

**PROJECT INFORMATION DOCUMENT (PID)  
CONCEPT STAGE**

Report No.: AB6417

<b>Project Name</b>	Second Additional Financing to Second Mining Sector Capacity Building Project
<b>Region</b>	AFRICA
<b>Sector</b>	Mining and other extractive (100%)
<b>Project ID</b>	P124859
<b>Borrower(s)</b>	GOVERNMENT OF MAURITANIA
<b>Implementing Agency</b>	Unite de Coordination du PRISM Ministere de l'Industrie et des Mines Mauritania Tel: 222 4525 6861 Fax: 222 4525 6861 prism@prism.mr
<b>Environment Category</b>	<input type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> FI <input type="checkbox"/> TBD (to be determined)
<b>Date PID Prepared</b>	March 29, 2011
<b>Estimated Date of Appraisal Authorization</b>	March 29, 2011
<b>Estimated Date of Board Approval</b>	May 19, 2011

**1. Key development issues and rationale for Bank involvement**

The economic growth rate of Mauritania has averaged 4.4% since 2000 but with some volatility because of the national political changes and fluctuations in world market prices for the raw materials on which the economy depends. Mauritania is a natural resource-dependent economy. More than 50% of national exports originate from the oil and mining sector and an estimated 20% of the national GDP is accruing from the extractive industries.

In light of the resource dependency, it is recognized that Mauritania needs to diversify economic activities and increase productivity in other key economic sectors, including manufacturing, agriculture, and services. In consequence, Mauritania is facing the dilemma of optimizing revenues and benefits accruing from its natural resources, while at the same giving priority to economic development and livelihood diversification in other sectors of the economy.

Despite strategy of diversification, extractive industries will remain at the center of the economy. Production figures have increased steadily over recent years. In dollar terms, the combined annual export value averaged some US\$ one billion for 2008 and '09. This figure is expected to exceed US\$ 1.4 billion for 2010. By 2012, expansion of existing plants will further increase production to around US\$ two billion (assuming constant metal prices). The past six months have seen the entry of two major mining corporations, Xstrata and Kinross, as they have acquired important assets. Public announcements by the two corporations point to a fundamental change of the scale of operations as production volume could increase five-fold within the next five to seven years, at a total capital cost of nearly US\$ ten billion.

Despite the substantial sector reforms and strengthening efforts, Mauritania is still facing immense challenges in managing the expectations and requirements from investors, politicians and civil society. The strong increase in production and exploration activities has stretched sector agencies' capacities to the limit in terms of supervising operators' performance, planning industry development and most importantly converting production revenue and benefits into sustainable development in affected communities and at national level. It is clear that further efforts are required to sustain the current industry boom and ensure that the extraction of natural resources will have long-term positive impacts on the social and economic development nationwide.

## **2. Proposed objective(s)**

The objective of the project is to strengthen the Borrower's capacity to manage national mineral sector activities in an environmentally, socially and economically sustainable manner

## **3. Preliminary description**

As with the first Additional Financing, the proposed second Additional Financing will be designed with due consideration to the complete value chain of the extractive industries, also known as EITI++, covering all aspects of sector activities from earliest exploration work and granting of titles through mid-stream supervision of operations to final management of benefit streams accruing from operations. The activities to be financed will address issues along this value chain which have been identified as critical to the further development of the industry in Mauritania. Project components would include:

### **Component 1. Local Economic Development in Mining Areas**

It is envisioned to collaborate closely with private mine investors which have established individual "mine foundations" to support community initiatives and local economic development. The objective will be to agree to harmonization of practices and cross-fertilization of best practices. The component will build on successful micro project investments which have been implemented during the original Project in areas such as business development, social service provision and agricultural extension. It is, however, envisioned to take a more comprehensive approach to regional planning in the Inchiri province which is host to two mine sites and which is expected to see further inflow of investments and migrant workers. The second Additional Financing will support a public expenditure planning exercise to help identify priorities in public works and potential synergies with required mine investments in roads, railway, energy, housing and urban development. Community consultations will form an important part of the planning exercise. It is also envisioned to continue and expand business development and micro project promotion. Mine investors have expressed interest in replicating modalities for micro project implementation. Accordingly, IDA funds will mainly target refinement of procedures whereas capital injections will be expected from private investors. Finally, monitoring and evaluation will be streamlined into local development programs so as to collect evidence of direct and indirect impacts of mine investments and fine-tune interventions based on lessons learned.

