Report Number : ICRR0020002

1. Project Data

Project ID	Project Name
P102031	Bus Environment Enhancement
Country	**Practice Area(Lead)**
Mauritania	Trade & Competitiveness

L/C/TF Number(s)	Closing Date (Original)	Total Project Cost (USD)
IDA-44480	30-Nov-2013	7,000,000.00
Bank Approval Date	**Closing Date (Actual)**	
22-May-2008	30-Nov-2014	

	IBRD/IDA (USD)	Grants (USD)
Original Commitment	5,000,000.00	0.00
Revised Commitment	4,606,241.83	0.00
Actual	4,410,172.79	0.00

Sector(s)
Central government administration(48%):General energy sector(22%):Law and justice(20%):Banking(10%)

Theme(s)
Regulation and competition policy(40%):Other Private Sector Development(10%):Legal institutions for a market economy(20%):International financial standards and systems(20%):Other Financial Sector Development(10%)

Prepared by	Reviewed by	ICR Review Coordinator	Group
Katharina Ferl	Chad Leechor	Christopher David Nelson	IEGFP (Unit 3)

2. Project Objectives and Components

a. Objectives

According to the Financing Agreement (p. 5) of July 1, 2008, the objective of the project was "to enhance the business climate through improvement in the Recipient’s financial, legal and judicial sectors, and the regulatory environment for business, and the support of measures to restructure selected Public Enterprises". This will be referred to as the original objective.

On May 22, 2013 the project was restructured. According to the amended Financing Agreement (p.4) of August, 7, 2013 the revised objective was "to enhance the business climate for financial institutions and other targeted private sector enterprises in the Recipient's territory".

Both the original and revised objectives will serve as basis for this validation.

b. Were the project objectives/key associated outcome targets revised during implementation?

Yes

Did the Board approve the revised objectives/key associated outcome targets?

Yes

Date of Board Approval

22-May-2013

c. Components

The project included three components:
1. Improving the Business Climate to Foster Private Sector Development (cost estimate at appraisal US$3.0 million; actual cost US$3.1 million or 103% of appraisal estimate): This component was to finance technical assistance, equipment, and capacity building for strengthening the financial sector, improving the legal and judicial framework for business and financial activities, and streamline the regulatory environment for business.
2. Building Public-Private Partnerships and Productivity Enhancement (cost estimate at appraisal US$1.5 million; actual cost US$1.1 million or 73% of appraisal estimate): This component was to finance technical assistance to improve corporate governance in public enterprises and enhancing the long-term electricity-sector planning functions. Activities such as performing operational and financial audits, developing action or restructuring plans, designing performance contracts and an M&E performance system were included in this component.
3. Support for Project Implementation (cost estimate at appraisal US$0.5 million; actual cost US$0.8 million, 160% of appraisal estimate): This component was to finance technical assistance to the Dèlègation Gènèrale à la Promotion de l 'Investissèment Privè (DGPIP) in different areas including strengthening financial management according to international accounting standards, procurement of goods and consultant services, annual reporting to the International Development Association (IDA), monitoring and evaluation (M&E), audit or project resources, and public information.

At the restructuring, some of the activities were dropped from Component 1 and new ones were added. Among them:

- Public enterprise reform and judiciary capacity building were dropped;
- New activities: a) improving data reporting with a secure communication line between banks and the Central Bank of Mauritania (BCM); b) modernizing the BCM credit bureau; c) developing a procedure manual for on/off site supervision and insurance chart accounts; and d) supporting the update for commercial law and implementing decrees.

d. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Project Cost: The project was estimated to cost US$ 7 million. Actual project cost was US$5 million.
Financing: The project was financed by a US$ 5 million IDA credit of which US$4.5 million was disbursed.
Borrower Contribution: The borrower was to contribute US$ 2 million to cover the cost of project implementation. Actual contribution was US$0.5 million.
Dates:

The project was approved on 05/22/2008 and scheduled to close on 11/30/2013. The actual closing date was 11/30/2014, one year after the scheduled date.

On May 22, 2013 the project was restructured as follows: i) the closing date was extended by 12 months to November 30, 2014 to make up for the one year suspension of project implementation following the coup d' ètat; ii) the project development objective (PDO) was revised to “to enhance the business climate for financial institutions and other targeted private sector enterprises in the Recipient's territory”; iii) activities for public enterprise reform and judiciary capacity building were dropped; iv) activities that were added included: a) improving data reporting with a secure communication line between banks and the Central Bank of Mauritania (BCM); b) modernizing the BCM credit bureau; c) developing a procedure manual for on/off site supervision and insurance chart accounts; and d) supporting the update for the commercial law and the implementing decrees; and v) the Results Framework was adapted to reflect the new PDO and activities.

