



# Combined Project Information Documents / Integrated Safeguards Datasheet (PID/ISDS)

Appraisal Stage | Date Prepared/Updated: 23-Mar-2019 | Report No: PIDISDSA25266



**BASIC INFORMATION**

**A. Basic Project Data**

|   |  |   |   |
|---|--|---|---|
| Country<br>Mauritania   | Project ID<br>P163645                                | Project Name<br>Nouadhibou Eco-Seafood Cluster Project AF | Parent Project ID (if any)<br>P151058   |
| Parent Project Name<br>Nouadhibou Eco-Seafood Cluster Project   | Region<br>AFRICA                                     | Estimated Appraisal Date<br>22-Mar-2019                   | Estimated Board Date<br>14-May-2019   |
| Practice Area (Lead)<br>Finance, Competitiveness and Innovation | Financing Instrument<br>Investment Project Financing | Borrower(s)<br>Ministry of Economy and Finance            | Implementing Agency<br>Nouadhibou Free Zone Authority, NESC - Project Coordination Unit |

Proposed Development Objective(s) Parent

The objective of the proposed project is to support the development of a seafood cluster in Nouadhibou that promotes sustainable management of fisheries and generates value for the communities.

Proposed Development Objective(s) Additional Financing

The objective of the proposed project is to support the development of a seafood cluster that promotes sustainable management of fisheries and creates value for communities in Nouadhibou and improve the business environment to boost private sector development in Mauritania.

Components

- Developing a sustainable seafood cluster in Nouadhibou
- Increasing the value of seafood products produced and marketed in the seafood cluster with the participation of local actors
- Strengthening the enabling environment for private sector development
- Project management

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

**SUMMARY**

|                           |      |
|---------------------------|------|
| <b>Total Project Cost</b> | 9.50 |
| <b>Total Financing</b>    | 9.50 |
| <b>of which IBRD/IDA</b>  | 8.00 |
| <b>Financing Gap</b>      | 0.00 |



DETAILS

World Bank Group Financing

|   |      |
|---|------|
| International Development Association (IDA) | 8.00 |
| IDA Grant                                   | 8.00 |

Non-World Bank Group Financing

|                     |      |
|---------------------|------|
| Counterpart Funding | 1.50 |
| Borrower/Recipient  | 1.50 |

Environmental Assessment Category

B-Partial Assessment

Decision

The review did authorize the team to appraise and negotiate

B. Introduction and Context

Country Context

1. Mauritania is a large,<sup>1</sup> sparsely-populated, arid and resource-rich country with a per capita GDP of US\$ 1,136 (2017), straddling North Africa and sub-Saharan Africa both geographically and culturally.<sup>2</sup> Just 0.5 percent of Mauritanian land is arable, and with a population of 4 million people,<sup>3</sup> the country’s density of 3.9 inhabitants per km<sup>2</sup> makes it the fourth-least densely populated country in Africa. Driven by a thriving extractive sector and high international commodity prices, Mauritania achieved lower-middle-income status in 2014.

2. In the aftermath of the commodity price shock, economic activity finally rebounded in 2017, driven by improved private consumption and a gradual recovery of iron ore and copper prices. GDP growth stood at 3.5 percent in 2017, up from 2.0 percent in 2016 and 1.4 percent in 2015. Nonetheless, recovery remains fragile given liquidity constraints, the lack of effective monetary policy and slow fiscal consolidation. The fiscal deficit fell from 3.4 percent of GDP in 2015 to 0.5 percent in 2016, as a result of fiscal restraint, reduced public investment, revenue measures which raised VAT,

<sup>1</sup> Just over 1 million km<sup>2</sup>

<sup>2</sup> WBG Country Partnership Framework for the Islamic Republic of Mauritania for the period FY18-FY23 (2018).

<sup>3</sup> The 2013 census (*Recensement Général de la Population et de l’Habitat*, RGPH 2013) counted 3.54 million people living in Mauritania. Per official projections (*Projections démographiques*, National Statistics Office, 2016), the Mauritanian population will reach 3.98 million in 2018 and 4.17 million in 2020. In 2020, the urban population will outnumber its rural counterpart (total urban population will be 52.8 percent in 2020 compared to 48.3 percent in 2013).



customs and fishing-license fees, as well as improved tax administration. As fiscal consolidation continues, and commodity prices recuperate, external pressures have eased recently. In a new context of low international commodity prices, Mauritania is now presented with both the opportunity and challenge of transforming its extractive-driven and state-dominated development model into one that leverages the country's natural endowments – mining and gas, but also fisheries and agro-pastoral resources – and promotes private sector-led diversification and sustainable job creation.

