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Report No: 25961

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT

IN THE AMOUNT OF SDR13.1
US\$18 MILLION EQUIVALENT

TO THE

ISLAMIC REPUBLIC OF MAURITANIA

FOR A

SECOND MINING SECTOR CAPACITY BUILDING PROJECT

June 11, 2003

Oil, Gas, Mining and Chemicals Department (COCPD)
Burkina Faso, Mali, Mauritania, Sao Tome and Principe (AFC15)
Africa Regional Office

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CURRENCY EQUIVALENTS

(Exchange Rate Effective April 30, 2003)

Currency Unit	=	Ouguiya (UM)
UM1,000	=	US\$3.75
US\$1	=	UM 267
SDR 1	=	US\$ 1.37915
SDR 1	=	UM 368.23.

FISCAL YEAR

January 1 -- December 31

ABBREVIATIONS AND ACRONYMS

BGS	British Geological Survey (United Kingdom)
BRGM	Bureau of Geological and Mining Research (France)
CDD	Community Driven Development
CNRE	National Center for Water Resources
CGS	Council of Geo-Sciences (Republic of South Africa)
CSO	Civil Society Organization
DATAR	Land Management Directorate
DEAR	Environmental and Rural Management Directorate
DMG	Mining and Geology Directorate (MMI)
DCL	Directorate of Local Communities
EA	Environmental Audit
EIA	Environmental Impact Assessment
GIRM	Government of the Islamic Republic of Mauritania
GIS	Geological Information System
GPS	Global Positioning System
GSO	Geological Survey Organization
IDA	International Development Agency
IDB	Islamic Development Bank
JICA	Japanese International Cooperation Agency
LED	Local Economic Development
MMI	Ministry of Mines and Industry
MHE	Ministry of Hydraulics and Energy
MDRE	Ministry of Rural Development and Environment
NGO	Non Governmental Organization
OMRG	Mining Research and Geological Office (Mauritania)
OMVS	Organisation pour la Mise en Valeur du fleuve Sénégal
PANE	National Environmental Action Plan
PDU	Urban Development Project (IDA)
PMI	Public Mining Institution
PRISM 1	First Mining Sector Capacity Building Project
PRISM 2	Second Mining Sector Capacity Building Project
SAE	Service of Environmental Affairs (DMG, MMI)
SEA	Sectoral Environmental Assessment
SIGE	Environmental Information and Management System
SIGM	Geological and Mineral Information System
SME	Small and Medium Enterprise

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SNIM Société Nationale Industrielle et Minière
SOE State Owned Enterprise
SOPHOSMA Société des Phosphates de Mauritanie
UCM Mining Cadastre Unit (MMI)
UCPM Mining Project Coordination Unit (MMI)
WB World Bank
ZNC Zouerate-Nouadhibou Corridor

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Country Manager/Director:	A. David Craig
Sector Manager/Director:	Peter van der Veen
Task Team Leader/Task Manager:	Paulo de Sa

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MAURITANIA
SECOND MINING SECTOR CAPACITY BUILDING PROJECT

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MAP(S)
No IBRD-25935

MAURITANIA
SECOND MINING SECTOR CAPACITY BUILDING PROJECT

Project Appraisal Document

Africa Regional Office
COCPD

Date: June 11, 2003 Sector Manager/Director: Peter van der Veen Country Manager/Director: A. David Craig Project ID: P078383 Lending Instrument: Technical Assistance Loan (TAL)	Team Leader: Paulo De Sa Sector(s): Mining and other extractive (100%) Theme(s): Export development and competitiveness (P), Analysis of economic growth (S), Other environment and natural resources management (S), Other public sector governance (S)
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Project Financing Data

Loan Credit Grant Guarantee Other:

For Loans/Credits/Others:

