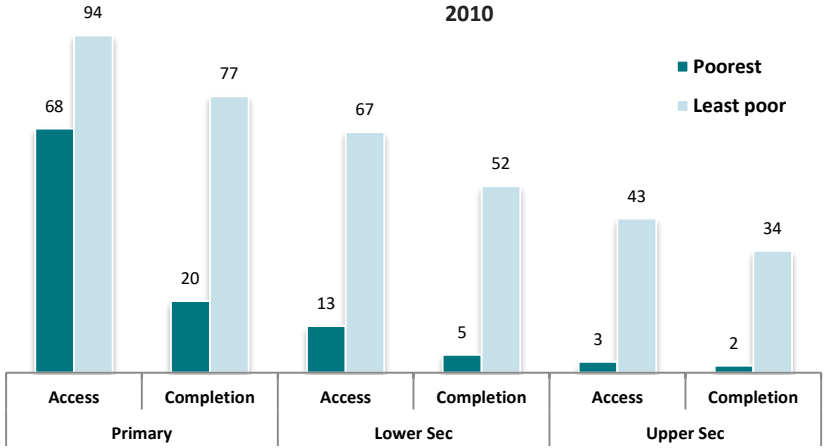



**Figure 2.45. Education access and completion by income quintile, 2010**






Source: World Bank staff calculations based on EPCV 2008 and 2014, as reported in the Poverty Dynamics and Social Mobility Report, July 2016

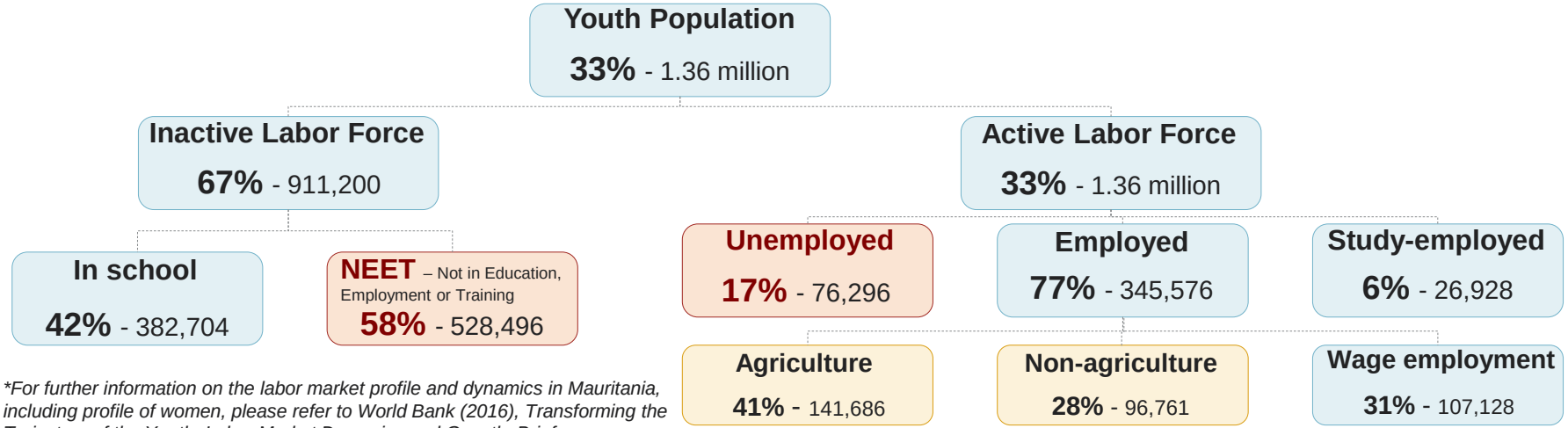
WORLD BANK GROUP

# Employment

**Labor market performance is weak, especially for the youth, the majority of whom are inactive or unemployed**



- It is estimated that there are more than half a million **unemployed out-of-school youth** (15-25) without any employable skills.
- Generally, **unemployment** remains predominantly a youth problem with unemployment rate for 14-34 year olds standing at 21 percent against only 3 percent for those aged 35-64.
- The same is relevant for **informality**, with its rate being particularly high among young graduates (informality among primary school graduates is 85 percent, while among TVET graduates it reaches as high as 99 percent).




**For further information on the labor market profile and dynamics in Mauritania, including profile of women, please refer to World Bank (2016), Transforming the Trajectory of the Youth, Labor Market Dynamics and Growth, Brief.*



Source: World Bank staff calculations for 2015 population estimates using labor force indicators based on 2012 Mauritania Labor Force and Informal Sector Survey

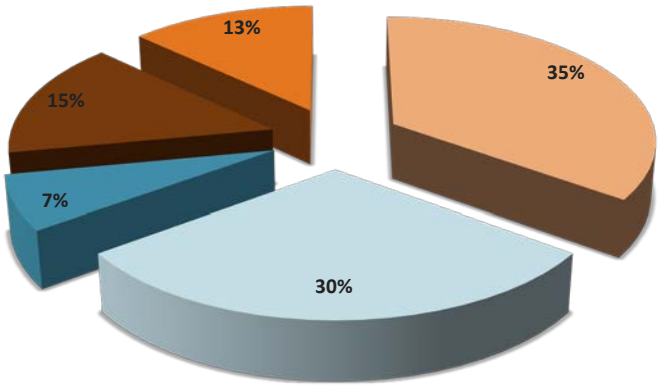
# Employment

## Another key problem is inequitable access to jobs



- **1 out of 2** Mauritanians has an education level of **primary or less**, which mostly affects **the poorest** groups of the population.
- Particularly worrying is the **deteriorating equity of labor market** opportunities (reflected in the increased HOI dissimilarity index). Not only do labor markets fail to meet demand, but they increasingly discriminate against the least well-off.

**Figure 2.46. Distribution of unemployment by the level of education (14-64 y.o.)**




Primary | Secondary | University | Illiterate | Can read & write

**Figure 2.47. Human capital outcome indicators (age 30-59), 2014**

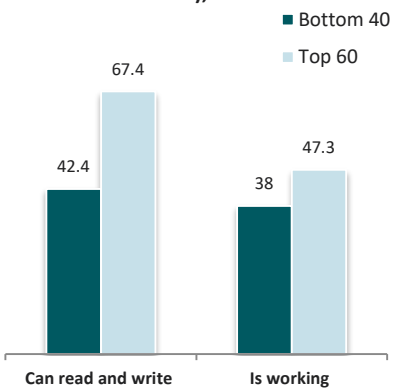
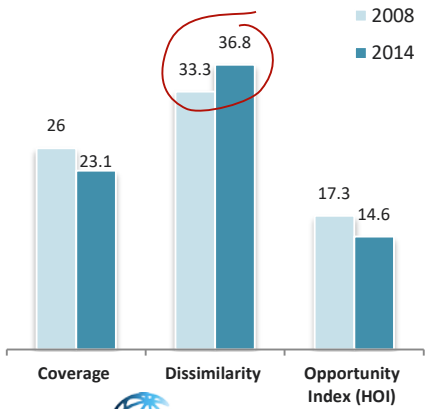



**Figure 2.48. HOI for labor, 2008-2014**




Source: World Bank staff calculations based on EPCV 2008 and 2014, as reported in the Poverty Dynamics and Social Mobility Report, July 2016



WORLD BANK GROUP

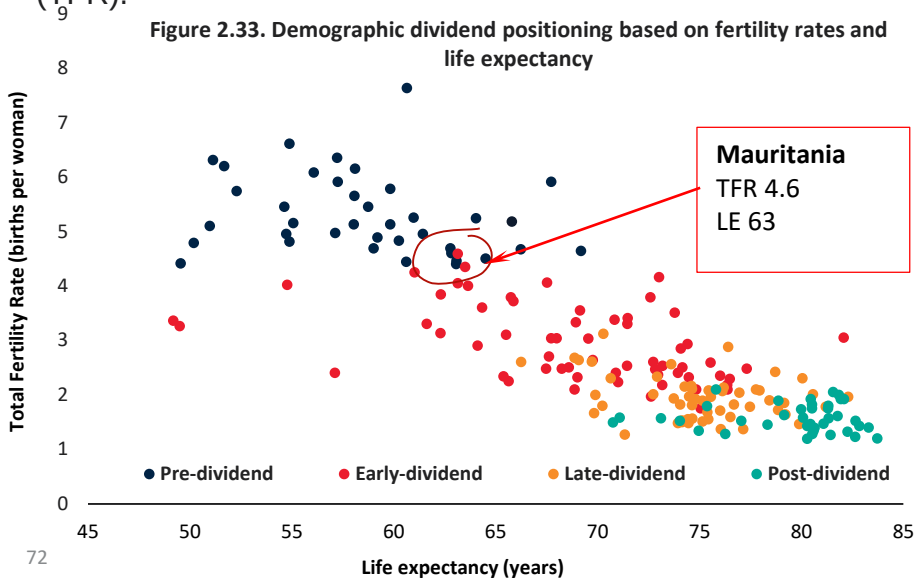
# Employment / Demographic Dividend

**Negative employment dynamics prevent Mauritania from reaping the full benefits of its emerging demographic dividend**

Growth | Poverty | Governance | Sustainability | Constraints

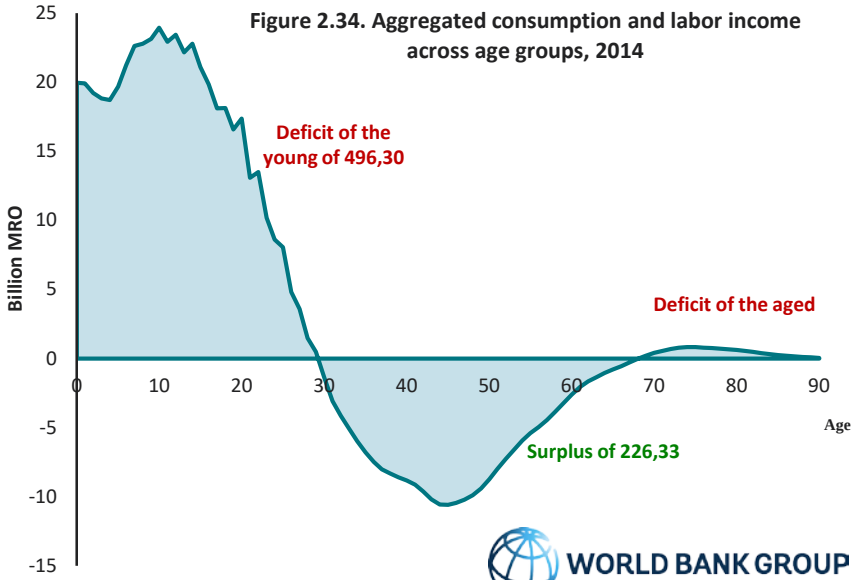
- Mauritania is experiencing a demographic shift that has a potential to initiate a demographic dividend with total dependency ratio (TDR) decreasing from 85% in 2000 to 76% in 2015, driven by increasing life expectancy (LE) and decreasing total fertility rate (TFR).

**Figure 2.33. Demographic dividend positioning based on fertility rates and life expectancy**




- But the surplus of the economically independent group is not enough to cover the deficit of the young and aged.
- This is likely to change with the growth of the working age population and increase in support ratio (currently 45%).

**Figure 2.34. Aggregated consumption and labor income across age groups, 2014**






Source: UNFPA (2016), Rapport de l'Atelier de Formation Sur la Mesure du Dividende Demographiique en Mauritanie, Version Provisoire

WORLD BANK GROUP

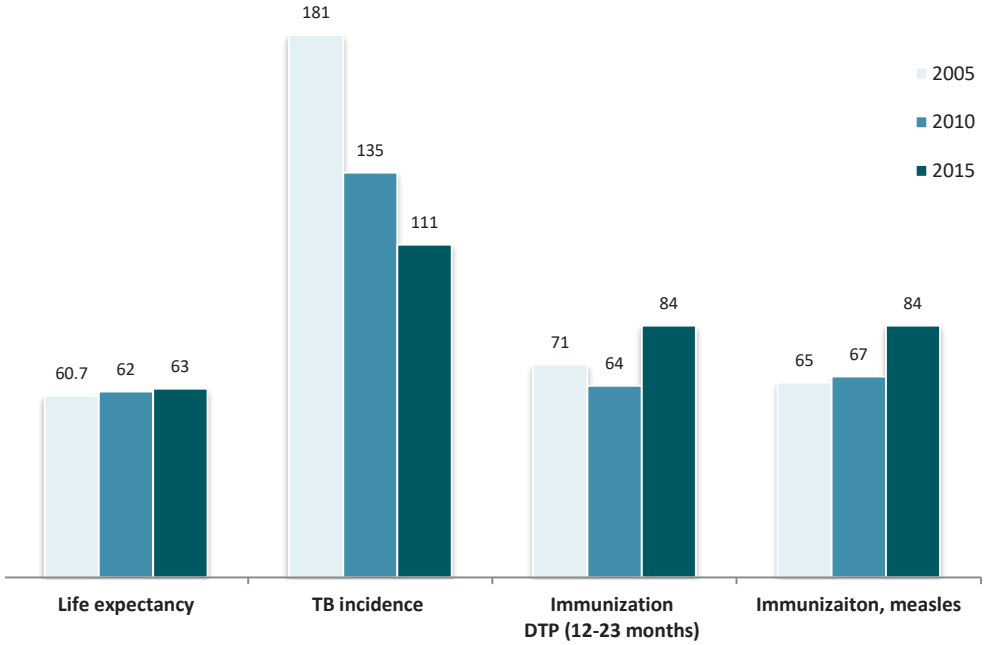
# Health

**Performance has been mixed with successes in increasing life expectancy, immunization rates and tuberculosis control**

Growth | **Poverty** | Governance | Sustainability | Constraints

- Mauritania demonstrates some positive outcomes in selected health outcomes, starting with **life expectancy**, currently standing at 63 years vis-à-vis 59 on average in SSA.
- Positive dynamics can be also observed in controlling **tuberculosis**, the incidence of which has significantly decreased from 181 cases in 2005 (per 100,000 people) to 111 cases in 2014 and is currently below SSA average of 281.
- More children are now **vaccinated** against measles as well as against diphtheria, pertussis and tetanus (DPT) – both rates currently reach 84 percent in Mauritania (up from 65 and 71 respectively in 2005) versus 73 and 77 percent respectively in SSA.

**Figure 2.35. Selected health indicators for Mauritania, 2005-2015**






Source: World Development Indicators

WORLD BANK GROUP

# Health

## However, infant and maternal health outcomes remain weak



- Despite improvements, child mortality remains a serious issue with both infant mortality and mortality under five (per 1,000 live births) higher in Mauritania than in SSA
- Maternal and reproductive health is particularly poor and improvements have been slow-paced with…
- …maternal mortality remaining high, contraception use relatively low (11.4 percent in 2011) and fertility still rather high.
- Despite reforms, child marriage is still widely practiced, and, according to UNICEF, 14 percent of children are married before the age of 15, and 34 percent before the age of 18.