**3. Progress has also been made with respect to inequality, vulnerability, poverty reduction and non-monetary measures of wellbeing.** Mauritania's performance on poverty elasticity to GDP growth was the fourth-best in Africa in 2016 after South Africa, Madagascar, and Botswana. The poverty rate, meanwhile, fell from 44.5 percent to 33 percent<sup>4</sup> between 2008 and 2014, and the rate of extreme poverty halved (from 10.8 percent to 5.6 percent), based on the poverty line of US\$ 1.90. Inequality, as measured by the Gini Index, also declined from 35.7 in 2008 to 32.6 in 2014. This strong decline in poverty has been primarily driven by the income/consumption growth of the bottom 40 percent of the population in rural areas, who benefited from price increases for primary goods.

**4. Despite progress in poverty reduction and inequality, unemployment and labor force participation remain major challenges, particularly among youth, with a national unemployment rate of 10 percent that rises to as high as 17 percent in urban areas.** The gender gap in employment is particularly severe, with men holding three out of four jobs, despite women representing 55 percent of the working-age population. The 2014 female labor force participation rate of 22 percent (down from 28 percent in 2008) is also well below the sub-Saharan African (SSA) average of 64 percent.

#### Sectoral and Institutional Context

**5. Fisheries has substantial macroeconomic significance for Mauritania, representing approximately 6 percent of GDP<sup>5</sup> and contributing to wealth and job creation, public revenue, foreign exchange availability, the trade balance and food security.** Recent studies by Mauritanian Institute of Oceanographic and Fisheries Research (IMROP) estimate fisheries' contribution to national GDP at 6 percent - an evaluation based solely on captures and therefore excluding indirect economic effects derived from post-harvest activities. Public revenue from fisheries stands at nearly US\$ 200 million, based primarily on fishery agreements with the EU, Russia and Senegal, among others. The commercial balance of fish is heavily focused on exports. Between 2008 and 2011, fish exports represented between 20 and 28 percent of total exports (US\$ 438.5 million), contributing significantly to Mauritania's foreign exchange supply. The sector employs over 55,000 people (representing roughly 3 percent of the active population), with 30 percent of this employment being indirect. Women occupy roughly 30 percent<sup>6</sup> of this indirect activity – numbering around 4,600 total across the country.

**6. Mauritania has one of the most productive fishing waters in the world, with an estimated annual total catch potential of between 1.5 and 1.8 million tons, valued at US\$ 1.4 billion.<sup>7</sup>** The country also has an Exclusive Economic Zone (EEZ) of 200 nautical miles - a surface area of 234,000 km,<sup>2</sup> a sixth of which (39,000 km<sup>2</sup>) is located along a large continental plateau. This EEZ is known for the abundance, diversity and commercial significance of its fisheries resources. These rich resources are the result of highly favorable hydro-climatic conditions and, in particular, the region's permanent upwelling. 600 distinct species have been identified in Mauritanian waters, 200 of which can be commercially exploited.

<sup>4</sup> Based on the national poverty line of MRO 177,200.

<sup>5</sup> Ministry of Fisheries and Marine Economy, Strategie Nationale de Gestion Responsable pour un Développement Durable des Pêches et de l'Economie Maritime 2015-2019, 2015, Nouakchott, Mauritania.

<sup>6</sup> World Bank, Developing Women's Engagement in Fisheries in the Nouadhibou Free Zone: Entrepreneurship and the Path to Economic Development, 2018, Nouakchott, Mauritania.

<sup>7</sup> Ministry of Fisheries and Marine Economy, Rapport Final sur le Cadre d'Investissement pour le Développement Durable des Pêches en Mauritanie 2015-2020, 2015, Nouakchott, Mauritania.



Taking into consideration the variability of oceanographic conditions and the strong marine current emanating from the Canary Islands, recent estimates place the total catch potential at between 1.5 and 1.8 million tons per year, including shellfish (300,000 tons), which is currently not being exploited.