Amount (US\$m): \$18.00

Proposed Terms (IDA): Standard Credit

Grace period (years): 10

Years to maturity: 40

Commitment fee: 0.00-0.50%

Service charge: 0.75%

Financing Plan (US\$m):	Source	Local	Foreign	Total
BORROWER		1.00	0.20	1.20
IDA		8.87	9.13	18.00
ISLAMIC DEVELOPMENT BANK		1.57	3.43	5.00
JAPAN: JAPAN INTERNATIONAL COOPERATION AGENCY (JICA)		0.80	1.20	2.00
Total:		12.24	13.96	26.20

Borrower: ISLAMIC REPUBLIC OF MAURITANIA

Government of the Islamic Republic of Mauritania

Responsible agency: MINISTRY OF MINES AND INDUSTRY

Unite de Coordination du Projet Minier

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Estimated Disbursements (Bank FY/US\$m):

FY	2004	2005	2006	2007	2008	2009			
Annual	1.90	3.80	4.50	4.00	2.50	1.30			
Cumulative	1.90	5.70	10.20	14.20	16.70	18.00			

Project implementation period: 5 years (2003-2008)

Expected effectiveness date: 09/15/2003 **Expected closing date:** 03/15/2009

A. Project Development Objective

1. Project development objective: (see Annex 1)

The proposed project is a follow-up to the successful on-going operation, the Mining Sector Capacity Building Project (Credit 3206-MAU), as it maintains the main development objectives of that project - to strengthen the Government's capacity to act as a facilitator and regulator of mining activities and to significantly increase private investment in Mauritania's mining sector. In addition, the proposed operation will build upon the project design and objectives to the developments in the mining sector during the last two years, by bringing in two new components: (i) strengthening of the mining sector public management capacity, and (ii) an increased focus on activities related to local economic development, efficiency in the delivery of services and improvement of socioeconomic impacts in mining areas.

The development objectives of the proposed project would be to:

- (i) Build-up and consolidate the Government's long term institutional and technical capacity to manage the country's mineral resources, including social and environmental management;
- (ii) Promote private investments in the minerals sector;
- (iii) Improve mining sector contribution to national and regional socioeconomic development.

2. Key performance indicators: (see Annex 1)

The project will support the strengthening of Government's capacity to efficiently manage the minerals sector, including social and environmental issues.

- An important objective of the project is based on the reinforcement of public mining institutions and capacity building of other stakeholders affected by mining activity. Capacity of the different entities under the authority of the Ministry of Mines and Industry (MMI), Ministry of Rural Development and Environment (MDRE), National Center for Water Resources (CNRE), local governments and NGOs to promote and effectively manage in a transparent way the minerals sector will be strengthened. This objective involves the government commitment to offer adequate salaries in order to strengthen the technical and financial autonomy of the institutions and ensure their sustainability. The project also includes a training program of professionals involved in mining sector management.

The specific performance indicators would be:

- 100% of the mining related personnel at the MMI and Mines and Geology Directorate (DMG) and at least 100 representatives of local government and NGOs actively involved in social development in mining areas have participated in the project training program before project closure.
 - Average time to grant a mining title maintained below 30 days at project closure
- Mauritania is actively promoting the private sector-led growth of the mining industry as a means to achieve economic and social development. The increase of sector (a) investments and (b) exports over many years will represent indicators of the success and impact of this Government policy, supported by the project. A more direct indication of the project performance regarding investment promotion will be (c) the increased coverage and access to geological information. As a result of the investments induced by this project, the contribution of the mining sector to the country's exports and GDP is expected to increase.

The specific indicators of increased private sector participation would be:

- 10% increase in average cumulative annual investment in the mining sector by project end
- 10% increase in average cumulative annual minerals exports by project end
- Decision by private companies to proceed with the development of two new mines before project

closure

- Railway and harbor facilities in NW Mauritania available to regional economic operators by midterm review

- The project will support diversification of economic activities in mining areas through the small grants program, which will fund local entrepreneurs and artisans, feasibility studies, and a few pilot studies to determine the particular characteristics of the programs. Local economic development programs will support sustainability of local communities and empower municipalities. The specific indicators of the social sector development would be:
 - At least 35 sub-projects established under the small grants program, with project completion reports submitted and evaluated by project end.
 - 20% increase in household income in areas where local economic activities are implemented

In addition to these indicators, the project will be evaluated according to an Institutional Sustainability Index, which will be developed during implementation starting in 2004. The Sustainability Index will measure the following: (i) staffing against mandate of the institution; (ii) staff level skills; (iii) level of remuneration; (iv) financial autonomy and the ability to function independently; (iv) audit of financial accounts; (v) client satisfaction; (vi) budget procedures; and (vii) delays in compliance with procedures/legal deadlines.