**Figure 2.36. Child mortality, under 5 (per 1,000 live births)**

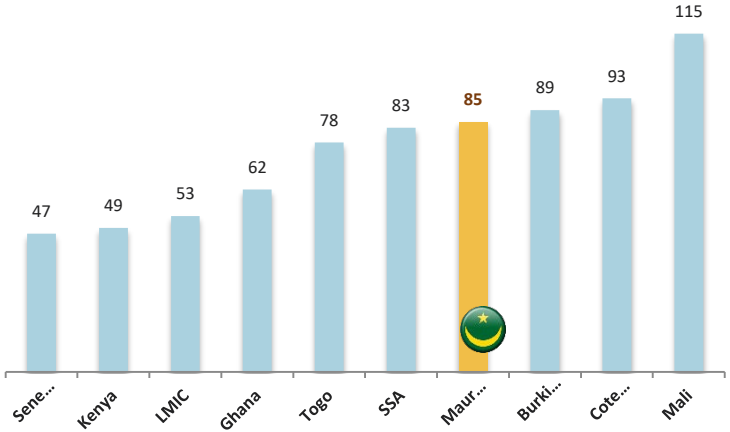



**Figure 2.37. Maternal mortality, modeled estimate (per 100,000 live births)**

Source: World Development Indicators; UNICEF State of the World's Children 2016

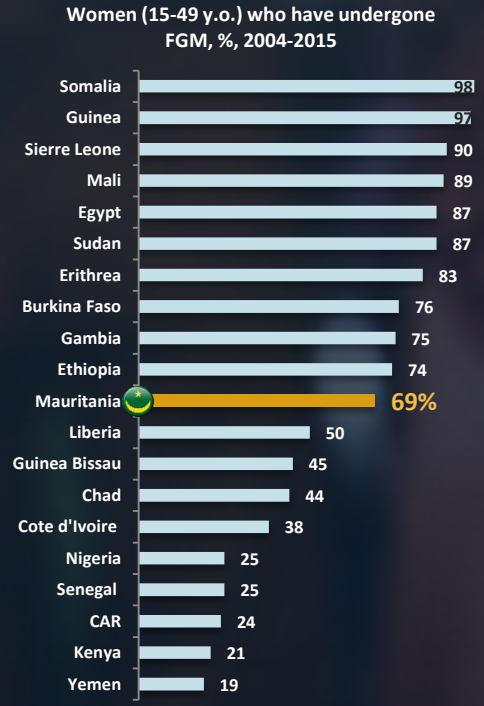
WORLD BANK GROUP

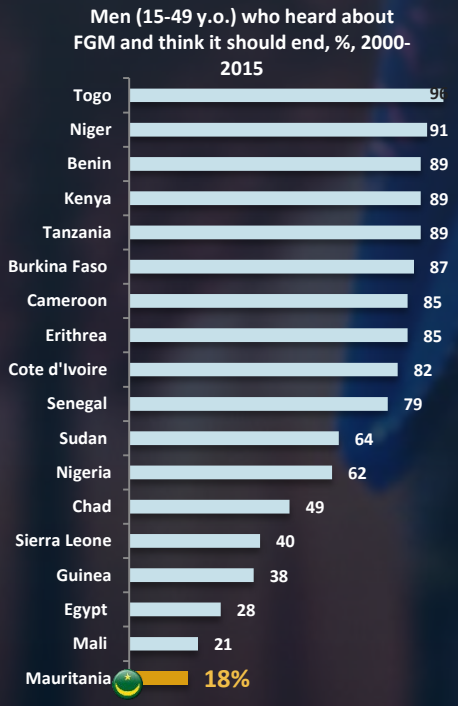
# Female Genital Mutilation in Mauritania

## Still an acute problem

**Two out of every three women** in has been **subjected to FGM**

Despite the 2010 fatwa, **less than fifth of men favor the ban**




Source: UNICEF, FGM/C Brochure, 2016

Photo credit: UNICEF

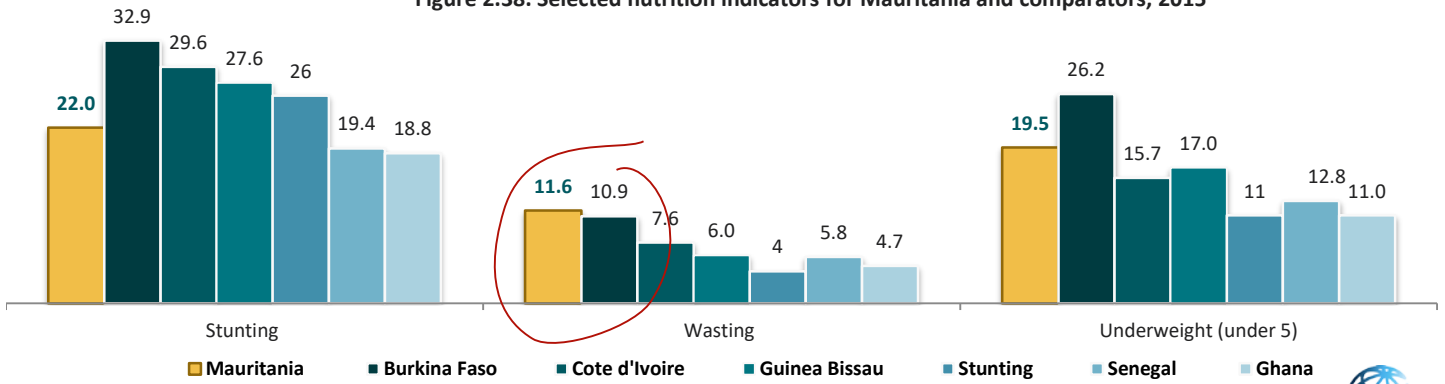
# Health

## Another critical issue is nutrition, which has deteriorated over time



- **Global Acute Malnutrition** (GAM) rates in many (6 out of 15) regions of Mauritania are above 15 percent, and in some cases up to 28 percent, almost double the WHO's critical emergency threshold (WFP, 2015). Across the country, GAM rate **increased by over 4 percent in a year, reaching 14 percent in 2015** (the highest rate since 2012).
- Mauritania performs worse than most of other countries in the region in terms of key nutrition indicators, particularly worrisome is the level of **wasting**, for which Mauritania ranks **114th out of 130 countries** with a prevalence of 11.6 percent (Global Nutrition Report, 2016)

**Figure 2.38. Selected nutrition indicators for Mauritania and comparators, 2015**






Source: Global Nutrition Report, 2016

WORLD BANK GROUP

# Health

## Problems in health sector are underscored by important distortions with the poorest having the least access to services



- The poorest group of the population has the lowest access to healthcare services, as demonstrated by selected maternal and infant medical services, which results in higher infant and under 5 mortality rate among the lowest wealth quintiles and those living in rural areas

**Figure 2.49. Selected maternal and infant health indicators by Income Quintile, 2011**

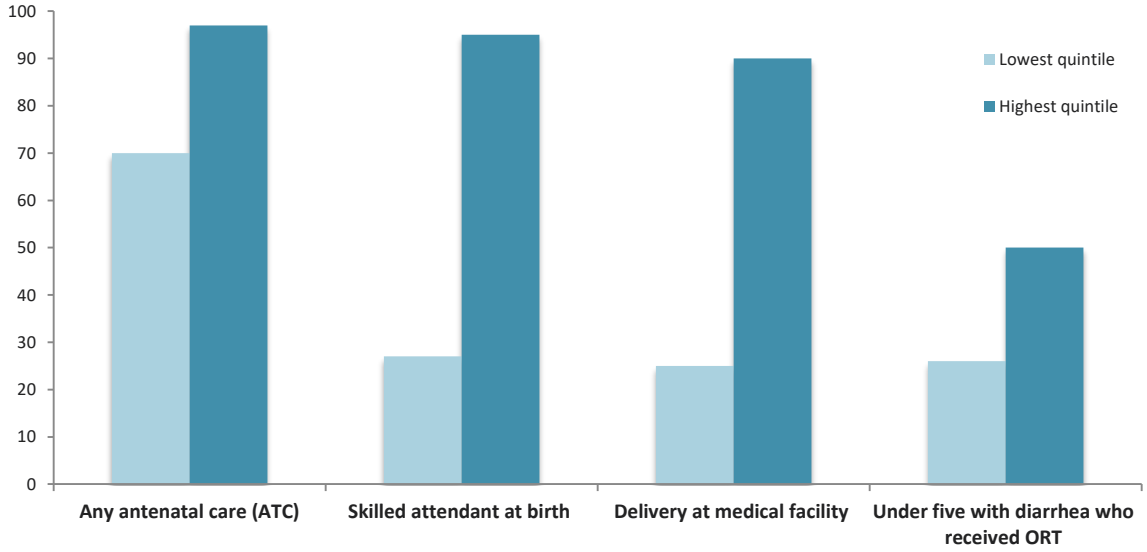



**Figure 2.50. Under 5 Mortality Rate (per 1,000 live births) by Place of Residence and Wealth Quintile, 2011**

Source: WHO based on MICS 2011

WORLD BANK GROUP

# Water & Sanitation

**Access to piped water and sanitation remains limited, exacerbating health problems and facilitating the spread of disease**



- Mauritania features the **lowest overall rate of access to improved water in the region** at 57 percent. Water coverage is exceptionally low in urban areas (58 percent), a sign of urbanization outpacing infrastructure development.
- Regional comparison in sanitation is less drastic, but the rural-urban gap is much more pronounced: only **14 percent of rural areas have access to sanitation versus 58 percent of urban areas.**

## Water

**Figure 2.39. Drinking water coverage (%)**

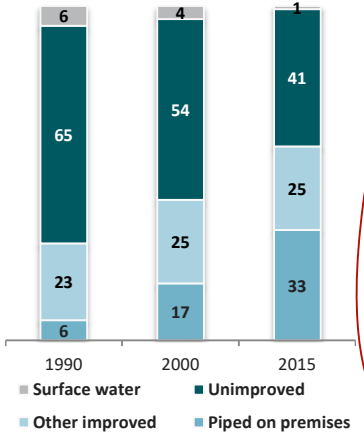
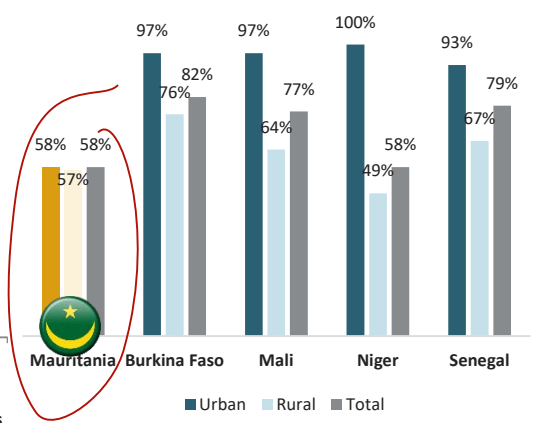



**Figure 2.40. Access to improved water source, regional comparison, 2015**




## Sanitation

**Figure 2.41. Sanitation facilities coverage (%)**

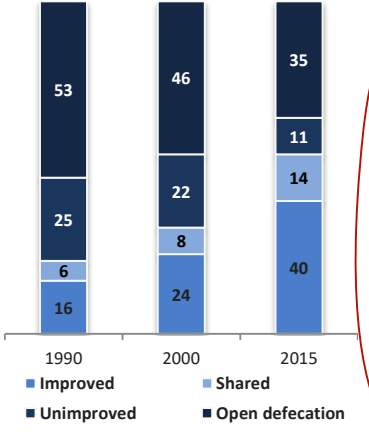
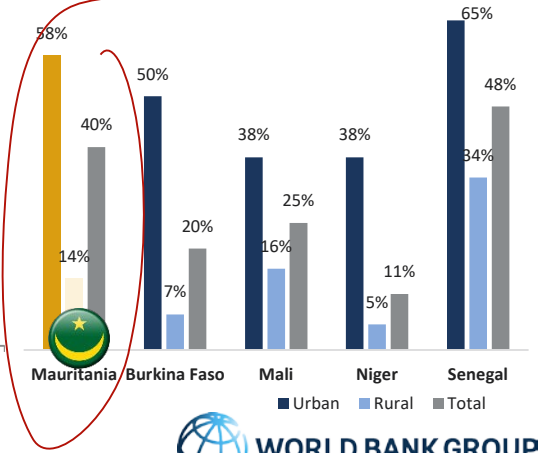



**Figure 2.42. Access to improved sanitation, regional comparison, 2015**




Source: WHO / UNICEF 2015, as reported in the IFPRI Country Profile for Mauritania, 2015

# Energy

## The poor also have disproportionately less access to energy



The richest 30% receive 62 percent of gas subsidies - 10 times more than the poorest 30% (6 percent), and 52 percent of electricity subsidies - 5 times more than the poorest 30% (11 percent). Thus, the distribution of both electricity and gas subsidies is more unequal than general distribution of wealth in the country, as depicted in the Lorenz curve.

**Figure 2.51. Distribution of Gas Subsidies, Lorenz Curve, 2014**

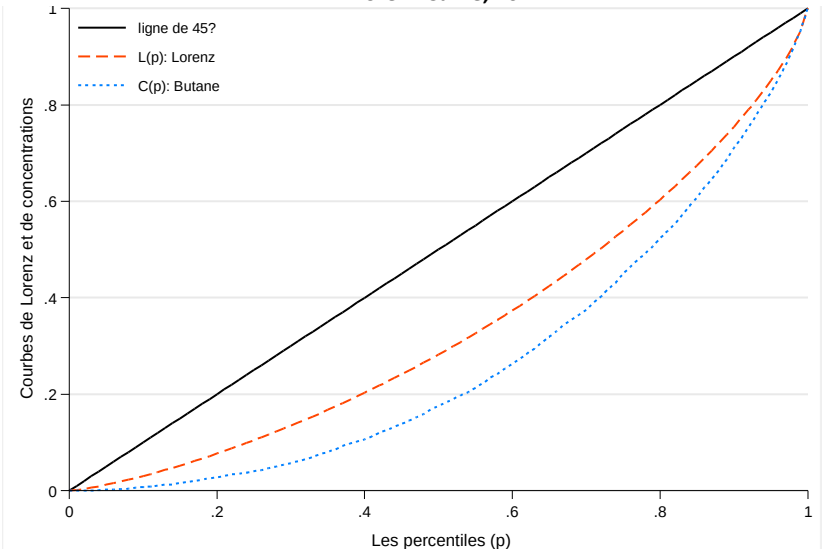
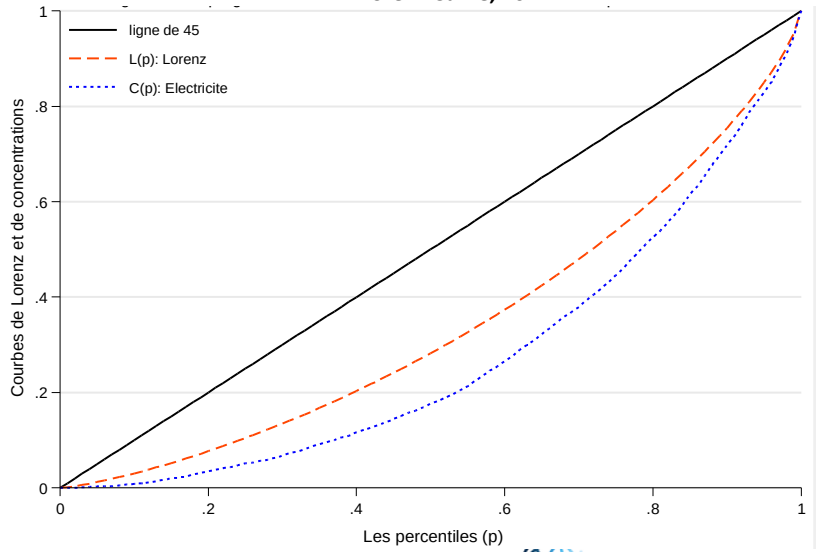



**Figure 2.51. Distribution of Electricity Subsidies, Lorenz Curve, 2014**






Source: World Bank staff calculations based on EPVC 2014, as reported in Mauritania: Financing Social Protection (and Analyzing the Impact of Subsidies), World Bank, November 2016

WORLD BANK GROUP

# Land

**Qualitative evidence also suggests that arable land assets are inequitably distributed, particularly disadvantaging women**

Growth | **Poverty** | Governance | Sustainability | Constraints

In the absence of a land cadaster in the Senegal River Valley and limitations of the household survey data on land ownership, it is impossible to quantitatively determine the distribution of land assets across wealth quintiles. However, extensive consultations have highlighted significant distortions in the distribution of arable land in the Senegal River valley, in particular:

- **Capture of land by urban and tribal elite**, restricting access for poorer households
- Unresolved situation of **former landholders** expelled from Mauritania in 1989
- Increasing difficulties faced by **transhumant pastoralists** and outsiders from other areas, with the declining recognition of customary “secondary land rights”.