**7. Established in 2013, the Nouadhibou Free Zone is Mauritania's main fisheries center, accounting for 80 percent of the value of all fish caught nationwide.** Managed by the Nouadhibou Free Zone Authority (ANZF), this Special Economic Zone (SEZ) is designed to encourage job creation, promote greater business activity and promote innovation and competitiveness in the local fisheries sector. In addition to its natural deep seaport, which facilitates landing for fishing boats, Nouadhibou is ideally located for external trade.

**8. Mauritania has failed to reap the full economic and employment benefits associated with its exceptional fish resources, susceptible to overexploitation and climate change threats.** According to recent estimates, between 300,000 and 400,000 tons of fish are currently landed in Mauritania, which represents just 20 percent of total catches under the country's jurisdiction, thereby limiting local employment opportunities onshore. This is primarily due to the limited available landing infrastructure. Most landed fish are small pelagic, which represent 91 percent of all catches in Mauritania, followed by demersal and cephalopods. Surprisingly, however, demersal and cephalopods contribute almost 40 percent of total revenues in the sector despite representing just 9 percent of total catches. Over the past decade, there has been a significant increase in total captures of small pelagic due to the expansion of fishmeal factories, with recent data suggesting almost 100,000 tons in 2017. In Nouadhibou alone, the number of fishmeal factories has increased by 51 percent since 2008, with 31 factories currently in operation.

**9. The Artisanal and Coastal Fisheries (PAC) sector, which is characterized by a low level of professionalization and high informality, has significantly expanded over the past few years.** Industrial fisheries continue to dominate the sector, nevertheless PAC has undergone strong progress in recent years - from 5 percent of total Mauritanian catches in 2006 to 16 percent in 2011 (an increase of 432 percent). This is especially true for Nouadhibou, where 49 percent of the country's artisanal fisheries activity is concentrated. Due to inadequate incentives, coupled with a lack of adequate landing infrastructure and access to services, the artisanal fisheries sector remains unprofitable, with over 90 percent of activity focused on octopus - a resource that has been overexploited for the last 30 years. The coastal fisheries sector has significantly increased over these last few years including around 374 vessels targeting small pelagic - a resource that is also overexploited with some species on the verge of extinction. PAC's need for infrastructure development has been highlighted in both the National Sector Strategy 2008-2012 and the PAC Management Plan. The sector's financial challenges must therefore be addressed, first of all by integrating resource management needs.

**10. In relation to Mauritania's private sector development, the country's traditional state-driven model has not sufficiently encouraged private investment, limiting competition and crowding out new entrants.** Mauritania's private sector is concentrated around a limited number of large groups which dominate the trade, banking and government procurement markets with an absence of a strong and formal "middle class" of MSMEs. New and independent firms face challenges competing with these larger conglomerates that often have their own banks or state-owned enterprises. This has discouraged local suppliers and international investors, as well as penalizing the poor and vulnerable by increasing the price of basic commodities while limiting job and livelihood opportunities.

**11. Thanks to recent efforts by the Government of Mauritania (GoMR) to improve the business environment and open up private investment opportunities, the private sector's participation in the economy has started to increase.** Mauritania has emerged as a major reformer in investment climate policy in the last few years, climbing an impressive 20 places in the World Bank Doing Business rankings in just two years – from 168<sup>th</sup> in 2016 to 148<sup>th</sup> in 2019. In addition to the important business reforms it has undertaken, the GoMR has started to engage the private sector through public



private partnership (PPP) arrangements, thereby closing the gap in investment capital, technology and know-how that are necessary to improving the efficiency and delivery of public services. Overall, private sector investment growth - critical to growth, poverty reduction, income generation and employment opportunities - has been slow but steady in recent years. Private investment has slowly increased since 2014, representing around 47.5 percent of GDP in 2017.<sup>8</sup> Mauritania's foreign direct investment (FDI) has also been gradually increasing (from 5.7 to 9.2 percent of GDP between 2016 and 2017), benefiting from recent investments in the telecommunications, mining and oil (exploration) sectors. Nevertheless, FDI remains relatively low and is primarily driven by extractive industries, compared to regional neighbors.