## **Component 2. Geo-information and Development**

Various data collection campaigns have been conducted during the original Project and through prior and parallel financing. Data collection has covered a wide range of geo-physical and geological surveys as well as geo-chemical analyses. Sector agencies have done substantial interpretation and developed a comprehensive knowledge base, but with further refinements in software and modeling techniques it is warranted to invest additional resources in data analysis and integration of data. Government is also planning to conduct new geological surveys through financing from the Islamic Development Bank. The Additional Financing would provide resources for analysis of the newly acquired datasets. Lastly, resources will be required for dissemination of the geological database and the analytical production and map interpretations.

## **Component 3. Capacity Building of Public Mining Institutions**

Support would encompass institutional strengthening of supervisory agencies and general skills development in the Ministry of Industry and Mines and associated agencies. Key beneficiary agencies would be the inspection authorities in charge of supervising operators' compliance. This would stretch across social and environmental compliance monitoring to health & safety issues and final production declaration and tax calculation. The newly established "Police des mines" is tasked with overall coordination of inspecting mine operators but resources and knowledge are sourced from other departments and ministries, including the Ministry of Environment, tax authorities and others. Modalities will have to be worked out for delegation of responsibility and reporting procedures. Practical training will also be required in order to build capacity among government staff to respond to the surge in sector activities.

## **Component 4. Support to formation of School of Mines and vocational training**

The Additional Financing will engage with government and the coalition of private investors on establishment of a School of Mines which aims to provide academic Masters programs for engineers in the fields of mining and electro-mechanics. A 3-year diploma program for mechanics, electricians, fitters, welders and others is also being developed. Private investor contributions (of some US\$ 15 million) have been committed to physical construction and curriculum development. Bank contributions will target overall project management and coordination with the national educational sector including clarifications of the legal framework to define institutional arrangements and financial sustainability. Additional Financing will also secure that mechanisms are firmly established for quality assurance of teaching methodologies, graduates' technical competencies, research conducted by the school, etc. Funds may also be allocated to training of trainers on topics where the Bank has a comparative advantage (e.g. governance, sector planning and policy-making).

## **Component 5. Project Coordination and Management**

The Additional Financing will continue to support the dedicated Project Coordination Unit which has been functional throughout the PRISM 1 and 2 operations. The PCU is responsible for all fiduciary arrangements pertaining to the project as well as administration of contracts. The PCU operates in close collaboration with the Ministry of Petroleum, Energy and Mines on management of Project activities and integration into the wider sector reform and strengthening. Emphasis will be placed on smooth transitioning of Project tasks to the relevant ministry departments and development of an action plan for sustaining Project outcomes after the closing

date in November, 2013, which cannot be extended as per the approved policy exception for final extension of closing dates.

#### **4. Safeguard policies that might apply**

The following policies are triggered:

Environmental Assessment OP/BP 4.01

Natural Habitats OP/BP 4.04

Involuntary Resettlement OP/BP 4.12

The project is technical assistance with one well-defined community-driven small grants program. Policy frameworks are in place to address environmental and social issues, should they arise. However, the small size of grants (<\$20,000) delimits the impacts, if any. Construction of school facilities, which are associated with but not directly by the project, have been assessed in line with Bank policies and instruments.

Proactive support to safeguards issues is envisioned in terms of a planned review of previous strategic safeguards assessments (financed by PRISM 2 and others) and achievement of targets and recommendations.

#### **5. Tentative financing**

Source:	(\$m.)
BORROWER/RECIPIENT	0
International Development Association (IDA)	7.1
Total	7.1

#### **6. Contact point**

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