3. Relevance of Objectives & Design

a. Relevance of Objectives

Relevance of Original Objectives: Modest

At the time of project preparation, Mauritania’s private and financial sectors faced many growth constraints including limited access to (and high cost of) finance, weak legal, regulatory and judicial framework, poor regulatory environment for businesses, and inadequate infrastructure. The Government showed strong interest in the objective during project preparation, especially with respect to the governance of public enterprises. However, the ownership became uneven and weakened over time. By the time of project closing, it was clear that many of the original objectives, including public enterprise, legal and judicial sector reforms, were no longer compatible with government priorities.

The original objectives, however, were in line with two of the three pillars of the Bank’s Country Partnership Strategy current at the time of closing (2014-2017) including: i) growth and diversification; and ii) economic governance and service delivery.

Relevance of Revised Objectives: Modest

During the restructuring in May 2013, the objectives of the project was revised to “enhance the business climate for financial institutions and other targeted private sector enterprises in Mauritania”. The revised objectives no longer included the legal and judiciary sectors, which were still needed. Nonetheless, they remained aligned with the Bank’s Country Partnership Strategy (2014-2017).

The ICR (p. 2) states that the new objectives were consistent with the government’s new priority to focus on investment climate reforms to enhance private and financial sector development. However, no evidence of the government’s new priorities was provided. In compliance with IEG policy, the rating is downgraded to modest in the absence of necessary evidence.

Rating	Revised Rating
Modest	Modest

b. Relevance of Design

Relevance of Original Design: Modest

The original PDO was broad and complex, including improvements in the business climate, which implies a large agenda that a small project such as this could not have been expected to accomplish. To make a difference in the overall business climate, the project would need to address, among other things, infrastructure and utilities, finance and taxation, corporate governance and corruption, etc. Component 1 was particularly ambitious, including three sub-components that tackled broad areas such as strengthening the financial sector and improving access to finance, improving the legal and judicial framework for business and financial activities, and streamlining the regulatory environment for businesses.

The causal relationships between planned interventions and the development objectives, as well as underlying assumptions about how some program actions would lead to intended outcomes, were not clearly spelled out. It is difficult to establish the links between interventions, outputs, intermediate outcomes and expected results.

External factors, including unstable political and economic environment, were not adequately dealt with.

Relevance of Original Design: Modest

The revised objective was simplified in scope but still ambitious. It concentrated on enhancing the business climate for financial institutions. The ICR (p.8) states that the revised activities were streamlined and where necessary new measures were added. The activities which did not contribute to the government's new priorities were dropped. The revised results framework was clearer, as were the relationships between interventions and development objectives. However, the outcomes envisaged of the substantially compressed program of assistance represented an insignificant part of the overall business climate. Even if the expected outcomes were to be realized, the objectives of improving the business climate for financial institutions would still not be achieved.

Rating	Revised Rating
Modest	Modest

4. Achievement of Objectives (Efficacy)

Objective 1

Objective
Enhance the business climate through improvement in the Recipient's financial, legal and judicial sectors, and the regulatory environment for business, and the support of measures to restructure selected Public Enterprises

Rationale
Outputs:

- Banking and microfinance laws and regulations were adopted to strengthen the financial sector.
- An accounting framework for banks was developed.
- Several new banks, among them two foreign banks, received licenses from the Central Bank of Mauritania, enhancing competition in the financial sector.
- Independent external audits became mandatory for all banks in operation.
- No progress was made towards providing information to the government in regards to the management of key public enterprises. No performance contracts were signed, not achieving the target of at least five key public enterprises.

Outcomes:

- New regulations on starting a business reduced the cost of doing business which was estimated to have decreased from 56% of Gross National Income (GNI) per capita in 2008 to 48% in 2012. However, the target of 35% was not achieved.
- Improvement of the financial environment was measured through a decrease in the share of non-performing loans. However, as the ICR points out (page 24, para 85), this improvement was not attributable to the project.
- Improvement in the judicial framework and transparency was measured through the number of commercial and financial court decisions that were published on the government's web page. However, the target for this PDO indicator of an 80% increase was not achieved.
- The regulatory changes did not have any impact on tax revenue. The percentage of tax on gross revenue decreased from 107% in 2008 to 68% in 2012, not achieving the target of 60%.
- The number of procedures required to establish a business was reduced from 11 in 2008 to 9 in 2012, not achieving the PDO indicator target of five procedures.

While improvements in the indicators were observed, some were not attributable to the project and none of the targets were met. The achievement of this objective is rated **Modest.**

Rating
Modest

Revised Objective
Enhance the business climate for financial institutions and other targeted private sector enterprises in the Recipient's territory

Revised Rationale

Outputs:

- Reforms were implemented to improve the business climate and make starting a business easier. A One-Stop-Shop for enterprise creation was established, achieving the output target.
- Capacity within the Central Bank was built. 83 staff received training on banking supervision, accounting, and information system management. The number of supervisors doubled from 15 to 30.
- The information system was upgraded to support real-time data transmission.
- The commercial registry was computerized and operational, achieving the output target.