**12. A transition towards a strong and diversified private sector-led growth will be critical to poverty reduction, income generation and employment opportunities.** Building on recent macroeconomic achievements, Mauritania has the potential to increase private sector growth and transform the country's current extractive-driven model for economic development. Nonetheless, overcoming constraints to private sector development will require the GoMR to address the investment climate, economic diversification in high-growth value chains such as fisheries and support needed to generate MSME growth, among others.

### C. Proposed Development Objective(s)

#### Original PDO

The objective of the proposed project is to support the development of a seafood cluster in Nouadhibou that promotes sustainable management of fisheries and generates value for the communities.

#### Current PDO

The suggested revised version of the PDO would be as follows: "support the development of a seafood cluster that promotes the sustainable management of fisheries and creates value for communities in Nouadhibou *and improve the business environment to boost private sector development in Mauritania.*"

### D. Project Description

The proposed AF will support the development objectives of the original project, however the PDO, activities and intermediate indicators are being adjusted to reflect results outside of the fisheries sector, especially to account for PPP and investment climate activities that are not strictly related to the development of Nouadhibou's eco-seafood cluster. This AF will also include a Level One Restructuring with changes captured in subsequent sub-sections. With these agreed changes and additions, the counterparts and the Bank task team are confident that the new PDO can be achieved within the new timeframe.

**13. Component 1: Developing a Sustainable Seafood Cluster in Nouadhibou.** Some activities initiated under this component, including the recruitment of an agency to produce a marketing video and the development of a website for the Nouadhibou Eco-Seafood Cluster, will be dropped, as these have already been covered by the communications agency hired for a parallel activity. In addition, remaining activities to improve the investment climate and operationalize recently-adopted nationwide PPP framework will be shifted to the new component 3. Finally, the proposed additional grant and restructuring will enable the project to finance additional requests from ANZF needed for the implementation

<sup>8</sup> World Bank, WDI. 2018.



of the Eco-Seafood Cluster Strategy. New activities include: under Component 1.1<sup>9</sup> (i) technical assistance to ANFZ to support the operationalization of the PPP law in the Free Zone; (ii) construction of an Eco-Seafood Cluster governance unit building; and under Component 1.2<sup>10</sup> (iii) further supporting the Free Zone's investment promotion strategy; (iv) ensuring the adoption of better environmental, social and governance practices at ANZF through the hiring of experts in fisheries and other relevant issues.

**14. Component 2: Increasing the Value of Seafood Products Produced and Marketed in the Seafood Cluster with the Participation of Local Actors.** The proposed restructuring would also involve changes to activities under Component 2.

*Sub-component 2.1: Improving the handling of landed catch and promoting the export of fresh fish at the Nouadhibou Seafood Cluster*

**15.** Existing activities under sub-component 2.1 will be adjusted. For example, activities related to the development of operating plans for PAN and EPBR, as well as TA to the Nouadhibou airport, will be dropped, since these have already been covered in the Eco-Seafood Cluster Strategy published in 2017. Dropping these activities will serve to fund cost overruns incurred during the preparation, consultations and design of the Eco-Seafood Cluster Strategy. In addition, following-up on recommendations from the Eco-Seafood Cluster Strategy, this sub-component will finance key priority infrastructure to enhance landing logistics, improve resource management and increase production value in the artisanal fisheries sector.

**16.** Infrastructure investments include a pumping station at the EPBR and PAN (two in total)<sup>11</sup> and a fish hall for cephalopods at the EPBR. The pumping stations will allow for (a) better traceability of the pelagic resources, ensuring compliance with fishing quotas, (b) improved product quality, supporting divestment from fishmeal and promotion of human consumption, and (c) a new revenue source for EPBR, supporting the improvement of its current financial distress. The fish hall, meanwhile, will support the development of the cephalopods and crustaceans sector, which represent one of the most relevant and high-valued growth opportunities for the artisanal segment, given that most species (cuttlefish, squid, shrimp, lobster and shellfish) are currently underexploited or non-exploited and have greater export potential in highly profitable markets (e.g. South Korea, EU).