B. Strategic Context

1. Sector-related Country Assistance Strategy (CAS) goal supported by the project: (see Annex 1)

Document number: 24122 MAU **Date of latest CAS discussion:** June 18, 2002

Since 1992, the Government of the Islamic Republic of Mauritania (GIRM) has been implementing a wide range of policy, economic and sector reforms. During the preparation of the previous CAS, in 1997, the GIRM was deepening the implementation of second-generation structural reform program aimed at eliminating macro-economic imbalances and liberalizing the economy. The GIRM then acknowledged that sound economic management, conducted by dynamic and competent institutions, is crucial to ensure efficiency both as a promoter of economic development and as a regulator of economic activities. Over the past five years, considerable progress has been achieved on both fronts. Mauritania was one of the first countries to present a full Poverty Reduction Strategy Paper (PRSP) to the Board of the Bank and the IMF in February 2001. The GIRM has set its priorities on poverty reduction. Between 1990 and 2000, the incidence of poverty in the country fell from 56.6 to 46.3 percent, which is clearly a major achievement for the country.

The first Mining TA project was designed and its implementation initiated within the 1997 CAS context, to support the development of the mining sector, a key contributor to the national economy. The sector structural reform included a successful restructuring of the major state-owned iron producer Société Nationale Industrielle et Minière (SNIM), now operating mostly as any other private operator, and the enactment in 1999 of the new Mining Code providing access to mineral resources to private investments.

The proposed project supports the following objectives of the 2002 Mauritania CAS:

(i) *Institutional development and governance.* As stated in the 2002 CAS, the "Government is aware that institutional development and good governance are essential for making substantive progress." Actions detailed in the "General Framework for the National Program of Good Governance" adopted by the Government in 1999 revolve around five main themes: (i) consolidation of the rule of law, (ii) strengthening of civil service capabilities, (iii) support for decentralization, (iv) effective management of public resources including use of Information and Communication Technologies and websites to achieve greater transparency, and (v) involvement of the poor and strengthening of civil society capabilities.

Most of these activities have already been supported under the first Mining TA, and will continue to be bolstered and extended under the second operation, including i.a., respectively, (i) clear rules and procedures for sector administration; (ii) training as well as implementation of mechanisms to ensure and sustain adequate human and financial resources; (iii) continued development of information systems and web sites (mining rights, geological information for mining, environment, hydrogeology); and (iv) participatory development activities within the Zouerate-Nouadhibou corridor. The project will closely coordinate its activities with the Ministry of Mines and Industry (MMI), and also work on institutional strengthening with other relevant public sector institutions, such as the Service of Environmental Affairs (SAE), the DMG, and Environmental Information and Management System (SIGE).

(ii) *Accelerating private sector-led growth.* Through the reforms mentioned above, the GIRM has demonstrated its commitment to promoting the development of the mining sector and to ameliorating the sector contribution to the country's economic growth. However, there still remain structural issues that need to be addressed before the country's economic and export base can be expanded beyond mining and fisheries. The 2002 CAS identified that private sector's growth in the country would require the development of "an adequate infrastructure, improved trade facilitation, certification to allow product standards to be met, an effective financial sector and business services, the removal of remaining private sector constraints and lowering of high transaction costs." In that sense, the project would further strengthen the environment for mining investments. In the mining sector, the project will facilitate (i) the opening of access to the existing infrastructure (a 600 km long railway and harbor facilities) within the Zouerate-Nouadhibou corridor in NW Mauritania, today controlled by SNIM, to other economic activities within the area of influence; (ii) a further increase in the coverage of geological data to promote a diversified mining production; and (iii) further reduction of transaction costs in the long term through continued support to increased efficiency in the granting of mining titles and EIAs improvement of procedures.