Other critical problems include:

- **Limited access** to land and other productive inputs by **women**

Of **women own land** and **have access** to financial and technical **resources** (CPIA, 2016)

- Conflict-provoking **shrinking average size of plots for poor small-scale farmers**; partly due to the fragmentation of land holdings following inheritance and partly due to the promotion of commercial agriculture ventures.

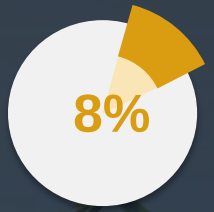


Source: République de Mauritanie 2014: Plan National de développement agricole 2015-2025 (version provisoire Novembre), Ministère de l’Agriculture

WORLD BANK GROUP

# Land ownership by women

**Women remain particularly under-represented among land owners**




**Women who hold some form of property or land title across country**

- In practice, national laws are often ignored in rural areas in favor of **customary laws** that **rarely favor women**.
- Rural women typically rely on membership in a broader cooperative to exploit collective land. They are **often granted poorer land on the periphery** of larger tracts worked by men.
- Women also face considerable **challenges in retaining property after divorce and widowhood** or during market transfers and government redistribution schemes while there are few, if any, legal protections.

Source: World Bank 2015: Women's Access to Land in Mauritania. A Case Study in Preparation for the COP

Photo credit: Africa Agribusiness magazine

# Poverty Diagnostic Summary (1/2)

**Improved poverty indicators, but uneven and slow progress in human development outcomes**



- Mauritania achieved accelerated rates of poverty reduction in the last ten years, extreme poverty halved and vulnerability, social mobility, and inequality indicators improved. However, progress has been uneven with poverty levels increasing slightly in Nouakchott driven by urbanization and increased food prices.
- Poverty reduction occurred principally in rural areas and was largely driven by increases in relative prices that benefitted rural producers over urban consumers. Livestock producers did particularly well with marked pro-poor improvements in livestock ownership and high prices.
- While non-monetary poverty indicators also improved, progress towards human development outcomes remains slow and uneven. Of particular concern are declining literacy rates among children, low completion rates, poor nutrition and worsening employment indicators especially, which disproportionately affect the poor, especially women and youth.
- The bottom 40 percent of Mauritanians are predominantly rural livestock and agricultural producers that are concentrated in the southern regions. Inequitable access to basic services and distortions in land allocations and food prices, combined with declining employment opportunities ultimately limit the asset base and the returns on assets of the poor in Mauritania.

# Poverty Diagnostic Summary (2/2)

**Priority constraint areas - low access to social services, unaffordable food staples and inequitable land distribution**

Growth | Poverty | Governance | Sustainability | Constraints

## PRIORITY BINDING CONSTRAINT AREAS

Inequitable access to social services*

Inequitable land distribution

Distorted food prices

***Sustaining poverty reduction in the context of a weaker economic outlook will require renewed efforts to build and protect the asset base of the poor, which is currently affected by distributional distortions in service delivery, food prices and land management***

**Social services are defined as including health, education, social protection and energy and water provision.*



WORLD BANK GROUP

Photo credit: SARD-SC website (Support to Agricultural Research for Development of Strategic Crops in Africa

# GOVERNANCE

*The narrow political settlement has brought political stability but has not yet succeeded in removing hierarchical and discriminatory conceptions of traditional societal organization, creating foundational obstacles to inclusive development.*

WORLD BANK GROUP

# Governance Trends

**Formal rule-based institutions and governance arrangements have been undermined by entrenched informal institutions**



## 1 INFLUENCE OF EXTRACTIVE COLONIAL SYSTEM

- The trajectory that Mauritania has followed since independence epitomizes that of other Sahelian countries that were hampered by a colonial legacy that institutionalized political privilege of a selected ethnicity.

**Acemoglu, S. Johnson, and J. Robinson, "The Colonial Origins of Comparative Development: An Empirical Investigation",** The American Economic Review 91(5):1369-1401 (2001)

## 2 INFLUENCE OF TRIBAL NATURE OF SOCIETAL ORGANIZATION

- The formation of the State was anchored in the supremacy of family or tribal authority figures.
- The Constitution gives overwhelming power to the President and to the presidential political party.
- Concentration of political power has in turn enabled the distortion of formal institutions and regulations to benefit privileged interests.

## 3 PREVALENCE OF INFORMAL INSTITUTIONS POST-INDEPENDENCE

- Informal relationships of loyalty and dependence have traditionally permeated the formal political and administrative systems in Mauritania.

> *Wealth has customarily been redistributed towards a clientele chosen because of "ethnicity", "tribalism" or "status" within the system of Mauritanian society. Tribal leaders were rewarded for their loyalty with positions in government and key sectors of the economy that conferred access to public resources to reward their constituencies.*

**World Bank, 2008, Mauritania Anti-Corruption Study, Washington DC**

# Governance Trends

**Historically, political instability has done little to enhance governance or shift the political economy dynamic**

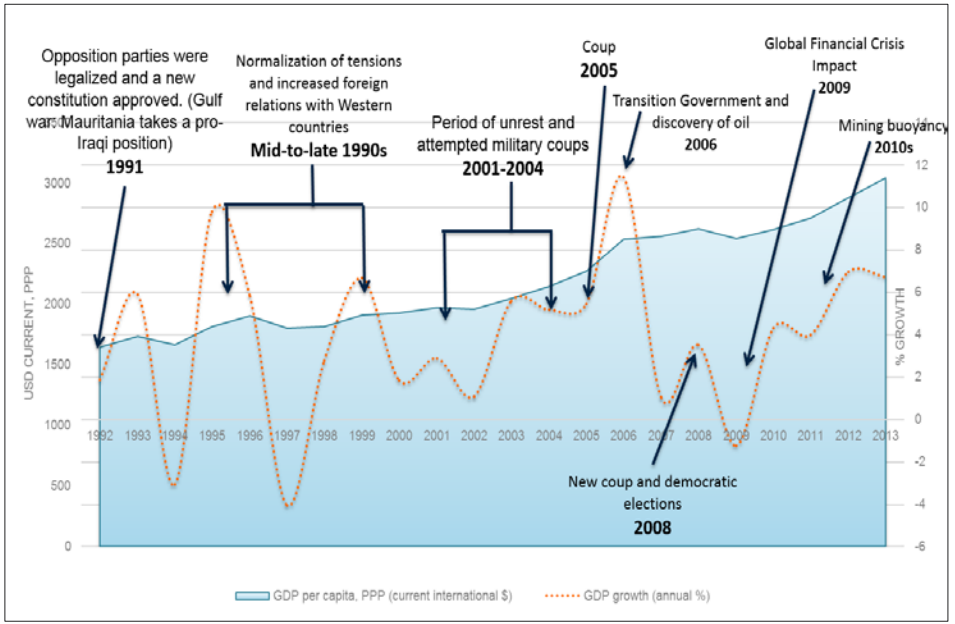


- Political contestation has traditionally been confined. Periods of political instability and military coups have resulted in **the interchange of power between a small subset of tribal groups**.

*Each government change is typically accompanied by a "spoil system" whereby the networks created by the previous regime are ousted and replaced by new ones close to the new regime. While the purge of old elites is often portrayed, in Mauritania as elsewhere, as an "anti-corruption drive", changes in power have tended to shift patronage structures rather than eliminate them*

**Diagnostic Trade Integration Study, 2016**

**Figure 3.1. Mauritania's GDP growth and underlying political and economic triggers**






WORLD BANK GROUP

# Governance Trends

**The recent period of political stability has facilitated robust performance in growth and poverty reduction**



- Notwithstanding the restive character of the surrounding region, the political leadership has forged a period of **political stability during the mining boom**.
- The **tightly controlled political settlement** continues to reflect traditional, hierarchical and stratified conceptions of societal order.
- It remains **concentrated on an ethnically homogenous minority** who are connected with the political leadership and who control the principal centers of economic activity and occupy senior positions in the military, the administration and the judiciary. Beyond this inner circle, the political leadership relies upon a secondary layer of co-optation in which the leaders of the broad array of societal groupings are granted access to economic and administrative opportunities in return for their loyalty.
- The **influx of extractive rents has helped to reinforce the loyalty of co-opted interests** and consolidate the political bargain.



WORLD BANK GROUP

# Governance Trends

**However, governance indicators reveal uneven performance, while perceptions have stagnated and deteriorated over time**



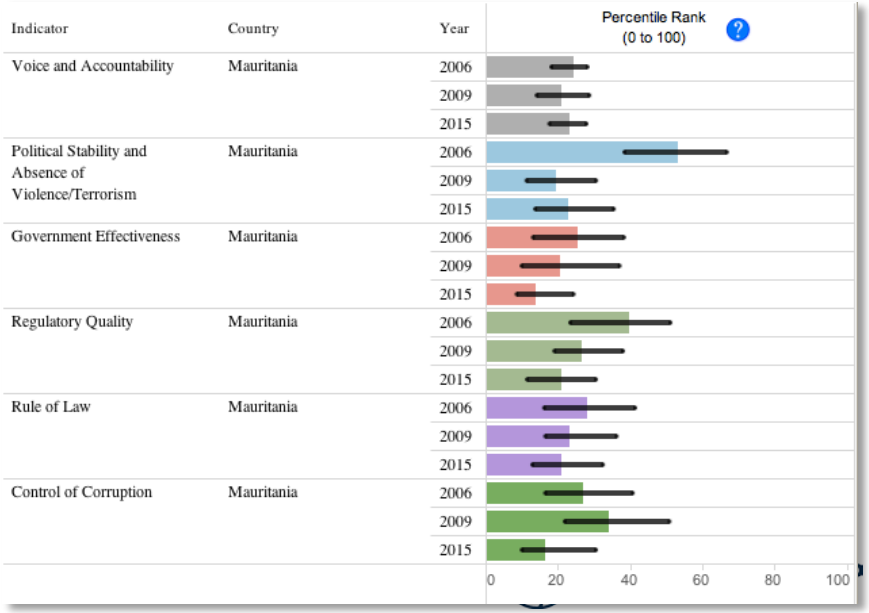
- The country's CPIA scores for Public Sector Management have shown signs of improvement, increasing from 3.0 in 2008 to 3.2 in 2015 and marginally surpassing SSA average of 3.0.
- Mauritania scores 43.0 (out of 100) in overall governance, ranking 41st (out of 54) in Africa in the Mo Ibrahim Index, being below the African and the regional North African averages

**Table 3.1. Mauritania's Mo Ibrahim Index, 2015**

| | SAFETY & RULE OF LAW | PARTICIPATION & HUMAN RIGHTS | SUSTAINABLE ECONOMIC OPPORTUNITY | HUMAN DEVELOPMENT |
|---|---|---|---|---|
| SCORE/100 | 43.3 | 37.0 | 39.5 | 52.4 |
| AFRICAN AVERAGE | 51.3 | 49.3 | 43.2 | 56.4 |
| CHANGE SINCE 2011 | +1.0 | -2.8 | -2.5 | +4.6 |
| RANK/54 | 41 | 39 | 35 | 33 |

- According to the World Governance Indicators (WGI), perceptions with respect to all six dimensions of governance in Mauritania have stagnated or declined since 2006.

**Figure 3.2. Mauritania's WGI ranks, 2006, 2009 and 2015**






Source: Worldwide Governance Indicators

# Governance Trends

## Mauritania now scores below country comparators in all dimensions of governance in the World Governance Indicators



**Figure 3.3. WGI Voice & Accountability, 2015**

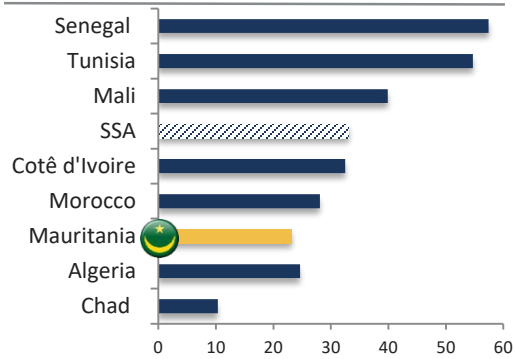



**Figure 3.4. WGI Political Stability, 2015**

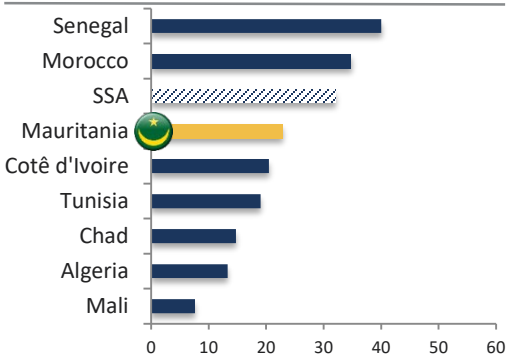



**Figure 3.5. WGI Government Effectiveness, 2015**

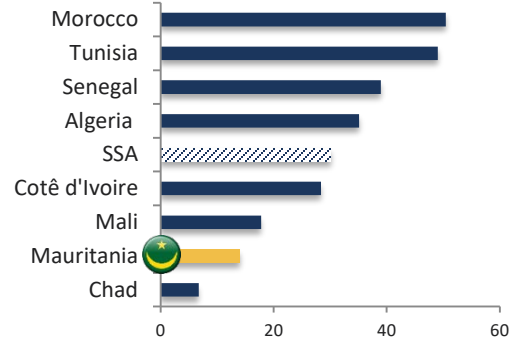



**Figure 3.6. WGI Regulatory Quality, 2015**

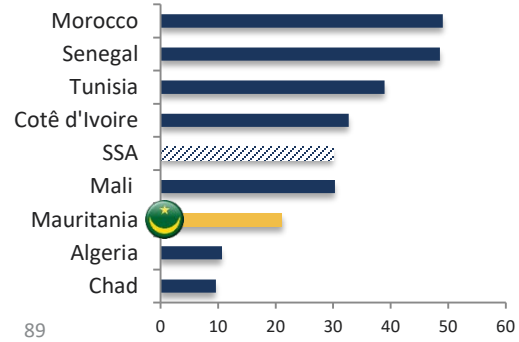



**Figure 3.7. WGI Rule of Law, 2015**

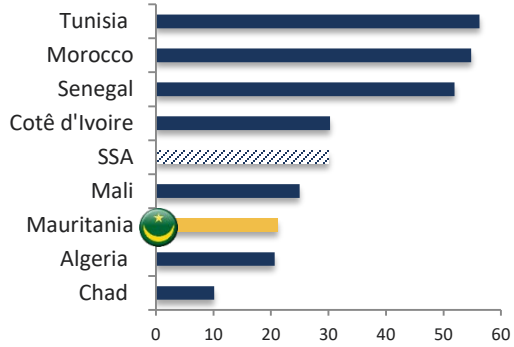
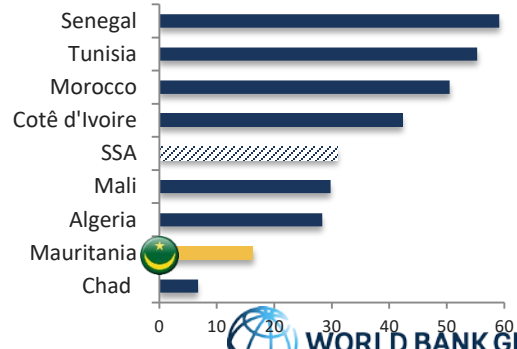