*Sub-component 2.2: Building local suppliers' and vulnerable groups' capacity to capture greater benefits from productive and inclusive seafood value chains*

**17.** This sub-component will follow-up on key findings from the report "Developing Women's Engagement in Fisheries in the Nouadhibou Free Zone: Entrepreneurship and the Path to Economic Development" published in 2018 and financed by CIIP, by providing organizational support and improving access to markets for women operating in the artisanal fisheries sector and other small-scale activities in Nouadhibou. Proposed interventions under the Additional Financing include: (i) providing marketing and organizational support to local women's cooperatives operating in Nouadhibou (including training in socio-emotional skills); (ii) promoting the organizing of women's fisheries activities into larger

<sup>9</sup> Component 1.1 as stated in parent project: *promoting PPD in order to develop a vision of a sustainable seafood cluster in Nouadhibou and accelerate nationwide reforms of structures impeding its development.*

<sup>10</sup> Component 1.2 as stated in parent project: *generating responsible investments in Nouadhibou Seafood Cluster.*

<sup>11</sup> Works will be confirmed at appraisal, based on the WB natural resource management team's concern regarding the small pelagic resource, especially sardinella stocks, raised during Quality Enhancement Review meeting in September 2018. If infrastructure investment in small pelagic is confirmed, this will be accompanied by policy dialogue through the WARFP project regarding the achievement of sustainable harvest levels for this resource.



cooperatives or unions of cooperatives; (iii) supporting productive alliances with larger players, who can act as intermediaries and help accelerate small producers; (iv) sponsoring study trips to countries in the sub-region to promote new export markets for women; (v) supporting the certification of artisanal salt (produced by local women actors) by ONISPA; and vi) supporting an awareness campaign to promote the local consumption of products made by women.

**18.** Further to the modification and addition of activities proposed for components 1 and 2, the proposed AF would also include the following two additional components:

**19.** Component 3: Strengthening the Enabling Environment for Private Sector Development. A new project component will be introduced to integrate ongoing and additional activities aimed at addressing core constraints to the business environment and developing a strong PPP program in Mauritania. Component 3 will thus consist of two subcomponents that together would scale up two nationwide agendas that have been successfully supported and piloted through the Project: sub-component 3.1 – Improving the Investment Climate; and sub-component 3.2 - Supporting the Operationalization of the Government’s PPP agenda.

*Sub-component 3.1: Improving the Investment Climate*

**20.** Building on the strong support provided to investment climate reforms since the Project’s inception, the AF would continue to provide technical assistance and financial support aimed at addressing core constraints to the business environment in Mauritania. These will include: (a) investment in key physical infrastructure such as the upgrading and digitization of central and local Business and Collateral Registries in Nouakchott and Nouadhibou and the renovation of a building in Nouakchott to host the Commercial Tribunal, including the Business and Collateral Registry; and (b) provide TA and training to the upcoming public-private technical committee for monitoring and implementation investment climate reforms. This sub-component would build on ongoing complementary efforts of IFC’s Advisory Service Investment Climate and Entrepreneurship project (# 601022) and Mauritania First Competition and Skills DPO (P167348).

*Sub-component 3.2 Supporting the Operationalization of the Government’s PPP agenda*

**21.** In recent years, the PPP agenda has experienced renewed interest from the Mauritanian Government, which is mirrored by the Project. The AF would continue to provide technical assistance to the Government of Mauritania to developing a strong PPP program. This assistance will primarily be provided through the following three major activities: a) financial support for the PPP Unit’s operations, including recruitment of PPP Unit local consultants and one international expert for a maximum of two years of operations to ensure effective implementation, development of their strategies and action plans, as well as the identification of viable projects; b) technical and financial assistance for investment promotion and communication initiatives supporting dialogue between public and private stakeholders; and c) finance further feasibility assessment and facilitation of the execution of two or three pilot PPP projects based on existing PPP pipeline projects. The AF would not fund PPPs directly. A report by Mott MacDonald dated April 2017, prepared under the Bank-executed, PPIAF-funded PPP capability-building advisory project, identified 11 potentially-viable candidate PPP projects in sectors including water, roads, cold storage, ports, and waste management. A waste water treatment plant in Nouadhibou and a solid waste management project in Nouakchott are currently the most promising candidates. Specific PPP projects to be supported through the AF will be selected at appraisal stage. The project will also coordinate these activities with relevant programs of other donors. For example, AFD is assisting in the development of small-scale power generation projects, potentially as PPPs.