(iii) *Fostering infrastructure.* As stated in the 2002 CAS, "the development of the economic infrastructure is essential to developing trade, reducing production costs, and enhancing the competitiveness of the national economy." This is certainly true for the development of the mining sector, and the proposed project would assist in creating conditions aimed at optimizing the use, through opening access to already existing infrastructure, namely the Zouerate-Nouadhibou railway and the Nouadhibou harbor facilities in NW Mauritania, to other economic operators. This liberalization would enhance the feasibility and facilitate the development of new mining projects within the region. In addition, increased exploitation and sharing of maintenance costs would improve the profitability of existing infrastructure. It would also help to develop other industrial or artisanal activities. In addition, the proposed project would, in selected areas, contribute to the increased availability and access to water resources, both for mining operators and local communities through hydrogeological mapping and studies, in cooperation with CNRE, the government water authority.

2. Main sector issues and Government strategy:

The Government's mining sector policy is in line with the broader socioeconomic agenda and is formulated by the Ministry of Mines and Industry (MMI). In the past years, the MMI has resolutely pursued the reform of the mining sector through actions which have already yielded positive results in terms of increased foreign and national investment in exploration. Investment in mining activities more than doubled from US\$4.4 million in 1997 to US\$13.5 million in 2001.

Mauritania is known for its diverse composition of minerals, given that a part of its territory represents a structural extension of the mineral provinces of Western Africa, mostly Ghana and Mali. The country's geological potential is being confirmed through the surveying activities funded under the on-going sector TA project. There are still vast uncovered areas in need of examination, however. Current mining

activity is dominated by iron ore. Other than majority state-owned iron ore producer SNIM, there is a copper-gold project, which has been adversely affected by low metal prices. In parallel to these more traditional activities, the country has been experiencing in recent years a surge of exploration activities mainly financed by private foreign companies. Their work has resulted in the recent discovery of promising gold and diamond deposits. In addition, the iron mineral resources in NW Mauritania are far from being fully exploited and their development potential is high. Phosphate resources are also identified in Southern Mauritania. Although the economic potential of most of these districts still needs to be fully evaluated, these discoveries confirm Mauritania's mineral resources and reinforce the Government's commitment to attract more private investment to the sector. There is now a need to prepare the mining administration for the forthcoming development of two of these new mines.

Mauritania's Mining Policy Declaration approved by the Council of Ministers in 1997 states that one of the Government's objectives is to increase revenues through the diversification of production in the mining sector. Government is therefore seeking to accelerate the growth of the mining sector by creating favorable conditions through the removal of obstacles which constrain private sector development.

The main sector issues addressed by the Government strategy are:

(i) Rationalizing the role of the State by reducing its involvement in mining exploration and development activities. Given the high-risk nature of exploration, the role of the State is now largely confined to the administration of the sector and the provision of basic geologic information, leaving the high cost, risky exploratory activities to the private sector. The Government's strategy is to reduce its involvement in mining exploration. For example, the state-owned exploration unit, the Office Mauritanian des Recherches Geologiques (OMRG) is now mainly dedicated to more upstream activities like geological reconnaissance and mapping. SNIM also tends to work under the same conditions and requirements as any other private operator.

(ii) Sustainability of MMI's agencies involved in monitoring and regulating mining activities. Institutional capacity of the MMI, the Directorate of Mines and Geology (DMG), and of the OMRG is being strengthened. Their organization has been streamlined to improve the State's regulatory role in administration of the country's mineral resources, and their performance improved in the discharge of their services and responsibilities (such as enforcement of laws and regulations, provision of reliable geological database, administration of mineral rights and monitoring of environmental liabilities). These roles and functions are critical for the efficient operation of a private sector-led mining industry. However, there is still a need for strengthening, particularly in the fulfillment of investment promotion; and, most important, the *sustainability* of the institutions still needs to be fully ensured. The project would provide technical assistance for consultancy services for training and procurement of essential modern equipment for these institutions and would further support their institutional capacity.