Outcomes:

- The project reached 214 direct beneficiaries, surpassing the target of 100.
- 37% of project beneficiaries was female, surpassing the target of 5%. The ICR, however, does not define who these beneficiaries were and what benefits they received.
- The number of procedures required to establish a business was reduced from 11 procedures in 2008 to 5 procedures in 2015, achieving the target.
- The number of days it took to start a business decreased from 65 days in 2008 to 19 days in 2014, surpassing the target of 30 days.
- The reforms also had a positive impact on the costs of starting a business which was 56% of GNI per capita in 2008 and decreased to 19.8% per capita in 2014, surpassing the target of 35%.
- Reforms to reduce procedures and costs to register a business resulted in estimated cost savings of US$ 900,000 during the first year after the reform had been implemented, potentially saving an additional US$2.5 million over the next three years.
- 5,643 new businesses registered in 2014.
- The percentage of credits reported to the credit registry increased from 30% in 2013 to 100% in 2015, surpassing the target of the PDO indicator of 50%.

The achievement of revised objectives is rated **Substantial**.

Revised Rating
Substantial

5. Efficiency

Neither the PAD nor the ICR includes a traditional cost-benefit analysis. The PAD (p. 22) states that due to this project's character, a quantitative economic and financial analysis was not an appropriate tool to assess the benefits and that the ultimate economic and financial benefits will be shown through the pace and depth of the reforms supported by this project.

Available information indicates many inefficiencies in the use of project resources:

- Delays and difficulties in the recruitment of project coordinators;
- Frequent changes and disruption in the organization for project management, including the use of an unrelated management unit in 2011;
- Frequent turnovers of project coordinators (four in six years);
- Introduction by the government of lengthy review procedures for procurement;
- Substantial delays in the disbursement of credit and partial cancelation;
- Inability to restructure the project on a timely basis;
- One-year delay of the closing date.

On balance, efficiency is rated Modest**.**

Efficiency Rating
Modest

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal		0	0 ☐Not Applicable
ICR Estimate		0	0 ☐Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

Before restructuring, the project objective was of modest relevance and the design was also of modest relevance. The achievement of the objective was also modest, as was the efficiency in the use of project resources.
The outcome is therefore rated Unsatisfactory.

After the restructuring, the revised project objective and design remained modest. The achievement of the revised objective was substantial. Efficiency remained modest.
The outcome is rated Moderately Unsatisfactory.

The overall outcome rating is to be given by the weighted average of the two ratings, according to the ICR guidelines Appendix B. At the time of restructuring, US$1.90 million had been disbursed, which was 42.2% of the total disbursement (US$4.5 million). After the restructuring, an additional US$2.6 million was disbursed, which was 57.7% of total disbursement. A numeric value on the 6-point scale is assigned for the two outcome ratings: 2 points for Unsatisfactory and 3 points for Moderately Unsatisfactory. The weighted average of these two numerical ratings (with the weights being the shares of disbursement) is 2.5 which indicates an overall rating of Moderately Unsatisfactory.

a. Outcome Rating
Moderately Unsatisfactory

7. Rationale for Risk to Development Outcome Rating

The continuation of the reform process requires strong technical skills and further capacity building in new institutions such as the DGPSP and Guichet Unique, which only became fully operational at project closing. Their capacity and financial sustainability remains to be seen. Also, the Minister of Development and Economic Affairs, who played a key role in the investment climate reform, will leave office shortly. The extent to which the new Minister will support the reform process is unclear.
Nonetheless, the government has renewed its commitment to upgrading the investment climate by continuing with new reforms. It has also become more engaged and supportive of the private sector. The risk to development outcome is rated Moderate.

a. Risk to Development Outcome Rating
Modest

8. Assessment of Bank Performance

a. Quality-at-Entry

In the preparation, the project team drew on a variety of studies including the financial sector assessment program, the investment climate assessment, the enterprise survey, and "Doing Business' reports. It also made use of a project preparation facility in November 2006, resulting in the drafting of a banking law, a feasibility study on a refinancing mechanism for microfinance institutions and a review of performance contracts for public enterprises.

The Bank identified relevant risk factors including the government's uncertain commitment to implementing reforms or maintaining existing policies, but the mitigation efforts were not sufficient.

In addition, the project was overly complex, included a large number of challenging activities, and tried to address too many issues despite the government's weak implementing capacity. The original results framework had many shortcomings.

At the point of entry, the project was not well prepared to achieve the results envisaged.