**22.** Component 4: Project Management. Activities under this component would include support to procurement, financial management (FM), safeguards management, monitoring and evaluation through the Project Implementation Unit (PIU), as well as offering a platform for collaboration and cooperation among relevant government agencies. Given the scope of new activities proposed at the national level, it has been deemed necessary to create a separate component for project management to oversee implementation and handle financial and administrative management, as well as collaborate and coordinate with other relevant entities involved in the project for the successful implementation of the project. Annex 3 provides details on how these components and activities were selected and how all proposed activities contribute to the implementation of an Eco-Seafood Cluster Strategy in Nouadhibou and the private sector development agenda moving forward.

#### *Changes in Closing Date*

**23.** The proposed AF and restructuring would extend the closing date of the parent Project by 12 months from November 1, 2020 to November 1, 2021. The financing agreement of the Project would be amended accordingly. This extension would allow for the completion of additional activities under the above-mentioned components, including the rehabilitation of the commercial justice building and works proposed at the EPBR and PAN.

#### *Changes in Results Framework*

**24.** The Results Framework will be adjusted to reflect these changes and the impact of project activities under the proposed components. A new PDO indicator (transactions requests increased from enhanced collateral and business registries) and three intermediate result indicators (business and collateral registries computerized, sustainable management regulations adopted, and landing infrastructure facilities for improved traceability of fish products built) have been added to capture the results of activities financed by Component 3 on private sector development and new works and TA financed under Component 1 and 2. The rest of the PDO and intermediary indicators have been reviewed and updated to fit with proposed project components, have more appropriate targets and match the new project end-date. See Section VIII for details on proposed changes to the Results Framework and Annex 7 for the AF theory of Change.

#### *Revised Financing Plan*

**25.** The proposed restructuring would involve a reallocation of funds under the original Project to reflect those activities that have already been completed and discrepancy between planned expenditure versus actual expenditure. The AF would also be an opportunity to reallocate counterpart funding to finance or co-finance specific activities, which were not specified in the original Project.

**26.** The proposed AF would have a total cost of US\$ 9.5 million and would be financed via two sources: (a) an IPF in the form of an IDA grant<sup>12</sup> amounting to US\$ 8 million equivalent and (b) counterpart financing by the Government amounting to US \$1.50 million. The accompanying revised Procurement Plan can be found in Annex 5. The indicative financing plan by component is detailed in Annex 4, Tables 1 and 2.

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<sup>12</sup> Mauritania is IDA grant eligible since it is an IDA country that is at high risk of debt distress, according to the latest joint IMG-WBG DSA (debt sustainability analysis).



## E. Implementation

### Institutional and Implementation Arrangements

**27.** The proposed additional grant will be implemented using the institutional framework and disbursement arrangements in place under the parent Project, all of which are working well and have the capacity to absorb additional funds. The preparation and implementation will be provided by the Project Implementation Unit (PIU) of the Project anchored in the Free Zone Authority of Nouadhibou.

**28.** Procurement. The Additional Financing will be subject to the New Procurement Policy. The PIU should therefore prepare the Procurement Strategy for this funding (PPSD). Support by the Bank team should be provided to assist the project in developing this Strategy prior to negotiations along with the project's procurement plan for the first 18 months.

**29.** An evaluation of the procurement capacity has been conducted. From this evaluation, it appears that the team in charge of the procurement can execute the awarding of contracts provided for under the additional financing. The PIU has a manual of procedures that lays out procurement procedures. This manual should be updated to consider the new institutional framework resulting from the recent reform of public procurement and new institutional arrangements. In accordance with the Client's regulations, the procurement structures will be:

- Free Zone Procurement Commission, which will be in charge of execution of procurement procedures, whose estimate is greater than or equal to MRU 1.5 million (approximately US\$ 42,000);
- Internal Procurement Commission (CIMAC) for procurement estimated to be less than MRU 1.5 million (approximately US\$ 42,000).

**30.** The updated procedure manual should define the composition and modalities of meetings and decision-making of the internal procurement commission.