(iii) Environmental management capacity building. Although Mauritania has now developed a legislative and a regulatory framework to address environmental impact assessment issues, the procedures for the execution of these regulations still need to be strengthened, in particular with respect to production activities and inter-institutional relationships improved. Technical assistance would be provided to further reinforce the capabilities of the institutions responsible for monitoring and regulating environmental management, as well as other stakeholders affected by mining activities. The program will be conducted in cooperation with the Ministry of Rural Development and Environment.

(iv) Promoting private sector investment in the mining sector. With regard to promotion of private sector participation in exploration and mine development, the mining law approved in 1999 reduced the discretionary power of Government, increasing transparency and improving investment security. The Mining Code, the recently approved Investment Law for mining activities, and the Mining Cadastre Office provide an adequate legislative framework for regulating and for monitoring activities in the

sector, and make a major contribution to attract foreign investments into mining. Of particular importance to providing a sense of security to potential investors is the stabilization of the legal, fiscal, and institutional arrangements prevailing at the time of the investment, as well as the set-up of a professional system to manage the granting of mining rights. In addition, the geological information generated under the first mining sector project already provides an improved tool to guide the exploration efforts of private mining companies in Mauritania, especially in remote and difficult to access areas. Mauritania needs a systematic effort of promoting its mineral sector potential to foreign investors.

3. Sector issues to be addressed by the project and strategic choices:

The on-going Mining Sector Capacity Building Technical Assistance project is already yielding positive results in addressing a number of mining sector issues mentioned above, namely the increase of exploration investments as a consequence of the modernization of the legal framework - part of the improvement of the country's overall investment climate, and the strengthening of the governmental capacity to manage sector development, including the administration of mining rights, environmental permits and follow-up. The information provided by the recent regional geological and geophysical surveys confirms the mineral potential of the country and will likely further stimulate exploration in the minerals sector. Exploitation development projects are expected in the near future. Continuing of the Bank support for mining activities would address the following issues:

i) the development of production projects will require a more systematic partnership building among operators, government and communities, in order to ensure a sustainable socioeconomic contribution from the mining sector to the national and local economies and to optimize the benefits resulting from mining;

(ii) while the technical capacity of the public mining institutions is being improved, their sustainability in terms of human and financial resources still needs to be ensured, and their capacity strengthened to manage the development of mining exploitation - and not only exploration - as is presently the case;

(iii) attractiveness of exploitation mining investment can be reinforced by improving the infrastructure and facilitating access to existing facilities and mineral resources;

(iv) with respect to geo-information infrastructure, the success of the data produced so far over selected areas with the first TA financing, motivates an increased mapping coverage of mineral potential areas, including environmental baseline data; and,

(v) further processing of the same geological information would benefit significantly other sectors such as, principally, water - a priority for the GIRM.

In order to achieve a sustainable contribution of the sector to the economy, the proposed project would assist the GIRM in addressing the sector development issues mentioned above through the following specific actions:

- Facilitation of local economic development activities in existing production districts, as a pilot activity which could later be extended to the national level;
- Further development of the geological information infrastructure and management, including water resources management and promotion;
- Further strengthening of the environmental management capacity of the state and increased awareness and capacity of local populations and private operators.

Funds from the Islamic Development Bank will finance airborne geophysics, and Japanese International Cooperation Agency (JICA) will pay for mineral resource assessments. IDA financing will provide

supplementary funding for both of these activities, as necessary.

C. Project Description Summary

1. Project components (see Annex 2 for a detailed description and Annex 3 for a detailed cost breakdown):

The proposed project would include four components:

Component 1 - Local economic development in the mining areas. This component would support the empowerment of local communities and municipalities for the development of alternative economic activities and increased efficiency in the delivery of social services. The project will work on local economic development around the SNIM exploitation site and along the Zouerate-Nouadhibou corridor in NW Mauritania. The project will support activities aiming to (i) diversify the local economic base by seeking alternative economic activities, (ii) fund a small grants program to provide necessary funds to small businesses and entrepreneurs seeking to increase or diversify their productive capabilities; (iii) strengthen the capacity of local authorities for the delivery of social services; (iv) develop hydrogeological studies and works to improve the availability of water in the region; and (v) strengthen the regional development management capacities, especially in the environmental and social areas.