**Figure 3.8. WGI Control of Corruption, 2015**






Source: World Bank, WGI, 2014

WORLD BANK GROUP

Photo credit: SARD-SC website (Support to Agricultural Research for Development of Strategic Crops in Africa

**The surge in resource-based revenues and the adoption of a state-driven development model appear to have reinforced the rentier economy**

## INDICATIONS OF A RENTIER ECONOMY:

1 **SHORTCOMINGS IN THE PROCUREMENT OF PUBLIC INVESTMENT CONTRACTS**

that create opportunities for the preferential selection of well-connected private sector interests

2 **LACK OF TRANSPARENCY ASSOCIATED WITH STATE INTERVENTIONS THROUGH PUBLIC ENTERPRISES**

despite advancing with reforms to improve controls over the parastatal sector

3 **DOMINATION OF OLIGOPOLISTIC STRUCTURES**

in some prominent product markets

4 **OPAQUE AND DISCRETIONARY GOVERNMENT EXPENDITURES**

that put them at risk of being misallocated or misappropriated to private interests

WORLD BANK GROUP

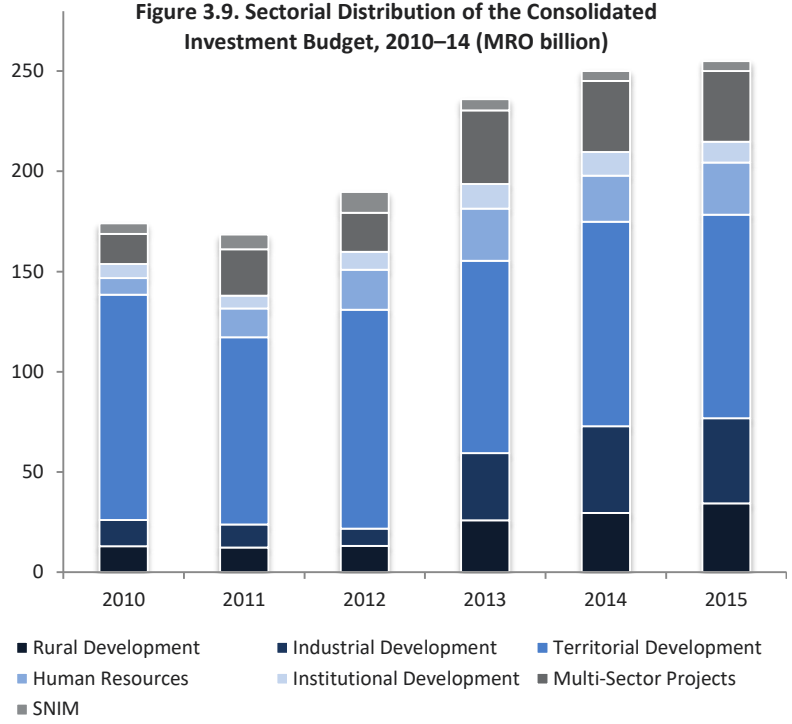
# Governance Trends Drivers

## Weak procurement processes for capital investment contracts

Growth | Poverty | **Governance** | Sustainability | Constraints

- Shortcomings in the application of Mauritania's progressive legal framework on procurement create opportunities for politically connected interests to dominate lucrative state procurement contracts.
- National procurement systems are sometimes by-passed through the use of public enterprises for large-scale investments (e.g. significant investments are channeled through SOMELEC, ENER, ISKAN, SONIMEX and operational agencies, such as CSA and Apaus). This limits competitiveness and crowds out private sector operators (ARMP, 2016).
- The processes used by public enterprises to sub-contract to the private sector are often outside the legal framework and contribute to perceptions of capture (PER, 2016).
- Procurement contracts managed through the military that are non-military in nature (e.g. vehicle purchases and construction of military barracks) are not controlled by the procurement regulatory authority.

**Figure 3.9. Sectorial Distribution of the Consolidated Investment Budget, 2010–14 (MRO billion)**




Source: World Bank, Public Expenditure Review 2016, based on the data from the Ministry of Economy and Finance



WORLD BANK GROUP

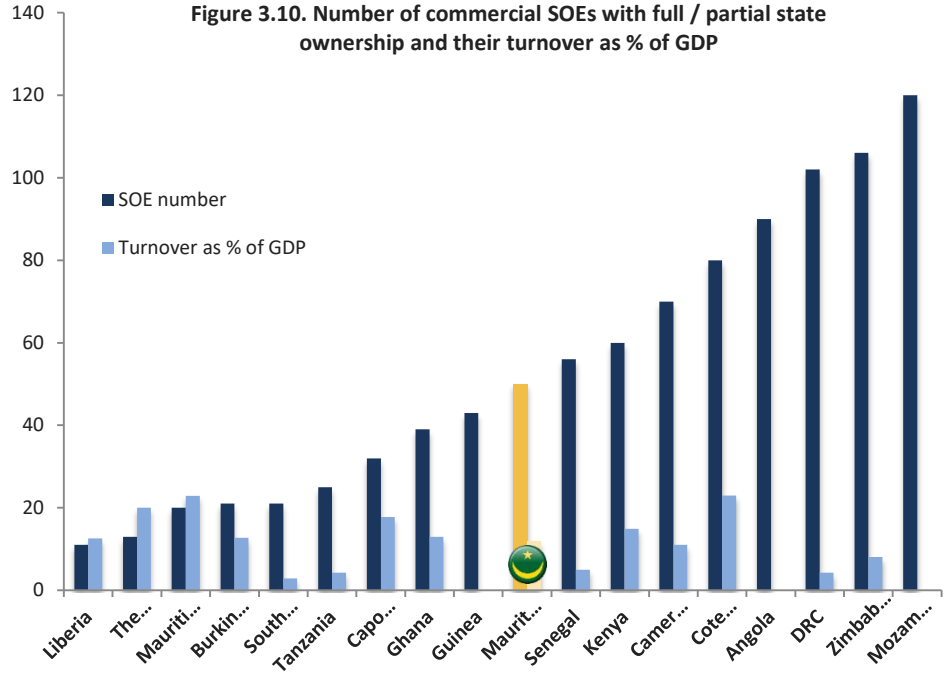
# Governance Trends Drivers

## Reliance on an expanded and poorly regulated para-statal sector



- State intervention has led to the proliferation of public and para-public entities. There are now approximately 150 state owned enterprises and autonomous agencies in Mauritania.
- A significant proportion of subsidies and other budget transfers are invested in the sector: Around 26.8 Bn MRO (US$ 89 million) was spent on capital injections to state owned enterprises through share purchases (19 Bn MRO – US$ 63 million) or as loans or advances (7.8 Bn MRO – US$ 26 million) in 2011-13.
- Though the Government is taking concerted efforts to strengthen oversight in the parastatal sector, there are indications to suggest that public enterprises have been used as channels to finance public projects, or take participations in weaker ventures to benefit specific groups.

**Figure 3.10. Number of commercial SOEs with full / partial state ownership and their turnover as % of GDP**






WORLD BANK GROUP

# Governance Trends Drivers

## Parastatal sector: The example of the National Iron Ore Company (Société Nationale Industrielle et Minière, SNIM)



- Despite continued access to cheap credit, productivity has decreased since 2001 as measured by tons produced per worker and production costs have increased. On-lending and grants averaged 3.4 percent of the investment budget for the period 2010–14. There is little information available on the use of these resources (PER, 2016).
- There has been an increase in investments and capital undertakings with limited transparency and limited returns. Depreciation of equity investments and loans to subsidiaries totaled 29.7 billion MRO to 31/12/2015 (SNIM audit report, 2015).
- Weak internal controls, the absence of external controls and the high rate of turnover of Director Generals creates the perception that the position may be exposed to political interference.

Figure 3.11. Evolution of production (1000 t) / worker

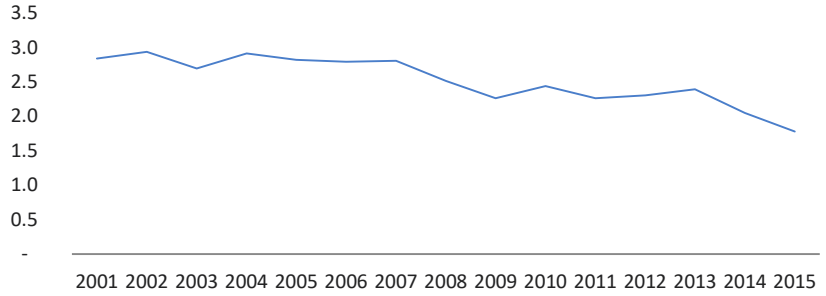
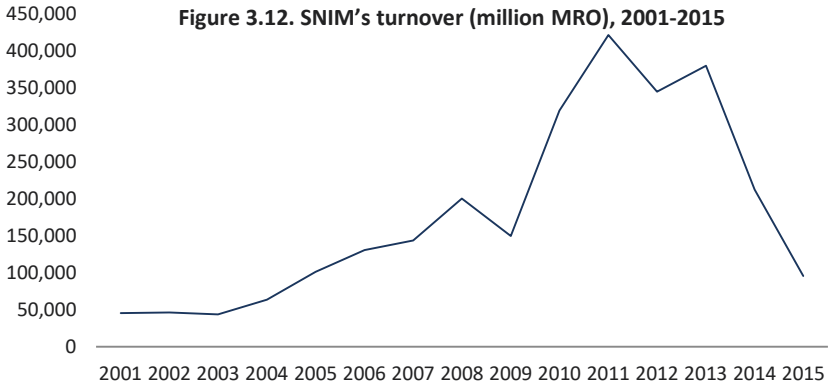



Figure 3.12. SNIM's turnover (million MRO), 2001-2015






WORLD BANK GROUP

# Governance Trends Drivers

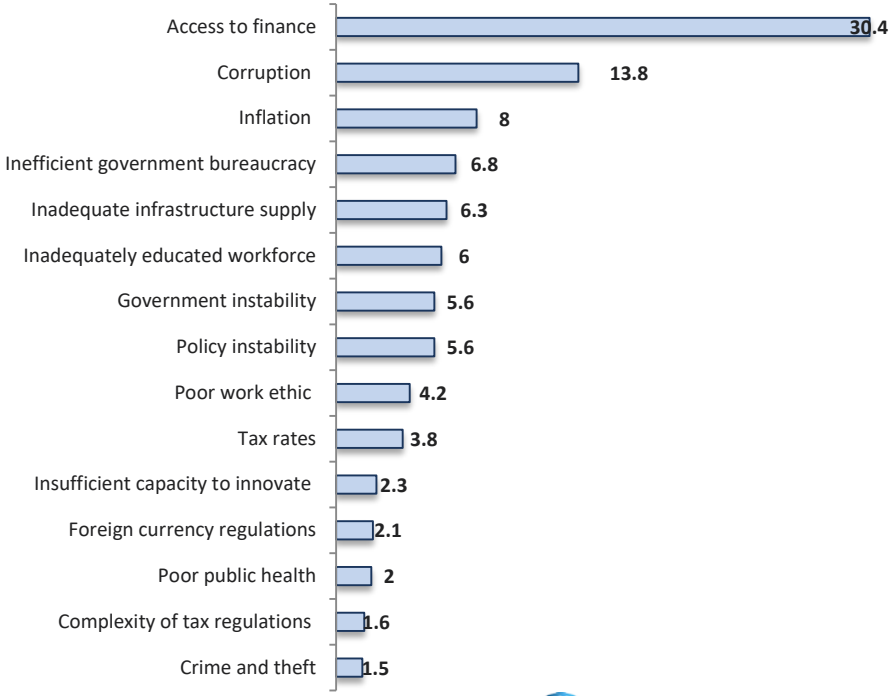
## Some product markets are still dominated by oligopolistic structures



Although the 2012 Investment Code revision improved the country's competition regime, a few powerful groups remain in *de facto* control of large businesses in trade, commerce and banking.

- Oligopolistic structures exist in a number of non-tradable sectors, including construction and hotels, as well as in the rapidly expanding fishmeal industry (DTIS, 2016).
- The cost structure of imported rice reveals that more than half of the high domestic retail prices for rice are attributed to distributor gross margins – indicating that certain interests have obtained lucrative import monopolies in rice (Brunelin, 2016).
- In banking, there is evidence of credit concentration - several banks are associated with multi-sectoral conglomerates; while there are prudential limits on banks' credit to other entities in their group, supervision is weak and high balance sheet concentration is observed (IMF Financial Assessment Stability Model, 2015). The GoS has taken steps to address this since 2015, strengthening supervision and sanctions.

**Figure 3.13. Most problematic factors for doing business, WEF**



# Governance Trends Drivers

## A quarter of government spending is highly discretionary and is not properly categorized



- A large proportion of government expenditure remains opaque and discretionary, putting it at risk of being misallocated or misappropriated to private interests.
- Data on the functional classification of spending indicates that the single largest category is “other expenses” which makes up a remarkable 27.4 percent of total expenditures.
- The management of the National Oil Fund has also raised governance concerns: the absence of any audit, the lack of clear rules governing the draw-down of resources or transparent criteria for the selection of projects have limited the utility and effective management of the Fund. (PER, 2016).

**Table 3.2. Public Spending by Sector, 2010–13 (percentage of non-oil GDP)**

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | Avg |
|---|---|---|---|---|---|---|---|
| High constitutional offices | 3.5% | 3.3% | 2.8% | 3.2% | 5.0% | 6.7% | 4.1% |
| Central public sector | 2.5% | 2.7% | 2.3% | 2.4% | 2.8% | 3.1% | 2.6% |
| Decentralization & regional development | 11.7% | 12.6% | 12.9% | 13.1% | 12.8% | 8.8% | 12.0% |
| Defense | 13.0% | 12.1% | 10.8% | 10.9% | 10.6% | 10.3% | 11.3% |
| Economic and sector ministries | 6.6% | 4.5% | 7.3% | 5.1% | 5.7% | 3.5% | 5.4% |
| Education | 13.1% | 14.3% | 11.9% | 12.5% | 10.3% | 10.4% | 12.5% |
| Emergency programs and food security | 0.5% | 5.3% | 8.8% | 10.5% | 8.1% | 8.6% | 7.0% |
| External affairs | 2.7% | 2.2% | 1.9% | 2.0% | 1.9% | 1.8% | 2.1% |
| Health and social affairs | 7.4% | 7.8% | 5.7% | 7.1% | - | | 7.0% |
| Infrastructure | 5.9% | 5.9% | 6.1% | 7.3% | 7.5% | 8.7% | 6.9% |
| Justice and Islamic affairs | 2.8% | 2.3% | 2.0% | 2.1% | 2.0% | 2.0% | 2.2% |
| Other public agencies | 1.4% | 0.8% | 1.0% | 2.5% | 1.0% | 0.8% | 1.3% |
| Youth, culture and employment | 2.0% | 0.6% | 0.5% | 0.6% | 1.7% | 1.5% | 1.1% |
| Other expenses | 30.2% | 28.8% | 27.8% | 22.6% | 26.3% | 28.4% | 27.4% |

**Note*: Economic and sector ministries include Fisheries, Mining, and Trade.



Source: BOOST data and World Bank staff calculations

WORLD BANK GROUP

# Governance Diagnostic Summary

**Lack of transparency and accountability in public expenditure management represents a priority binding constraint**

Growth | Poverty | **Governance** | Sustainability | Constraints

- *Governance challenges cut across Mauritania's development problematic and are underscored by a narrow political settlement that relies upon a rentier economy.*
- *Despite efforts to strengthen fiscal transparency and improve procurement and public investment processes, opacities in the management of public resources have created the enabling conditions for rent-seeking.*
- *The creation of a more inclusive political bargain to achieve the twin goals will require transparency and accountability in the management of public expenditures in the short term and sustained efforts to develop modern, rule-based institutions and more effective modalities for citizen engagement over the medium term.*

**PRIORITY BINDING CONSTRAINT AREA**

**Limited transparency & accountability in public spending**

**Note that governance constraints are integrated into the analysis of all priority constraint areas*

Photo credit: WFP / Agron Dragaj

# SUSTAINABILITY

*Underlying fragility stresses associated with Mauritania's delicate and complex social structures and the environmental challenges of an encroaching coastline and an expanding desert risk undermining development gains made to date.*

WORLD BANK GROUP

Photo credit: WFP / Agron Dragaj

**The Mauritanian State operates in the context of a delicate and evolving social fabric that is also subject to emerging environmental and regional security stresses**

## KEY DRIVERS OF SOCIAL FRAGILITY:

### 1 LIMITED SOCIAL COHESION

Despite National Social Inclusion Process: ethno-racial divisions, historical grievances over state discriminatory practices and slow progress in ensuring the inclusion of marginalized groups.