**31.** Financial Management. The Nouadhibou Free Zone Authority, NESAC - Project Coordination Unit will be in charge of the overall FM of the Project' AF. However, regarding ministry of finance (MEF)'S day to day FM activities in Nouakchott' the NESAC will need to rely on an accountant under Project's responsibility. The financial management arrangements for the additional financing will be based on the existing arrangements in place under the ongoing project. The interim un-audited financial reports for the on-going project have been submitted on time with acceptable quality; the financial management system operates satisfactorily, and auditors have issued an unqualified opinion on the 2017 financial statements. The overall FM performance of the original project was rated as Moderately Satisfactory further to the FM review undertaken on January 2019 and the FM risk became Moderate. However, the assessment has revealed financial management issues related to (i) lack of internal auditor, (ii) lack of budget monitoring variance analysis and recommendations; (iii) lack of implementation of external auditor' recommendations; (iv) lack of qualified FM staff in place at Nouakchott for MEF' activities; (v) lack of updated FM manual that take into account new activities s specificities.

**32.** As a result of above-mentioned financial management issues, the following mitigation measures should be taken:

- (i) Implementation of external audit recommendations and regular budget monitoring variance analysis and recommendations four months after effectiveness;
- (ii) Before first disbursement for MEF activities:
  - Update the financial management manual, and clearly define roles and responsibilities;
  - Recruit an accountant with experience and qualification satisfactory to the bank;
  - Finalize the recruitment of full-time internal auditor with experience and qualification satisfactory to the bank.



**33.** The conclusion of the FM assessment is that the financial management arrangements meet the Bank’s minimum requirements under OP/BP 10.00. However, mitigation measures listed above should be implemented. The residual FM risk rating for NESG will be Moderate after implementation of these measures. See Annex 8 for financial and auditing arrangements details.

**F. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)**

City of Nouakchott: an empty lot in the Ksar neighborhood will be the site of the commercial justice building. City of Nouadhibou: all proposed activities will be implemented on the sites of (1) the artisanal port (PAN) and (2) the commercial port (EPBR).

**G. Environmental and Social Safeguards Specialists on the Team**

Melissa C. Landesz, Environmental Specialist  
Mamadou Moustapha Ndoye, Social Specialist

**SAFEGUARD POLICIES THAT MIGHT APPLY**

| Safeguard Policies   | Triggered? | Explanation (Optional) |
|--|------------|------------------------|
| Environmental Assessment OP/BP 4.01                            | Yes        |                        |
| Performance Standards for Private Sector Activities OP/BP 4.03 | No         |                        |
| Natural Habitats OP/BP 4.04                                    | No         |                        |
| Forests OP/BP 4.36   | No         |                        |
| Pest Management OP 4.09  | No         |                        |
| Physical Cultural Resources OP/BP 4.11                         | Yes        |                        |
| Indigenous Peoples OP/BP 4.10                                  | No         |                        |
| Involuntary Resettlement OP/BP 4.12                            | No         |                        |
| Safety of Dams OP/BP 4.37                                      | No         |                        |
| Projects on International Waterways OP/BP 7.50                 | No         |                        |



Projects in Disputed Areas OP/BP 7.60 No

## KEY SAFEGUARD POLICY ISSUES AND THEIR MANAGEMENT

### A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:

The project's EA category remains B (Partial assessment). The physical activities covered under this Additional Financing (AF) are similar to the ones implemented under the original project and do not trigger any other safeguard policy than the two policies OP/BP 4.01 Environmental Assessment and OP/BP 4.11 Physical Cultural Resources triggered by the original project.

There are no significant or irreversible adverse environmental impacts expected from the implementation of the activities to be financed under the proposed AF. Most of the potentially adverse environmental and social impacts associated with these investments are small in scale and site specific, typical of a Category B project, and therefore either avoidable or easily manageable in terms of mitigation.

The renovation of the commercial justice building in Nouakchott will have positive and limited foreseen negative social and environmental impacts. The negative impacts identified in the ESIA include potential sites degradation due to collection of raw material (sand, cement), degradation of air quality due to dust, soil pollution due to wastes, noise pollution and risk to workers health and safety.