Quality-at-Entry Rating
Moderately Unsatisfactory

b. Quality of supervision

Throughout the project, the Bank conducted two supervision missions per year. According to the ICR (p. 23), issues that arose during project implementation were addressed in a timely manner. The ICR also states that even though it was highlighted in several supervision reports that the project needed to be restructured, the Bank team did not succeed in reaching agreement with the government until the midterm review. This left little time for the implementation of activities after the restructuring of the project.

However, with continuous turmoil in the organization of project management and clear signals of unsatisfactory progress in the supervision reports, it is not convincing that the problems were adequately resolved. In addition, given the country's limited experience and capacity, deeper implementation support and better communications the government could have led to better results.

Quality of Supervision Rating
Moderately Unsatisfactory

Overall Bank Performance Rating
Moderately Unsatisfactory

9. Assessment of Borrower Performance

a. Government Performance

Project implementation was challenging due to the unstable political environment, as reflected in the coup d'état of 2008 which led to a one year delay. According to the ICR (p. 24), the government did not agree to restructure the project and was not fully committed to the program of reforms.

Even though the government showed interest in public enterprise governance during the project preparation, little progress was made on this component until it was cancelled at the restructuring.

The government's inability to ensure the continuity of project management, both in terms of organization and leadership, also contributed to the poor results. In the six years of the project's life, the project management unit was disbanded and revamped four times. In addition, the government introduced new and lengthy review procedures, which required a committee to approve all procurements, resulting in needless delays.

Government Performance Rating
Unsatisfactory

b. Implementing Agency Performance

Many groups, including an unrelated project unit, were involved in managing this project due to the changes made by the government. All told, four organizations and four project coordinators were involved in the six years of project implementation. None had the benefits of learning from the experience. As a result, the performance suffered from the disruption and discontinuity.

Implementing Agency Performance Rating
Unsatisfactory

Overall Borrower Performance Rating
Unsatisfactory

10. M&E Design, Implementation, & Utilization

a. M&E Design

The original project development objective was broad and complex. The results framework in the PAD (p. 51) included three PDO indicators and 11 intermediate outcome indicators. However, some of the indicators (including the size of non-performing loans) were not related to project activities. In addition, the indicators taken together were not sufficient to measure this broad PDO, giving only partial indications. The selected indicators were measurable, had a baseline and set targets. It is not clear if the responsibility for data collection was well defined, but there was no M&E specialist until shortly before the project closed.

b. M&E Implementation

During the restructuring, the design of the results framework was modified. Two of the three PDO indicators were dropped and one new PDO indicator was added. Also, three intermediate outcome indicators were replaced by three new ones. However, the new indicators remained too limited to measure the progress of the new PDO. Data collection was quite simple since most of the data came from the annual “Doing Business” report.

c. M&E Utilization

According to the ICR (p. 11), M&E data was used to inform decision making including the decision to restructure the project

M&E Quality Rating

Modest

11. Other Issues

a. Safeguards

The project was classified as Category C and did not trigger any safeguards policies.

b. Fiduciary Compliance

Financial Management

The ICR (p.12) states that financial monitoring reports and audit reports were adequate and submitted on time. Also, audit opinions were unqualified most of the time.

Procurement

Other than implementation delays, no compliance issues were reported.

c. Unintended impacts (Positive or Negative)

N/A.

d. Other

---

12. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Unsatisfactory	Moderately Unsatisfactory	---
Risk to Development Outcome	Modest	Modest	---
Bank Performance	Moderately Unsatisfactory	Moderately Unsatisfactory	---
Borrower Performance	Moderately Unsatisfactory	Unsatisfactory	The government showed little

		commitment and support for the project.
Quality of ICR	Substantial	---

Note
When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.
The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate.

13. Lessons

The ICR (p. 24) includes several lessons including:

- Establishing a good project implementing unit (PIU), which has the government's support, is critical for successful implementation. In this project, however, the government did not want to create a new PIU. Nonetheless, the two agencies selected by the government to manage the project were dissolved and the PIU that was eventually created had difficulty in recruiting a well-qualified PIU coordinator. This led to significant delays in project implementation.
- Selecting indicators that are externally validated and consistent is essential for monitoring progress towards the project's objectives. However, it is imperative that the project is capable of contributing to the outcomes measured by these indicators. This project relied on good indicators from the "Doing Business" report. But there was a disconnect between these indicators and the activities supported by the project.

14. Assessment Recommended?

No

15. Comments on Quality of ICR

The ICR provides a good analysis of the project. It is concise, internally consistent and candid. It could, however, have provided more information in some areas such as how the Bank tried to resolve the turmoil surrounding project management, how the Bank tried to restructure the project and why the efforts failed. Overall, the quality of the ICR is rated substantial.

a. Quality of ICR Rating
Substantial