### 2 POLITICAL AND ECONOMIC EXCLUSION

Significant improvements in political participation but domination of privileged elites and patronage networks aggravate social division and economic inequalities

### 3 LAND AND NATURAL RESOURCES STRESSES

Increasing conflict between pastoralists and farmers in the context of expanding desertification, including in oasis areas.

### 4 REGIONAL THREATS SPILLOVERS

Presence of cross-border terrorist groups, illegal trafficking and informal networks, radicalization of the youth. Reinforced security represents a factor of resilience.

WORLD BANK GROUP

# Social Fragility Drivers

## Weak Social cohesion

Growth | Poverty | Governance | **Sustainability** | Constraints

### Challenges in the application of the de jure prohibition on slavery:

- Slavery legally abolished in 1981, criminalized in 2007 with a new comprehensive anti-slavery law introduced in 2015. Yet reports of ongoing enslavement of Haratines and Afro-Mauritanians highlight procedural barriers and sensitization and enforcement challenges.

### Limited access to a fair, capable and independent justice system reinforces social fragmentation:

- Judiciary is understaffed, under-capacitated, and concentrated mostly in capitals / regional towns, informal (and often discriminatory) dispute resolution processes prevail

Mauritanians with a **positive assessment of the quality of judicial and police** systems

### Historical grievances between main communities along perceived ethnic lines:

- **Arabization policies**, especially in education and justice system, are purported to have reinforced linguistic discrimination
- **1989 border dispute** resulted in exile of many (25,000 refugees returned, as of 2013)
- **Regulatory restrictions** and practical complexity of nationality and **civil registration**, limiting access to social services and benefits by certain vulnerable groups

### Resilience Factors:

- National Reconciliation Process;
- 2016 National Dialogue on Social Cohesion;
- Program for the Prevention of Conflicts and the Consolidation of Social Cohesion (Tadamoun)



Source: 2009 Mo Ibrahim survey; UNICEF, Every Child Birth Rights: Inequities and Trends in Birth Registration, New York, 2013

# Social Fragility Drivers

## Political and economic exclusion



### Rapid urbanization has created few economic opportunities

- Emergence of **informal and socially stratified settlements** ***Kebbés*** at the periphery of cities, mostly deprived of essential urban services: access to jobs, housing, clean water and sanitation.

### Particular vulnerability of the youth

- High rate of youth unemployment, ruptured ties with ethnic, cultural and geographic origin, and insufficient prioritization of youth-driven development in urban planning (lack of social institutions and infrastructure to meet the needs of youth).

**Unemployment rate among 24-33** year-olds, being the double of that among 34-43 year-olds (7.4 percent)

### Asymmetrical political equilibrium

- Despite improvements in political participation of civil society, **penetration of a privileged elite** in the organs of the modern state has limited opportunities to address social inequalities and created diffuse resentment over sentiments of economic and political exclusion
- **Civil society** is handicapped by weak capacity, fragmented and divided along political affiliation lines.

### Resilience Factors:

- Freedom of expression;
- Significant improvements in ranking in Press Freedom Index by Reporters Without Borders;
- Government efforts to address religious radicalism



Source: 2012 Mauritanian Labor Force and Informal Sector Survey

WORLD BANK GROUP

# Social Fragility Drivers

## Natural resource stresses have fueled conflict

Growth | Poverty | Governance | **Sustainability** | Constraints

### Rarefication of natural resources

- Increasing scarcity of water resources, arable soil / pastures and growing population pressures, undermine food security, aggravate housing needs of local populations and refugees, and contribute to increasing social tensions between different groups of population.

**140,000**

People estimated to have been **affected by natural disasters**
(by February 2015)

**428,000**

People estimated to have been **affected by food insecurity** due to natural hazards
(by February 2015)

### Increasing conflict between pastoralists and oasis farmers

- Erosion of traditional institutions for collective management, expanding desertification, and growing demand for meat and milk led oasis farmers to convert to pastoralism activities and expand into new areas.
- This resulted in disrupted social peace and increased fragility in rural areas facing conflicts over communal land management and access to water points.

**Land covered by agriculture**

**Land covered by pastoralism**



WORLD BANK GROUP

Source: ReliefWeb humanitarian overview of Mauritania, February 2015; World Bank, Land Governance Study (CAGF), 2014

# Social Fragility Drivers

**Regional transnational stressors present high spillover risks**



Mauritania is situated **in an unstable region** and currently faces the following regional threats:

- Rising **presence of cross-border terrorist groups**;
- Intensification of **illegal trade** and informal networks (including arms, drugs, cigarettes, kidnapping for ransom);
- Growing trend of **radicalization and extremism**;
- Large numbers of refugees, fleeing into Eastern Mauritania from Mali;
- Rising threat of Boko Haram (though Nigeria is father away, current regional dynamics are still concerning).

**Resilience Factors:**

- Modernization and reinforcement of military hardware capacity and engagement in the UN peacekeeping force in Mali;
- Anti-terrorism legislation to facilitate the pursuit and imprisonment of individuals suspected of violent extremism;
- Delegitimization strategy, involving recruitment of more moderate Imams to preach against extremism.

# Environment & Climate Change

**Climate change exacerbates the effects of desertification and droughts as well as coastal erosion and erratic flooding**

Growth | Poverty | Governance | **Sustainability** | Constraints

## Extreme temperatures

**0.9°C** Mean annual temperatures increase since 1960

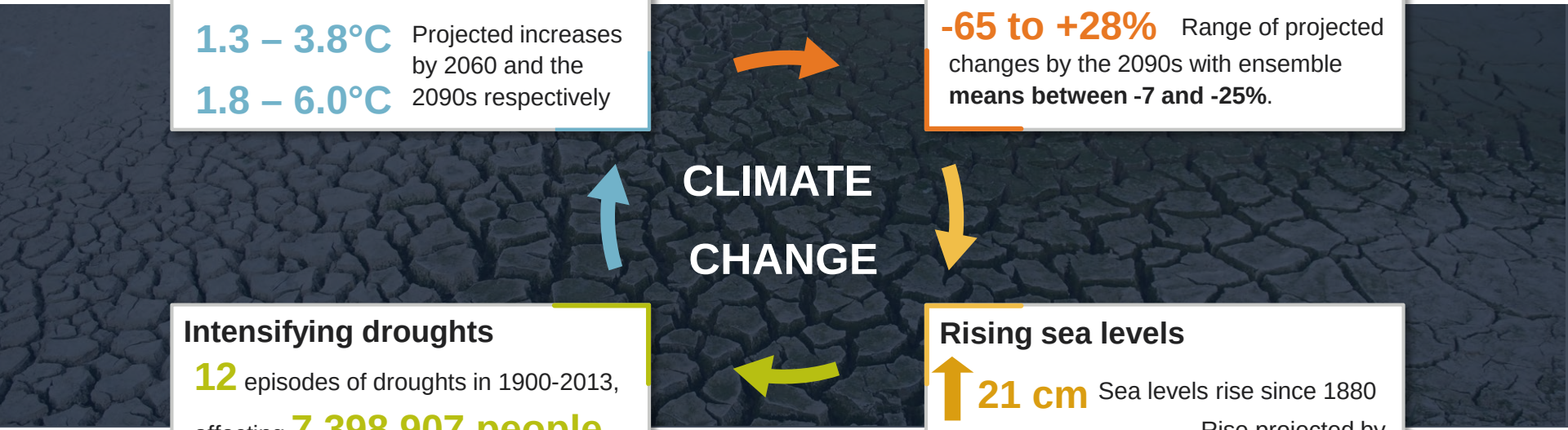
**1.3 – 3.8°C** Projected increases by 2060 and the

**1.8 – 6.0°C** 2090s respectively

## Declining annual rainfall

**- 21.96** Mm/month per century – reduction in Central region

**-65 to +28%** Range of projected changes by the 2090s with ensemble **means between -7 and -25%**.




## Intensifying droughts

**12** episodes of droughts in 1900-2013, affecting **7,398,907 people**

**One third** of population at **risk of hunger**

## Rising sea levels

**21 cm** Sea levels rise since 1880

**5.8 – 15.5 cm** Rise projected by 2050 compared to 1980-1999

Increases coastal erosion, flooding, storms



Source: National Climate and Disaster Risk Screening Tool, World Bank, 2015

# Threat of rising sea in Mauritania

- Mauritanian 750 km of coastal line was virtually uninhabited prior to 1950.
- The development of economic activity along the coast, notably in Nouakchott and Nouadhibou, has placed a strain on the environment.
- Key environmental stressors : (i) deterioration of the protective dune ridges and risk of coastal flooding; (ii) flooding due to the saturation of the water table and sea water infiltration; (iii) pollution; (iv) salinization of water resources, and (v) coastal erosion linked to human pressures (infrastructure) and natural hazards.

**Nouakchott** is under the **triple menace** of coastal flooding in the west, advance of sand dunes in the north and east, flooding by heavy rainfall in lowland areas. These risks are exacerbated by the fact that a large portion of this city is under the sea level and has recorded rapid unplanned spatial expansion.

> *"Even without climate change*
> *Nouakchott is at risk of flooding"*
>
> Demba Marico, National Coordinator of Mauritania's Adaptation to Climate and Coastal Change Project, 2010

Source: National Climate and Disaster Risk Screening Tool, World Bank, 2015

Photo credit: Photorator / George Steinmetz

# Environment & Climate Change

## Climate change has serious consequences for agriculture, marine ecosystems and residential areas (1/2)



**Table 4.1. Sectors most impacted by natural hazards and climate change**

| POTENTIAL IMPACT | AGRICULTURE | | FISHERIES | | WATER | |
|---|---|---|---|---|---|---|
| | Historical | Future | Historical | Future | Historical | Future |
| Extreme temperatures | | | | | | |
| Extreme precipitation & flooding | | | | | | |
| Drought | | | | | | |
| Sea level rise | | | | | | |
| Storm surge | | | | | | |
| Strong winds | | | | | | |
| Landslide | | | | | | |
| **Overall potential impact** | | | | | | |
| **Institutional readiness** | | | | | | |
| **Overall risk** | | | | | | |

Impact Classification:

- No
- Low
- Moderate
- High



Source: National Climate and Disaster Risk Screening Tool, World Bank, 2015

WORLD BANK GROUP

# Environment & Climate Change

**Climate change has serious consequences for agriculture, marine ecosystems and residential areas (2/2)**

## AGRICULTURE

- Due to land degradation/erosion and a southward expansion of the arid zone, crop seasons duration and yields may greatly diminish, in particular in arid and semi-arid zones;
- In the worst case scenario, rain-fed agriculture yield might be halved by 2020;
- Livestock productivity might also decrease due to recurring droughts, grazing land, and water points scarcity.

## FISHERIES

- Decline in waters' oxygen concentration and migration of pelagic species towards more oxygen-rich zones
- Spread of jellyfish and a recurring "colored-water" phenomenon;
- Reduced fisheries productivity, as a result of storms (production decline, variations of chemico-physical parameters, difficulties of access due to invasive plants).

## WATER SUPPLY

A general and significant decline in water resources by 10-15% is projected. This will entail:

- A decrease in runoff by 10% between 2000 and 2020;
- A rise in evapotranspiration and water quality degradation;
- Higher water salinity in coastal zones and decreased piezometrical levels (ground water is particularly critical for the rural poor's livelihood)
- Warmer surface waters.

## HEALTH

- Today, over one third of the country's population is at risk of hunger, with large numbers of severely malnourished children;
- Combined with climate change impacts, an increase in nutritional diseases prevalence and infectious and parasitic diseases, such as diarrheas and acute respiratory infections, may occur.



Source: National Climate and Disaster Risk Screening Tool, World Bank, 2015

WORLD BANK GROUP

# Fragility Diagnostic Summary (1/2)

**The combined effects of social and environmental stresses create sustainability risks for poverty reduction prospects**

Growth | Poverty | Governance | **Sustainability** | Constraints

- Mauritania's internal fragility stresses are embedded in the complex and hierarchical social structure in which ethnic groups, familial clans and tribes are intertwined and form a strict caste system. Slavery, though illegal, is still informally practiced, and its legacy maintains social inequalities and discrimination.
- Limited access to a fair, capable and independent justice system, along with the penetration of a privileged elite in the governance organs, contributes to mistrust and resentment against the State.
- Rapid urbanization phenomenon reinforce social division and economic inequalities, particularly for the youth that constitute a vulnerable target for violent extremism. This is further aggravated by growing regional security threats that penetrate the Northeastern border area and combined with domestic grievances and increased illegal trafficking, risk destabilizing the entire country.
- Climate change has exacerbated desertification and coastal erosion, increasing the frequency of severe droughts and floods that threaten livelihoods, deepen food and water insecurity, aggravate conflict over land management, and contribute to malnutrition and overall social instability in the country.