Component 2 - Geo-information and development. This component would provide the geoscientific information necessary to enhance the economic development of Mauritania. Geo-data are fundamental for good governance and proper land use management, and would support many sectors, such as water resources and environmental management, promotion of investments in the mining sector and others. The project would continue the work started under the first project in upgrading the existing information and increasing its availability. The component would include the following: (i) airborne geophysical surveys of about 480,000 square kilometers over three selected areas with mineral potential; (ii) geological mapping of about 185,000 square kilometers, of which about 35,000 square kilometers with the support of parallel financing; (iii) metallogenic studies of selected ore districts and/or minerals (platinum, palladium) based on outputs from the first Mining project; (iv) update of the country's hydrogeological map, in collaboration with the National Center for Water Resources (CNRE), through (a) merging and processing data from the SIGM and the CNRE databases (b) carrying out hydrological pilot studies over selected areas with identified mining potential and poor water availability to improve water resources; and (v) supervision assistance regarding complex technical activities, in particular geophysics.

Component 3 - Capacity building of public mining institutions. This component would strengthen the mining sector management capacity by establishing a Mining Sector Promotion Unit (UPM) and reinforcing DMG and the Mining Cadastre created under the first project. The sector monitoring and control capacity of Mining and Geology Directorate (DMM) would be reinforced. The project would thus consolidate the sustainability of public mining institutions established under the first Mining project and strengthen inter-institutional relationships, especially with the Ministry of Rural Development and Environment and the DMG's SAE. Sector activities under this component would lead to improved environmental management. This component would also carry out a comprehensive training program. The training program would build capacity of the employees involved in sector activities directly - such as employees of SNIM and staff of the Ministry of Mines and Industry, or indirectly - such as local authority representatives, to further sector capabilities through training and seminars.

Component 4 - Project management Project management will build upon the existing Mining Project Coordination Unit (UCPM). Current operations will be reinforced by an assistant accountant and a project evaluation specialist. UCPM will link with all concerned parties/entities and will carry out financial management, procurement and disbursement activities. A regional project coordination unit would be established in Zouerate to coordinate local economic development activities envisioned for the

Zouerate-Nouadhibou corridor. Some of the UCPM responsibilities, such as procurement, will be transferred to local agencies during the life of the project.

Component	Indicative Costs (US\$M)	% of Total	Bank-financing (US\$M)	% of Bank-financing
1. Local economic development in mining areas	7.15	27.3	6.57	36.5
2. Geo-information and development	12.49	47.7	5.79	32.2
3. Capacity building of public mining institutions	4.49	17.1	4.15	23.1
4. Project management	2.07	7.9	1.49	8.3
Total Project Costs	26.20	100.0	18.00	100.0
Total Financing Required	26.20	100.0	18.00	100.0

2. Key policy and institutional reforms supported by the project:

Policy reform. The Project will help the Government to: (i) consolidate key reforms attempting to create an enabling environment for an economically, socially and environmentally sound development of the mining sector; and (ii) strengthen the government's capacity as a regulator - in a transparent and nondiscretionary manner - of mining activities. Government's regulatory role will continue to be supported and strengthened by improved information management and availability. Increased availability of geological and hydrogeological information, assembled during the proposed project, would help the Government in carrying out its regulatory function.