Similarly, the construction of the two pumping stations, fish hall and governance building in Nouadhibou will have positive and negative social and environmental impacts. On the positive impact, the implementation of the project will result in a clear improvement in the quality of the landed fish as well as the conditions for the marketing of fresh fish destined for export to Nouadhibou. The most significant positive impact during the work phase is job creation for locals. However, the project will generate negative impacts, the most significant of which are: (i) in the phase of installation of the construction site and works: pollution and congestion by waste from the sites and excavated debris, risks of occupational accidents during the work, risks of instability and erosion; pollution and noise nuisance; (ii) in the operational phase: the negative impacts relate to the increased use of water resources for the maintenance of the fish hall, the risk of accidents for operating personnel; the risks of fire and explosion; high energy consumption.

The ESIA/ESMPs for both sites include satisfactory mitigation measures that will help avoid or greatly reduce the identified negative impacts. In alignment with the EA Category B, no large scale, significant and/or irreversible impacts have been identified.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:  
No further potential indirect or long-term impacts due to anticipated future activities in the project area are foreseen.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.

N/A



4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.

As the exact physical locations of future investments are known, the Borrower prepared 2 ESIA's, one for the activities in the artisanal port in Nouadhibou and the other for the building construction in Nouakchott. The ESIA's were consulted on and validated in-country, validated by the Bank and publicly disclosed on March 7, 2019 in-country and on March 17, 2019 at the World Bank.

Activities to plan and implement mitigation measures are described below:

a) Renovation commercial building in Nouakchott: an Environmental and Social Management Plan (ESMP) plan is included in the ESIA and will be implemented through all phases of bidding, construction and operation. The ESMP includes a plan for environmental and social monitoring as well as plans for institutional capacity building and for communication. The ESMP The total cost of implementation of the ESMP is 53 000 USD.

b) Fish hall, pumping stations and governance building in Noaudhibou: an ESMP is included in the ESIA and will be implemented through all phases of bidding, construction and operation. The ESMP includes a plan for environmental and social monitoring as well as plans for institutional capacity building and for communication. Total cost of the plan is 78 000 USD.

The borrower has reinforced its safeguards team recently. The PIU already had a safeguards specialist who had a strong focus on environmental safeguards. The PIU has now hired a second safeguards specialist who will focus on social safeguards and gender issues. Both specialists will continue to benefit from guidance from the WB safeguards team and from trainings on Bank policies.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

A GRM has been set up. The GRM consolidates the framework of consultation already established in the Free Zone and which is not sufficiently used.

Consultations with various actors were organized between September 6 to 11 2018. Stakeholders fell in three broad categories: technical, environmental and social. These included representatives of the relevant line ministries, representatives of the Free Zone, NGOs, as well as representatives of project affected people working or involved in the local fishing industry. Stakeholders' comments and recommendations were recorded and taken into consideration in the Environmental and Social Management Plans (ESMP) for the project. Consultations were based on a participatory approach. The method used is based on semi-structured interviews which, on the basis of maintenance guide, has allowed to collect the viewpoints of the different actors involved in the implementation of the project.

A workshop for sharing and reporting the conclusions of the environmental and social study report (ESIA) was held in Nouadhibou with the various stakeholders: technical services, local authorities, representatives of fishermen's organizations, fish traders etc. It allowed to return to the relevance and the desirability of such a project but also to the importance of involving all the actors in the preparation of such a project. The main key recommendations that emerged from this study focus on: integrating the project with other initiatives in the project area including EPBR and PAN; the consideration of environmental issues, especially the management of liquid effluents during the operation of structures (pumping stations, tide hall); the availability of clean water for the fish pumping process; the recruitment of local labor; reforestation around the project sites by creating green spaces.



The project is preparing a participatory communication plan and will finalize a framework of citizen engagement of the stakeholders throughout the preparation phase, construction, but also implementation of the project. The objective is to encourage a participative approach to capitalize by the actors at the end of the project.

**B. Disclosure Requirements (N.B. The sections below appear only if corresponding safeguard policy is triggered)**

**Environmental Assessment/Audit/Management Plan/Other**

|                             |                                   |  |
|-----------------------------|-----------------------------------|--|
| Date of receipt by the Bank | Date of submission for disclosure | For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors |
|-----------------------------|-----------------------------------|--|

**"In country" Disclosure**

The review of this Safeguards has been Deferred.

Comments

**C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting) (N.B. The sections below appear only if corresponding safeguard policy is triggered)**

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**APPROVAL**

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**Approved By**

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