# Fragility Diagnostic Summary (2/2)

**Principal constraints - low access to social services, unaffordable food staples and inequitable land distribution**

Growth | Poverty | Governance | Sustainability | Constraints

*Mauritania faces a unique combination of environmental and social fragility stresses that present a significant sustainability risk to reaching inclusive growth and shared prosperity.*

*Building on existing efforts, Mauritania has an opportunity to harness the richness of its cultural and social diversity by strengthening the social contract.*

*Strengthening the country's resilience to climate change will need to be integrated across all the dimensions of development agenda.*

**PRIORITY BINDING CONSTRAINT AREA**

**Lack of Social Cohesion**

Part A

# CONCLUSION

# Prioritized Constraint Areas

**WORLD BANK TWIN GOALS**

**INCLUSIVE GROWTH** | **SHARED PROSPERITY**

**Weak Management of Extractives**

**Failure to harness livestock potential**

**Failure to harness fisheries potential**

**Rapid and outpaced urbanization**

**Low & inequitable access to social services**

**Inequitable distribution of land**

**Distorted food prices**

*Cross-cutting constraint area*

**Limited transparency in public spending**

*Cross-cutting constraint area*

**Social fragility and lack of social cohesion**

*Note that cross-cutting governance and environmental fragility issues are addressed across all priority constraint areas*

Part B

# CONSTRAINTS & SOLUTIONS

# Overaching Analytical Framework

**Is based upon multiple layers of analysis to arrive at principal constraint areas and prioritized potential solutions**

## PART A. DIAGNOSTIC

Growth

Poverty

*Constitutive dimensions*

Governance

Sustainability

*Cross-cutting dimensions*

Priority Binding Constraints Areas

## PART B. DEEP DIVE INTO EACH PRIORITY CONSTRAINT AREA

**1** **Detailed analysis of each constraint area through the following lenses:**

Resources — Policies — Institutions

**2** **Identification and assessment of solution areas based on the following criteria:**

- Authorizing environment
- Implementation capacity
- Time required for change
- Degree of complementarity

**Solution areas**



WORLD BANK GROUP

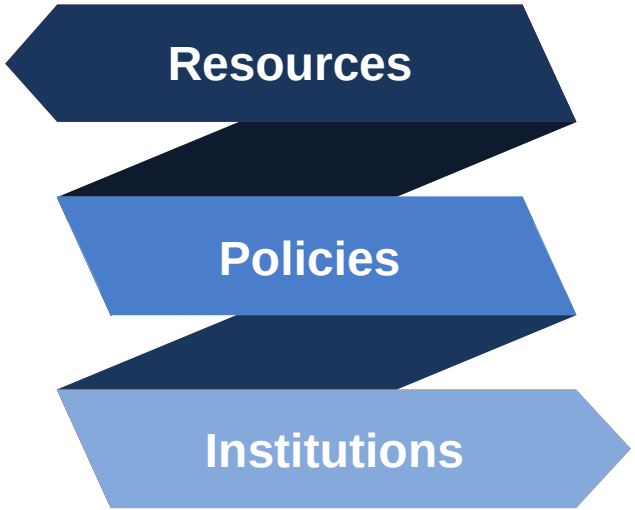
# Conceptual Framework for Analysing Priority Constraint Areas

## Step 1: Each priority constraint area is analyzed through three lenses

### PRIORITY CONSTRAINT AREAS

- Weak Management of Extractives
- Failure to harness livestock
- Failure to harness fisheries
- Rapid and outpaced urbanization
- Distorted food prices
- Weak access to social services
- Inequitable land distribution
- Weak transparency of public spending
- Lack of social cohesion

### ANALYTICAL LENSES




**Resources base:** natural endowments, human capital, investments and financial flows and their productivity, accumulation and allocation

**Underlying policies:** impact of policy design, implementation, consistency and credibility of policies on the utilization of the resources

**Institutional foundations:** legal, regulatory and normative frameworks, institutional and administrative capacity and the interface between institutions and political power (WDR, 2016)



WORLD BANK GROUP

# Conceptual Framework for Assessing Solution Areas

**Step 2: Identification and assessment of potential solution areas**

## Initial identification of solution areas

- Solutions are identified using existing analytical and technical work by the World Bank and other available sources, including evaluations of existing interventions and relevant lessons from international experience. The SCD team organized thematic focus group discussions with in-country, international, and World Bank Country Team stakeholders to shortlist the most relevant solutions.

## Assessment of solution areas

- Each solution is then assessed based on the four illustrated criteria, using a traffic light system:
  low 🔴 - medium 🟡 - high 🟢.

## Solutions assessment criteria

**AUTHORIZING ENVIRONMENT**

Solution areas factor in the authorizing environment, including presence of domestic coalitions for change, possibility of “win-win” solutions for elite and the poor, etc.

**IMPLEMENTATION CAPACITY**

They also take into account the implementation capacity at both national and local levels, presence of relevant technologies, etc.

**TIME REQUIRED FOR CHANGE**

Solution areas have been categorized depending on how fast they can have an impact on the twin goals, especially with reference to the 2030 horizon

**COMPLEMENTARITIES**

The degree of complementarity and extent to which solutions are mutually reinforcing for greater impact is also assessed

# Deep Dive Into Principal Constraint Areas

WORLD BANK GROUP

# Improving the Management of Extractives: Key Challenges

**RESOURCES**

- Abundant and diversified resources, but access to electricity, water and transport affects competitiveness of investments
- Water shortage exacerbated by climate change jeopardize future mineral production and access to fresh water for the population

**POLICIES**

- Despite legal revisions, the framework for attracting investment and managing exportation is restrictive (opaque and lengthy processes for awarding licenses, insecurity of finders' rights tenure, uncertainty regarding mandatory state participation and the role of SMHPM*)
- Lack of a harmonized tax code and absence of fiscal rules delimiting management of extractive revenues (no contribution of resources to diversification of economy). Lack of coordination between mining and finance services
- A very low profit take compared to the region
- Weak integration of the extractive industry with the local economy (links with private sector, development constraints)
- Reactive environmental policies

**INSTITUTIONS**

- Dominance and preferential treatment of SNIM and SMPHM: elite capture; vertical integration crowding out private sector
- Weak control and monitoring capacity of the Geology and Mines Directorate
- Institutional negotiation capacity limitations, as demonstrated in the Chinguetti setback



*Note: SMHPM – Société Mauritanienne des Hydrocarburés et de Patrimoine Minier

# Improving Management of Extractives: Solutions

| Solution area | | Authorizing Environment | Implemen-tation Capacity | Time | Complementarities |
|---|---|---|---|---|---|
| Macro-fiscal | Lay the foundations for a fiscal rule to specifically address natural resource wealth considerations | 🟡 | 🟡 | 🟡 | 🟢 |
| Tax regime | Design a fiscal regime with effective tax rates more aligned with the region. Develop a unified frame for negotiations | 🟡 | 🟢 | 🟡 | 🟡 |
| Sectoral planning | Reintroduce independent and rules-based license management | 🔴 | 🔴 | 🔴 | 🟡 |
| | Establish a fair and effective unitization agreement for the development of transnational oil reserves and conduct a capacity audit and gap analysis for oil and gas project negotiation and execution | 🟢 | 🟡 | 🟢 | 🔴 |
| | Integrate regional development planning and sharing of infrastructure in “resource corridors” to improve water and energy supply and management | 🟡 | 🔴 | 🔴 | 🟢 |
| | Develop broader private sector participation for local supply and service provision | 🟡 | 🟡 | 🟡 | 🟢 |
| | Harness decentralization process to roll out community development investments | 🟡 | 🔴 | 🔴 | 🟢 |
| Environment | Oversight and enforcement of operators through improved inter-ministerial coordination | 🟢 | 🟡 | 🟡 | 🟡 |
| | Integrate climate scenarios in existing management and planning of resources (in particular water) | 🟡 | 🟡 | 🟡 | 🟡 |
| Governance | Strengthen oversight and control functions of SOEs (SNIM, SMHPM) and FNRH; and improve audit quality | 🟡 | 🟡 | 🟡 | 🟢 |
| | Transparency: Revise procedures and systems to comply with EITI 2016 enhanced rules | 🟢 | 🟢 | 🟢 | 🟡 |
| | Reinforce capacity across the board (technical, oversight, execution, financial, fiscal, etc..) | 🟡 | 🟡 | 🟡 | 🟢 |

# Harnessing Potential in Livestock: Key Challenges

**RESOURCES**

- Limited allocation of public resources to the sector, despite its economic weight and high impact on poverty and gender empowerment in rural areas
- Growth in domestic and international demand and capacity to adapt to harsh and deteriorating climatic conditions
- Domestic transformation below potential in all animal products value chains for various species (meat, milk, egg, hides, honey, etc.) and lack of export diversification outside traditional regional market
- Scarcity of animal feed and degraded environmental sustainability and water constraints affecting natural pastures and leading to increased cattle movements and conflicts

**POLICIES**

- Lack of a National Livestock Policy
- Challenges with respect to land management and climate-smart agriculture to support agro-sylvo-pastoral sedentary producers
- Lack of implementation/enforcement of animal health and sanitary policy, and recently adopted Pastoral Code, as well as permanence of non-tariff barriers to trade (road blocks)

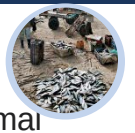
**INSTITUTIONS**

- Weak business environment for livestock inputs (veterinary drugs and animal feed) and for agro-processing, including uncompetitive practices and limited access to credit
- Weak and complex monitoring of the sector, missing livestock census and statistics
- Limited deconcentration of technical support services to livestock producers

# Harnessing Potential in Livestock: Solutions

| Solution area | | Authorizing Environment | Implementation | Time | Complementarities |
|---|---|---|---|---|---|
| Resources | Increase budgetary allocations to the livestock sector, commensurate with the sector's weight in the economy | 🟡 | 🟡 | 🟢 | 🟢 |
| | Address environmental sustainability of transhumance-based system through investments in animal health, natural resource management (including pastoral hydraulics, pasture development and protection of transhumance corridors), marketing infrastructure and crisis management systems | 🟢 | 🟡 | 🟡 | 🟢 |
| | Modernize sedentary systems for productivity gains and value chains' competitiveness | 🟢 | 🟡 | 🟡 | 🟢 |
| | Reinforce mechanisms for credit provision to livestock producers | 🟢 | 🟡 | 🟡 | 🟢 |
| Policies | Adopt National Livestock Policy on the model of the *"Plan national de Development Agricole"* (taking into account the role women play in animal rearing) | 🟢 | 🟢 | 🟢 | 🟢 |
| | Enforce the execution of the Pastoral Code, especially animal health and sanitary requirements, to enhance export prospects | 🟡 | 🔴 | 🟡 | 🟢 |
| | Launch the livestock census | 🟢 | 🔴 | 🟡 | 🟡 |
| Institutions | Set up drought early warning and response system for livestock, and promote agriculture / livestock complementarity (drought power, fertilization, feed production, such as intercropping fodder crops on irrigated rice production systems and climate-smart agroculture) | 🟢 | 🟡 | 🟡 | 🟢 |
| | Improve business environment in the sector and promote animal product value chains (processing activities, including animal feed, eggs, honey, milk, meat and side products, such as hide and skins, gelatin, etc.) | 🟡 | 🔴 | 🟡 | 🟢 |
| | Strengthen research on technical and economic references, and guidelines for the sector modernization (use of artificial insemination and genetic improvements techniques, feed rations using local by-products, etc.) and extension programs for small herders | 🟢 | 🟡 | 🟡 | 🔴 |

# Harnessing Potential in Fisheries: Key Challenges



**RESOURCES**

- Poor technical conditions of the domestic fleet (most notably industrial) and sub-optimal management of port infrastructure despite improvements
- Concentrated catches in small pelagic (mostly sardinellas and horse mackerel) and octopus, which are respectively fully and over-exploited
- Rapid emergence of the unsustainable fishmeal industry
- Illegal, unreported, and unregulated (IUU) fishing affecting quantity and quality of marketable fish
- Little value-added in the human consumption processing sector
- Environmental sustainability risks (over-exploitation, declining marine biodiversity)

**POLICIES**

- Heavily concentrated fish export outlets (85 percent of exports to Japan, Italy and Spain); and EU agreement main financial dividend
- Capacity issues to manage complex agreements, including EU protocol, and cumbersome export procedures
- Insufficient use of available fisheries information to guide fisheries policy and management

**INSTITUTIONS**

- Risk of conflict of authority between the Ministry of Fisheries and the Free Zone Authority; vested interests in fishmeal industry
- Questionable role of SMCP (which sets export reference prices, taxes, currency repatriation)
- Insufficient capacity to control and monitor quota intakes and illegal fishing practices
- Weak institutional capacity of the Ministry of Fisheries and the Free Zone Authority

# Harnessing Potential in Fisheries: Solutions

| Solution area | Authorizing Environment | Implementation | Time | Complementarities |
|---|---|---|---|---|
| **1. Improve the sustainability of existing exports**: | | | | |
| **1.1** Adopt and execute management plans for small pelagic and demersal catches and improve small pelagic and demersal processing for consumption | 🟢 | 🟡 | 🟡 | 🟡 |
| **1.2.** Diversify export outlets and explore alternative export options (e.g. refrigerated trucking via Morocco), and ratify the TIR convention | 🟢 | 🟡 | 🟡 | 🟡 |
| **2. Diversify out of octopus and small pelagic**: Investigate market opportunities for diversification in crustaceans, other demersal fish species, highly migratory species, and mollusks other than cephalopods | 🟢 | 🟡 | 🟡 | 🟡 |
| **3. Develop processing capacity for the value-added production for human consumption**: reforms to improve investment climate; improve capacity of the Ministry of Fishery and the Free Zone authority | 🟡 | 🟡 | 🔴 | 🟡 |
| **4. Modernize domestic fleet and implement the Managed Infrastructure Development Plan**: | | | | |
| **4.1** Improve execution of the government supervision and licensing / certification program; | 🟢 | 🟢 | 🟢 | 🟢 |
| **4.2**. Explore PPPs for the development of port infrastructure | 🟢 | 🟡 | 🔴 | 🔴 |
| **5. Develop a one-stop exportation shop and improve logistic chains for exportations by air**: | | | | |
| **5.1** Reduce processing times and delays and ensure predictability for the exportation of fresh fish by air; | 🟡 | 🟡 | 🔴 | 🟡 |
| **5.2.** Improve the supply chain from the refrigeration warehouse to the airport. | 🟡 | 🟡 | 🔴 | 🔴 |
| **6. Clarify jurisdictional boundaries of institutional arrangements**: review role of SCMP in export promotion and facilitation; strengthen institutional coordination and capacity to implement the Fisheries Transparency Initiative | 🟢 | 🟡 | 🟡 | 🟡 |
| **7. Implement the new quota-based management** (output control) for regulating fisheries in EEZ | 🟢 | 🟡 | 🟢 | 🟢 |

# Addressing Outpaced and Rapid Urbanization: Key Challenges

## RESOURCES

- Agglomeration economy impeded by sprawled out, ‘leap-frog’ development
- Limited access to basic services and infrastructures (electricity, water) and long and costly travel distances fragment labor market and impede private sector development
- Disaster / climate change risks, in particular environmental risks for coastal urban centers, including Nouakchott and Nouadhibou (coastal, water and sand)

## POLICIES

- Lengthy and unfinished urban planning
- Inadequate territorial planning, neglecting the importance of developing secondary buffer cities or leveraging comparative advantages of cities
- Dysfunctional land policy and market, leading to spatial inefficiencies in Nouakchott (spread out development)
- Weak business environment (infrastructure, energy, cost of trade, taxation, etc), especially limited access to finance, impeding concentrated urban development

## INSTITUTIONS

- Weak compliance and enforcement of urban planning and environmental safeguards
- Limited coordination of territorial planning and spatial management
- Weak capacity and limited resources of local governments

# Addressing Outpaced and Rapid Urbanization: Solutions

| Solution area | Authorizing Environment | Implementation | Time | Complementarities |
|---|---|---|---|---|
| **1. Improve Strategic Planning and Urban Development** | | | | |
| Strengthen strategic spatial planning and conduct medium to long term economic growth and environmental feasibility studies (possibly using the Decision-Making Under Uncertainty methodology); explore secondary cities as a buffer for urban expansion and economic growth and diversification | 🟡 | 🔴 | 🟡 | 🟢 |
| Encourage property development to slow down leapfrog spatial development through the introduction of a legal framework for property rights, a revision of land allocation policies and expansion of access to financing for concentrated housing developments and SMEs | 🔴 | 🔴 | 🔴 | 🟢 |
| **2. Enhance Access to Services** | | | | |
| Address bottlenecks in the business environment and development of entrepreneurship ecosystem (focus on youth and women) | 🟢 | 🟡 | 🟡 | 🟢 |
| Expansion of service coverage, including public transport, with focus on high poverty areas and efficiency enhancements (exploring PPP as an option) | 🟡 | 🟡 | 🔴 | 🟡 |
| **3. Address Environmental Risks** | | | | |
| Consolidate and enforce environmental protection and risk mitigation initiatives in Nouakchott and Nouadhibou, including for coastal erosion and flooding | 🟢 | 🟡 | 🟡 | 🟢 |
| **4. Strengthen institutional and local governance arrangements** | | | | |
| Review and advance decentralization policy, aligning resources and capacity with mandate | 🟡 | 🟡 | 🔴 | 🟢 |

# Tackling High Food Prices for Rice and Wheat: Key Challenges

**RESOURCES**

- Disconnect between international and domestic prices for wheat and rice. Low and asymmetric price transmission – positive international price shocks transmitted faster
- Large distributor gross margins, accounting for up to 50% of retail prices for rice against the background of low tariffs, taxes, handling and transport costs
- Significant increase in domestic absorption of cereals (production plus imports- 35% per year), which needs to be further investigated

**POLICIES**

- Government imports substitution program for rice and wheat (input subsidy programs and price support programs) led to productivity & production improvements, but no reduction of imports or decrease in prices in Nouakchott, as substitutability of imports limited by quality issues
- Government rice import substitution policy, apart from potential economic efficiency problems, creates tensions with objective to reduce price of imported food, which would favor urban poor

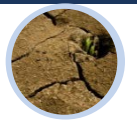
**INSTITUTIONS**

- Concentration (elite capture) in rice importation likely accounts for high distributor margins, and appears linked to non-competitive practices, though further analysis is required.

# Tackling High Food Prices for Rice and Wheat: Solutions

| Solution area | Auth. Env. | Implementation | Time | Complementarities |
|---|---|---|---|---|
| **1. Strengthen competition in rice import market to reduce distributor margins (knowledge gaps)** | | | | |
| Carry out competition analysis of food import sector | 🟡 | 🟢 | 🟢 | 🟢 |
| Carry out consultations with private sector and citizens on food import prices issues | 🟡 | 🟡 | 🟢 | 🟡 |
| **2. Make local rice more competitive price-wise and quality-wise** | | | | |
| **2.1 Improve quality along rice value chain** | | | | |
| South-South learning with Senegal, Thailand | 🟢 | 🟢 | 🟢 | 🔴 |
| Strengthen farmer organizations and technical support to processing | 🟡 | 🟡 | 🟡 | 🔴 |
| **2.2 Expand small scale irrigation in Senegal Valley** | | | | |
| Establish new irrigation policy framework, including all donors | 🟢 | 🟡 | 🟢 | 🟡 |
| Address land rights issues | 🔴 | 🔴 | 🔴 | 🟢 |
| Strengthen efficiency of irrigation investment | 🟡 | 🟡 | 🟡 | 🟢 |
| Address governance and capacity at SONADERE | 🟡 | 🟡 | 🟡 | 🟢 |

# Ensuring Equitable Distribution of Arable Land: Key Challenges



**RESOURCES**

- Limited data on the distribution of land
- Allocation of irrigated land to small cooperatives in recent years, but concerns of land grabbing; divestitures in 1980's; discrimination against women; pastoralists
- Limited formal land rights (3177 deeds registered) and absence of property rights (droits reel), with most relying on customary rights

**POLICIES**

- Outdated 1983 Land Law: shortcomings in both design (complexities; failure to take into account customary system; cooperatives increasing uncertainty) and implementation (limited take up due to low returns and high costs; persistence of dual system and arbitrary nature of local dispute resolution)
- Lack of clarity on land acquisition policies for private investment in agriculture have created social tensions

**INSTITUTIONS**

- Weak institutional capacity (surveys, cadaster, etc.) and coordination
- Land capture by urban and tribal elites
- Prevalence of customary land management and dispute resolution processes

# Ensuring Equitable Distribution of Arable Land: Solutions

| Solution area | Authorizing Environment | Implement-ation | Time | Complemen-tarities |
|---|---|---|---|---|
| **1. Close Knowledge Gaps:** | | | | |
| **1.1.** Conduct a Systematic Review of the Land Sector, incorporating the specificities of the SRV | 🟡 | 🟡 | 🟢 | 🔴 |
| **1.2.** Undertake land household surveys in the Senegal River Valley | 🟡 | 🟡 | 🟢 | 🟡 |
| **2. Adopt land management plans in the Senegal River Valley that balance the promotion of responsible private sector investment with the needs of the local populations, including women** | 🟡 | 🔴 | 🟡 | 🟡 |
| **3. Resolve outstanding resettlement issues related to returnees from Mali and Senegal** | 🟡 | 🟡 | 🟡 | 🟡 |
| **4. Reach a nationwide consensus on Land Policy Reform and update the legal framework :** Engage in a participative process of national and regional consultation; target reform efforts to the specificities of the SRV; ensure the recognition, delimitation and formalization of the multitude of ownership and land use rights, including customary rights and grazing rights | 🔴 | 🔴 | 🟡 | 🟢 |
| **5. Pilot innovative initiatives to formalize land and property rights and improve land conflict resolution mechanisms:** including the testing of decentralized issuance of “land certificates”; mechanisms to improve women’s access to land; and integrated dispute resolution processes | 🟡 | 🔴 | 🟡 | 🔴 |
| **6. Strengthen land administration governance and institutional capacities:** | | | | |
| **6.1** Modernize land registration procedures and tools | 🟡 | 🟡 | 🔴 | 🟡 |
| **6.2** Harmonize and regularize dispute resolution processes | 🔴 | 🔴 | 🟡 | 🟢 |
| **6.3** Train local land officers, customary authorities and rural communities | 🟢 | 🔴 | 🔴 | 🟡 |

# Building Human Capital: Key Challenges

## RESOURCES

- Public spending in health and education has increased but remains low and is inefficiently allocated and regressively distributed across quintiles and geographic regions
- Human resources are also limited, unequally distributed, and poorly trained/motivated
- Share of household spending on health has become increasingly significant
- Rural access to energy at only 4 percent

## POLICIES

- Education: Fragmented educative system (public, private, traditional) driven by low quality of public schools; implementation challenges of bilingual policy; skewed focus on access (less on retention or quality)
- Health: Focus on tertiary services with limited emphasis on primary preventative care
- Lack of support for the poor across social sectors; nascent pro-poor targeting mechanisms; limited scale of national social safety net programs; lack of coherent rural energy access strategy

## INSTITUTIONS

- Institutional fragmentation and technical inefficiency; lack of coordination and institutional leadership in shock and crises responses
- Limited governance at local levels, including accountability of service providers (teachers, health providers, water and sanitation)
- Lack of evidence-based decision-making (due to low statistical capacity)
- Certain cultural norms impede access of marginalized groups (e.g. early marriage)

# Building Human Capital: Solutions

| Solution area | Authorizing Environment | Implementation | Time | Complementarities |
|---|---|---|---|---|
| **1. Improve the governance of human resource management** and civil servants' training/skills, incentives, and accountability (at local and system levels) | 🟡 | 🟡 | 🟡 | 🟢 |
| **2. Target the quality of education in public schools in underprivileged areas:** | | | | |
| 2.1 Reallocate resources and increase spending on critical educational inputs (such as textbooks, practice guides and basic student furniture, teacher training and curriculum development) | 🟡 | 🟡 | 🟡 | 🟢 |
| 2.2 Better integrate religious schooling into national education system | 🔴 | 🟡 | 🟡 | 🟢 |
| **3. Align tertiary and technical, vocational education with labor markets requirements:** conduct tracer studies and strengthen the monitoring of training institutions, better identify skill gaps | 🟢 | 🔴 | 🟡 | 🟢 |
| **4. Re-allocate health spending** (in favor of high impact interventions, such as preventative care, maternal, neonatal and child health) | 🟡 | 🔴 | 🟡 | 🟢 |
| **5. Analyze allocation of resources and the performance of public and private providers of water, hygiene and sanitation services** | 🟢 | 🟢 | 🟢 | 🟢 |
| **6. Shift to lifecycle approach to human capital formation by investing in early childhood development,** notably through social protection mechanisms; nutrition, water and sanitation, early stimulation/learning | 🟡 | 🔴 | 🔴 | 🟢 |
| **7. Introduce Results-Based Financing** | 🟢 | 🟡 | 🟡 | 🟢 |
| **8. Introduce Universal Health Coverage** | 🟢 | 🟡 | 🟡 | 🟢 |

# Building Human Capital: Solutions

| Solution area | Authorizing Environment | Implementation | Time | Complementarities |
|---|---|---|---|---|
| **9. Strengthen Social Safety Nets:** consolidate social protection system; roll out the national safety net program | 🟢 | 🟡 | 🟡 | 🟢 |
| **10. Improve efficiency of response to crises**: develop financing, institutional and operational tools to respond to shocks and crises in a timely manner | 🟡 | 🔴 | 🟡 | 🟢 |
| **11. Support national deployment of the Social Register as the main pro-poor targeting instrument** | 🟢 | 🟢 | 🟡 | 🟢 |
| **12. Expansion of mini-grid and off-grid technologies**: develop a coherent rural energy access strategy and consolidate institutional arrangements | 🟢 | 🟡 | 🟡 | 🟢 |

# Strengthening the Transparency of Government Expenditures: Key Challenges

**POLICIES & INSTITUTIONS**

- **Public Finance Management**: Opaque and discretionary budget expenditures; limited linkages between budget and policy; and weak internal and external controls of public expenditures (PER 2016)
- **Public Investment Management Systems**: few formal project appraisals; limited coordination; limited data and analysis; and weak oversight (PER 2016)
- Weaknesses in the current **procurement systems** that increase the risk of fraud and corruption: limited application of the existing legal and regulatory framework; by-passing of national procedures through public enterprises (PER 16)
- Limited government **scrutiny of the para-statal sector** that presents fiscal risks and risks of corruption (PER 2016 and SOES Report 2013)
- Despite robust anti-corruption framework, the systems for detecting, uncovering and prosecuting **corrupt practices** are nascent. Accountability institutions do not actively report on the findings of their audit and control work. Weak mechanisms for working with the public to uncover fraud and corruption. The Procurement Control Commission does not report on fraud and corruption in procurement, and neither do the external or internal auditors. No system is in place for debarment of firms found guilty of procurement fraud.

# Strengthening the Transparency of Government Expenditures: Solutions

| Solution area | Authorizing Environment | Implementation | Time | Complementarities |
|---|---|---|---|---|
| **1. Improve Public Investments Management**<br>Investment budget and project data; strategy based on economic and social impacts and financial viability in the longer term; investment project preparation and preliminary appraisal; roles and independent reviews (to be considered); monitoring and support for project implementation | 🟡 | 🟡 | 🟡 | 🟢 |
| **2. Modernize Public Financial Management systems** | | | | |
| **2.1** Accurately record expenditures; keep BOOST up to date; strengthen financial oversight of SOE's | 🟢 | 🟡 | 🟢 | 🟢 |
| **2.2** Effective implementation of performance-based program budgeting | 🟡 | 🔴 | 🔴 | 🟢 |
| **3. Improve the Public Procurement Reform Process**<br>Consolidate the process; enhance the transparency of the procurement systems including those used by public enterprises | 🟡 | 🟡 | 🟡 | 🟡 |
| **4. Strengthen the capacity of the institutions that are responsible for sanctioning corruption,** including the justice system, the procurement control commission and internal inspections | 🟡 | 🟡 | 🟡 | 🟢 |
| **5. Initiate strategic communications with the media and citizens,** as well as a framework to facilitate access to information | 🟡 | 🔴 | 🔴 | 🟢 |

# Reinforcing Social Contract: Key Challenges

**POLICIES & INSTITUTIONS**

**National Identity:**

- Limited effectiveness of Government social inclusion programs
- Regulatory complexities and practical impediments to civil registration
- Fragmented education system and limited integration of religious education stream
- Youth marginalization and radicalization (Government programs information and SCAPP)

**Protection of the Vulnerable:**

- Enforcement of the laws against slavery is reported to be incomplete and the legacy of slavery perpetuates the exclusion of certain groups
- Women face legal discrimination and some social practices hinder girls and women's agency
- Formal judicial systems fail to protect the vulnerable and social norms perpetuate discriminatory practices
- Imperfect targeting and dispersion of social protection programs

**Political Inclusion:**

- Decentralization yet to ensure public resources flowing to local governments
- Nascent citizen engagement
- Weak de-concentration resulting in limited proximity of government and services to citizens

# Reinforcing Social Contract: Solutions

| Solution area | | Authorizing Environment | Implementation | Time | Complementarities |
|---|---|---|---|---|---|
| National Identity | Consolidate the social cohesion process that has already started by enhancing the national dialogue and focusing on the impact of social inclusion programs | 🔴 | 🟡 | 🟡 | 🟢 |
| | Explore the options for better accommodating linguistic plurality, drawing upon international experience and reinvigorate efforts to effectively implement education reforms, notably the bilingual policy | 🔴 | 🟡 | 🟡 | 🟢 |
| | Improve civil registry processes to ensure recognition of the most vulnerable and facilitate their access to services | 🟡 | 🟡 | 🔴 | 🟢 |
| | Adopt a holistic approach to education that better integrates religious education, that incorporates the needs of those left behind by the education system and that harnesses the educative role of actors outside the formal education system | 🟡 | 🟡 | 🔴 | 🟢 |
| Protecting the Vulnerable | Explore options for positive discrimination in employment, and geographic targeting of public investment, and access to credit | 🟢 | 🟡 | 🟡 | 🟢 |
| | Improve the targeting and consolidation of the Social Protection System | 🟢 | 🟡 | 🟡 | 🟢 |
| | Strengthen the skills and youth agenda: develop a steady job creation plan for young workers; reinforce out of school programs; youth training programs | 🟡 | 🟢 | 🟡 | 🟢 |
| | Improve access to justice amongst the most vulnerable including protection for women, slaves and former slaves and the landless | 🔴 | 🔴 | 🟡 | 🟡 |
| Political Inclusion | Enhance citizen engagement modalities | 🟡 | 🟡 | 🟡 | 🟡 |
| | Deconcentrate government services and resource allocation | 🟡 | 🟡 | 🟡 | 🟡 |

# Conclusions

## Cross-cutting themes

**The analysis of the priority constraints to poverty reduction in Mauritania reveals three recurrent themes that underscore the country's development problematic:**

- **Mauritania's economic space is dominated by a narrow base of private sector actors.** Broadening economic participation and unlocking the potential for private sector-led diversification will require foundational changes to the country's state-driven development model and fresh thinking on unlocking the constraints to governance and competitiveness.

- **Informal social networks and cultural norms pervade every sphere of the country's economic, social and political space and undermine the legitimacy of state institutions.** Across the sectors, the need to strengthen the authority and capacity of state institutions emerges as a priority and reinforces the over-arching importance of building a public administration that is performance-driven, capable and accountable, both at the central and local levels.

- **Mauritania's wealth of natural resources and the richness of its cultural and social diversity are both a blessing and a curse.** The unique combination of social and environmental fragility factors present the single most important challenge to poverty reduction and shared prosperity and will require determined leadership and sustained commitment to chart a new course for the creation of a unified and resilient nation.

The challenges of sustaining and accelerating inclusive growth, improving equity for the bottom forty percent and ensuring the sustainability of the country's development model will therefore require ***a paradigmatic shift towards a more open and resilient economic and social space, supported by capable and modern state institutions***.

# Conclusion

*Reliant on its extractive resource wealth, Mauritania made important inroads into both poverty reduction and economic growth during the mining boom. Yet the end of the commodity super cycle marked a decisive turning point in the Government's quest to end poverty and achieve shared prosperity by 2030. With the dramatic downturn in international commodity prices, the country is now presented with both the opportunity and the challenge of transforming its extractive-driven and state-dominated development model into one that leverages the country's natural wealth endowments, promotes private sector led diversification and job creation and builds equity-enhancing structural foundations for sustained poverty reduction. The viability of such a development model ultimately hinges on the creation of a more inclusive and resilient economic, political and social space, supported by capable and accountable modern state institutions.*

Photo credit: WFP / Justin Smith

WORLD BANK GROUP

# Annexes

WORLD BANK GROUP

# Knowledge gaps

| Focus Area | Recommendations for further analysis |
|---|---|
| **Competitiveness in food import markets** | Further analysis into the factors underscoring the significant distributor margins associated with high domestic prices for imported rice and an investigation into the increase in domestic absorption is needed. To effectively design and target measures aimed at correcting food prices a Comprehensive Competitiveness Assessment of the Food Import Sector is therefore required. |
| **Livestock census** | The dearth of reliable statistical information on national livestock impedes effective policy design. A Livestock Census to assess current livestock ownership dynamics (including ownership among most vulnerable groups, such as women and youth) is therefore required.<br><br>It is recommendable to include in such an assessment the analysis of key value chains and the identification of the main bottlenecks to production and export diversification within Mauritania's agri-food sector, with a view to creating an enabling environment for private sector participation (e.g., food processing, cold value chains, distribution). |
| **Nutrition analysis** | Mauritania's lagging performance on nutrition requires further analysis. In particular, a Spatial and Population Group Analysis of Nutrition would assist in targeting neglected areas or population groups that have thus far escaped government's supervision. |
| **Public Expenditure Review in the WASH sector** | A detailed analysis of the allocation of resources in the WASH sector, together with an assessment of private sector engagement in the sector in both rural and urban areas would help to reinforce the diagnostic behind the limited progress in sanitation and water. |

# Knowledge gaps

| Focus Area | Recommendations for further analysis |
|---|---|
| **Justice sector survey** | Further analysis and data collection into the demand for justice services and the intersection between informal and formal dispute resolution processes in Mauritania would facilitate the targeting of reforms for the protection of the vulnerable. |
| **Distributional analysis of land in the Senegal River Valley** | A detailed analysis of land distribution practices in the Senegal River Valley together with household land surveys would help to further validate the qualitative evidence of distributional distortions in land access and would enable strategic orientations for land reform in the area to be developed. |
| **Public enterprises** | A comprehensive audit of the public investments executed by public enterprises would help to identify options for improving the effectiveness and quality of public investments. |
| **Strategic spatial and urban planning** | Further analysis on the economic growth potential of Mauritanian cities, the absorptive potential of secondary cities and a prospective modeling of specific cities and territorial development (possibly using a Decision-Making Under Uncertainty model) will be needed. |

# Bibliography (1/5)


- Acemoglou, D., Johnson, S., Robinson, J., The Colonial Origins of Comparative Development: An Empirical Investigation, The American Economic Review 91(5):1369-1401, 2001.
- Amo-Adjei, J., Annim, S., Socioeconomic Determinants of Birth Registration in Ghana, *BMC International Health and Human Rights* 15 (2015)
- Banc, E., As Sahel Trafficking Networks Grow, Al Qaeda Rebels Get Stronger in Mali, February 2015.
- Batha, E., Mauritania commits to ending modern-day slavery, Reuters, March 2016.
- Bertelsmann Stiftung's Transformation Index, BTI (2016), Mauritania Country Report
- Boukhars, A., Mauritania's Precarious Stability and Islamist Undercurrent", Washington, DC: Carnegie Endowment for International Peace, February 2016.
- Brunelin, S., Améliorer l'Accès à l'Alimentation Pour les plus Vulnérables, May 2015.
- Brunelin, S., Analysis of Imported Food Price Dynamics in Mauritania, 2016.
- Canadian Security Intelligence Services (2014), "Current Situation and Future of Jihadism in Mauritania", in Political Stability and Security in West and North Africa.
- Carnegie Endowment for International Peace (2012), The Drivers of Insecurity in Mauritania.
- Carnegie Endowment for International Peace (2016), Mauritania's Precarious Stability and Islamist Undercurrent.
- De Haas, Migration and Agricultural Transformations in the Oasis of Morocco and Tunisia, Utrecht: KNAG (2001).
- Economist Intelligence Unit (2015), Country Report on Mauritania.
- European Union (2014), Audit Institutionnel du Secteur de la Santé en Mauritanie, Rapport Final.
- Fraser Institute, Infrastructure Quality Index 2015.
- Freedom House (2015), Mauritania Country Report.
- Global Nutrition Report (2016). From Promise to Action: Ending Malnutrition by 2030.
- Global Slavery Index (2016), Mauritania Country Profile.
- International Finance Corporation (2014); Mauritania – Country Profile, Enterprise Surveys.
- International Monetary Fund (2012), Macroeconomic Policy Frameworks for Resource-Rich Developing Countries.
- International Monetary Fund (2015), Article IV Report on Mauritania.

# Bibliography (2/5)


- International Monetary Fund (2015), Financial Assessment Stability Model.
- Inter Press Service (2011), Mauritania Could Lose Its Capital City to the Sea.
- International Food Policy Research Institute (2015), Mauritania – Nutrition Country Profile
- Kastner, P., Trudel, E., Canada's Progress Shows Indigenous Reconciliation is a Long-Term Process, May 2015.
- Larcombe, G., Emerging Local Employment Opportunities for Young People: Innovative Employment and Learning Pathways, Larcombe, Glebe: Dusseldorp Skills Forum, 2002
- Mauritania (2000), National Urban Development Strategy, 2000-2001.
- Mauritania, Center of Policy Analysis, CMAP (2015), Système de subventionnement en Mauritanie.
- Mauritania, Ministry of National Education (2011), Programme National de Developpement du Secteur Educatif 2011-2020 (PNDSE II), Plan d'Action Triennal (2012-2014).
- Mauritania, Ministry of National Education (2015), Rapport d'État sur le Système Éducatif National (RESEN).
- Mauritania, Ministry of Commerce (2015), Stratégie pour le développement du secteur industriel en Mauritanie : 2015-2019.
- Mauritania, Ministry of Economic Affairs and Development (MAED) (2011), Stratégie nationale de Protection sociale en Mauritanie.
- Mauritania, MAED, (2013 and 2014), Elaboration d'une stratégie de développement du secteur privé, Rapport final de la phase 1 et rapport final de la phase 2.
- Mauritania, MAED (2015), Présentation des Résultats définitifs du Recensement général de la Population et de l'Habitat (RGPH 2013).
- Mauritania, Ministry of Economy and Finance (2016), Stratégie de croissance accélérée et de prospérité partagée (SCAPP), 2016-2030
- Mauritania, MAED and UNDP (2013), National Consultations on the Post-2015 Development Agenda Report.
- Mauritania, MAED and UNDP (2015), Rapport d'évaluation globale du CSLP 2001-2015.
- Mauritania, MAED and UNDP (2015), Rapport d'Evaluation Globale du Cadre Stratégique de Lutte Contre la Pauvreté (CSLP) 2001-2015.
- Mauritania, Ministry of Health (2015), Strategie National du Financement Base sur les Resultats dans le Secteur de la Sante.
- Mauritania, National Statistics Office (2008), Profil de la Pauvreté en Mauritanie.
- Mauritanie pour le Développement, Recherche et Suivi, MDRS (2012), Enquête de Perception de la Corruption en Mauritanie (EPCM).
- Mo Ibrahim Index of African Governance, Country Insights – Mauritania, 2015.

# Bibliography (3/5)


- Okeowo, Alexis, Freedom Fighter: A slaving society and an abolitionist's crusade, The New Yorker, Sept. 8, 2014.
- Ouldzeidoune N, Keating J., Bertrand J., Rice, J., "A Description of Female Genital Mutilation and Force-Feeding Practices in Mauritania: Implications for the Protection of Child Rights and Health". PLoS ONE 8(4).
- Rao, Sumedh (2014), "Conflict Analysis of Mauritania", GSDRC Applied Knowledge Services.
- ReliefWeb (2015), Humanitarian Overview of Mauritania.
- Reporters without Borders (2015), World Press Freedom Index
- Transparency International (2012), Corruption Perception Index.
- United Kingdom Government's Department for International Development, DFID (2014), Conflict analysis of Mauritania
- United States Department of State (2016), Trafficking in Persons Report.
- United States Department of State (2016), Bureau of Counterterrorism and Countering Violent Extremism, Country Report on Terrorism 2015: Mauritania.
- United States Federal News Service, ECA Study Analyses Challenges of Microfinance for the Empowerment of Rural Women in Mauritania, September 2016.
- United Nations Populations Fund (UNFPA), 2016, Rapport de l'Atelier de Formation Sur la Mesure du Dividende Demographiique en Mauritanie, Version Provisoire
- United Nations WOMEN (2010), National Report on Mauritania.
- United Nations Children's Emergency Fund (UNICEF), SMART Surveys.
- UNICEF (2013), Every Child Birth Rights: Inequities and Trends in Birth Registration.
- UNICEF (2016), Data Work on FGM / C
- UNICEF (2016), L'Enseignement Originel en Mauritanie: Contribution de la Mahadra a la Realisation des Droits des Enfants
- UNICEF (2016) State of the World's Children.
- United Nations Committee on the Elimination of Discrimination against Women (2014), Concluding Observations: Mauritania, CEDAW/C/MRT/CO/2-3, July 2014.
- United Nations (2010), Rapport sur les Progrès 2010 vers l'atteinte des objectifs du millénaire pour le développement (OMD) en Mauritanie.
- United Nations, UN ComTrade Database.

# Bibliography (4/5)


- Walk Free Foundation, The Global Slavery Index 2016.
- World Food Program / UNHCR (2015) Joint Assessment Mission, Malian Refugees in Mauritania
- World Food Program (2015), Mauritanie – Enquête de suivi de la sécurité alimentaire (FSMS)
- World Food Program (2015), News release, WFP Chief Sees At First Hand Food And Nutrition Challenges In Mauritania
- World Health Organization (2014), Mauritania – Neonatal and Child Health Profile
- World Bank (2006), Mauritania - Managing Natural Resources: Challenges and Options, Country Economic Memorandum Update.
- World Bank (2008), Mauritania Anti-Corruption Study, Washington DC.
- World Bank (2010), Mauritania – Policy Options to Enhance Private Sector Development, Country Economic Memorandum.
- World Bank (2011), Mauritania – Nutrition at a Glance.
- World Bank (2013), Note d'Evaluation des Filets de Sécurité Alimentaire du Programme Emel.
- World Bank (2013), Mauritania: Local Government Development Project, Project Appraisal Document, Report No. 76053-MR.
- World Bank (2013), Gouvernance des Entreprises Publiques et des Agences Publiques en République Islamique de Mauritanie, Report N°: 78013-MR, 2013
- World Bank (2014), Porter, More Money, More Problems: Extractive Industries in the Sahara.
- World Bank (2014), Antil and Mokhefi, Managing the Sahara Periphery.
- World Bank (2014), Baghdassarian, Mele and Pradelli, Assessing Public Debt Sustainability in Mauritania with a Stochastic Framework.
- World Bank (2014), Cadre d'Analyse de la Gouvernance Foncière en Mauritanie (CAGF).
- World Bank (2014), Building on crisis response to promote long-term development: a review of social safety net programs in the Islamic Republic of Mauritania.
- World Bank (2014), Mauritania Economic Update.
- World Bank (2014), Mele, G., Counting on Natural Wealth for a Sustainable Future.
- World Bank Group (2014), Mauritania: Country Partnership Strategy.
- World Bank (2014), Transformations of Armed Violence in the Sahara.

# Bibliography (5/5)


- World Bank (2015), La transition vers une croissance verte et inclusive en Mauritanie.
- World Bank (2015), Mauritania, The Evolution of the Labor Force and some of its Drivers between 2008 and 2014.
- World Bank (2015), Mauritania, National Climate and Disaster Risk Management Screening Tool Outcomes
- World Bank (2015), Diagnostic Trade Integration Study (DTIS) Update: From short-term rents to sustainable macroeconomic growth and trade-led development.
- World Bank and IMF (2015), Mauritania: Joint WB-IMF Debt Sustainability Assessment.
- World Bank (2015), Women's Access to Land in Mauritania: A Case Study in Preparation for the COP.
- World Bank (2016), Mauritania, Program Document for a Proposed Development Policy Credit for a First Mauritania Fiscal Diversification Reform Development Policy Operation (DPO)
- World Bank (2016), Mauritania, Poverty Dynamics and Social Mobility 2008-2014 (Poverty Assessment).
- World Bank (2016), Mauritania, Public Expenditure Review (PER), Surfing the Wave: Public Spending During the Commodity Super-Cycle and Beyond.
- World Bank (2016), Mauritania, Transforming the Trajectory of Youth Labor Market Dynamics and Growth, Brief Draft.
- World Bank (2016), World Development Report: Digital Dividends
- World Bank (2016), Mauritania: Financing Social Protection and Analyzing the Impact of Subsidies (*Mauritanie: Financer la Protection Sociale et Analyser l'Impact des Subventions*).
- World Bank, World Development Indicators (WDI).
- World Bank, Worldwide Governance Indicators (WGI).
- World Economic Forum (2016), Global Competitiveness Report 2015-2016
- World Health Organization (2008), Eliminating female genital mutilation: an interagency statement UNAIDS, UNDP, UNECA, UNESCO, UNFPA, UNHCHR, UNHCR, UNICEF, UNIFEM.

# Acronyms (1/3)

| | |
|---|---|
| CPIA | Country Policy and Institutional Assessment |
| DTIS | Diagnostic Trade Integration Study |
| DTP | Diphtheria, pertussis, polio |
| EMEL | Emergency food program (*Programme alimentaire*) |
| EPCV | Survey of Household Living Conditions (*Enquête Permanente sur les Conditions de Vie des ménages*) |
| EU | European Union |
| EEZ | Exclusive Economic Zone |
| ENER | National Agency for Roads Maintenance *(Etablissement National pour l'Entretien Routier)* |
| FDI | Foreign Direct Investment |
| FGM | Female Genital Mutilation |
| FITI | Fisheries Transparency Initiative |
| FNRH | National Oil Fund *(Fonds National des Revenues des Hydrocarbonés)* |
| GAM | Global Acute Malnutrition |
| GDP | Gross Domestic Products |
| GoM | Government of Mauritania |
| HDI | Human Development Index |
| HOI | Human Opportunity Index |
| ICOR | Incremental Capital-Output Ratio |



WORLD BANK GROUP

# Acronyms (2/3)

| | |
|---|---|
| IFPRI | International Food Policy Research Institute |
| IMF | International Monetary Fund |
| LE | Life expectancy |
| LMIC | Lower-Middle Income Country |
| MDG | Millennium Development Goals |
| MENA | Middle East and Northern Africa |
| MICS | Multiple Indicator Cluster Survey |
| MPI | Multidimensional Poverty Index |
| MRO | Mauritanian Ouguyia |
| NGO | Non-Governmental Organization |
| ONS | National Office of Statistics *(Office National de la Statistique)* |
| PEFA | Public Expenditure and Financial Accountability Framework |
| PER | Public Expenditure Review |
| PIP | Public Investment Program |
| PNIDDLE | National Integrated Program to Support Decentralization, Local Development and Youth Employment *(Programme National Intégré d'appui à la Décentralisation, au Développement Local et à l'Emploi des Jeunes)* |
| PPP | Purchasing Power Parity |
| PPP (2) | Public-Private Partnership |



WORLD BANK GROUP

# Acronyms (3/3)

| | |
|---|---|
| RER | Real Exchange Rate |
| SCAPP | Accelerated Growth and Shared Prosperity Strategy *(Stratégie de Croissance Accélérée et de Prospérité Partagée)* |
| SCD | Systematic Country Diagnostic |
| SMCP | Authority for commercialization of fisheries products *(Société Mauritanien de Commercialisation des Poissons)* |
| SNIM | National Industrial and Mining Company *(Société Nationale Industrielle et Minière)* |
| SME | Small and Medium Enterprise |
| SMPHM | National hydrocarbon and mining resource company *(Société Mauritanienne des Hydrocarbures et de Patrimoine Minier)* |
| SOE | State-owned Enterprises |
| SOMELEC | State Electricity Company |
| SONIMEX | Mauritanian Company of Import and Export *(Société Nationale d'Importation et d'Exportation)* |
| SSA | Sub-Saharan Africa |
| TDR | Total Dependency Ratio |
| TFL | Total Fertility Rate |
| UNICEF | United Nations Children's Emergency Fund |
| WASH | Water, Sanitation, Hygiene |
| WEF | World Economic Forum |
| WFP | World Food Program |
| WGI | Worldwide Governance Indicators |
| WHO | World Health Organization |