Institutional reform coordination. The sector and cross-sector institutional reform initiated in the context of the first mining project will be consolidated for the mining sector through cooperation with different involved organizations. The project will work closely with the Ministry of Mines and Industry on coordinating efforts with other agencies - such as the CNRE and the Ministry of Rural Development. New inter-institutional ties would be developed and strengthened as a result. The establishment of additional services, such as the Mining Sector Promotion Unit and support to the operation of the Mining Cadastre Office, would streamline mining sector performance. Training of staff involved directly and indirectly in the mining sector is envisioned under the proposed project. Employees of the involved ministries, liaison offices and private sector operators will be able to increase their capacities by attending workshops, training seminars and study tours. Institutional reform would take place on the level of SIGE, the Environmental Information and Management System, which supports environmental management through collecting and disseminating relevant information. The project would provide additional resources for SIGE adjustment and modernization. Environmental Affairs Service (SAE) of the DMG, will receive technical support and expertise to conduct Environmental Impact Assessments and environmental audits. Institutional reforms provided over the scope of the proposed project would thus touch upon improved environmental management of the mining sector. Emphasis on hydrogeology, envisioned by the proposed project, would enhance the necessary information on the country's water resources and thus assist in sector environmental management.

An important aspect of the reform will be to ensure the sustainability of the institutional framework established under the first Mining Capacity Building Project. In particular, procedures and rules to apply the recently approved Decree allowing the use of 40% of financial resources generated through services provided by the sector institutions will be strengthened. The money available in the created account will be allocated to: (i) the operation of the Mining Cadastre; (ii) the supervision of mining operations and

enforcement of the sector laws and regulations, including the environmental point of view; (iii) the acquisition of new geoscientific data; and (iv) training and seminars. A financial simulation shows that the proposed sector organization could be financed out of the sector generated funds (including cadastral fees). In addition, a Mining Sector Promotion Unit will be set up under the auspices of the Ministry of Mines and Industry. The responsibility of the Unit would be to process and disseminate mining sector data in order to attract private investment in the sector and provide support to natural resources and land use management in other sectors. Increased availability of geological information assembled during the project would facilitate improved mining sector management. Further support to the Mining Cadastre will be provided by the project to modernize and improve the system.

Local economic development and social sector reform The project would strengthen local economic development and empower municipalities in the Zouerate-Nouadhibou corridor. The project would finance studies to identify alternative economic activities in the area, through workshops, studies, and surveys of stakeholders. Pilot studies would be financed by the project to determine the initial demonstration effect of the program. The project would then be adjusted based on pilot performance. Once potential economic activities are established, feasibility studies would identify local community needs and abilities to carry out local economic development programs. A small grants program would finance social infrastructure, service delivery and entrepreneurial activities in the areas affected by mining activities in order to diversify each particular region's economic base. Community dependence on mining operations would thus be reduced and new activities in the services sector, agriculture, manufacturing and tourism would be created. Such developments would assist Mauritania in its fight against poverty. Increased community participation would lead to social sector reform by granting impacted communities more control over their economic involvement.

3. Benefits and target population:

The following benefits are expected:

(i) induced by the project: (a) Increased sector related foreign and local direct investment and increased export revenues; (b) development of capacity in private services to the mining industry, such as environmental impact studies, laboratories, mining construction works and earth removal, maintenance and others; (c) development of infrastructure related to mining with a regional development impact (e.g. roads, energy, water resources); (d) increased income-generating opportunities in remote areas, increased education opportunities and reduced migration outflow; (e) contribution to a better regional distribution of productive activities; and (f) sustainable development and fair distribution of benefits to local communities located around mining areas.

(ii) as a direct result of the project: (a) establishment of a modern, consistent and homogeneous legal and regulatory system in the mining sector; (b) better understanding of how Government, private sector, communities and donors can work together dealing with foreign investors and the contract negotiations process; (c) improved efficiency in MMI's mining agencies (e.g. faster and nondiscretionary administration and improved understanding of issues involved in managing mining rights), and improved enforcement capacity of environmental, health and safety regulations; (d) continued security of tenure for mining rights through nondiscretionary procedures and accurate geological location of concessions; (e) improved knowledge of existing environmental and socioeconomic conditions, as a basis for improved management and participation of local communities; (f) protection of the environment from potential damage caused by mining and a better grasp of how to design future environmental protection measures in the sector; (g) generation of baseline regional information that can be used by all sectors (e.g. water resources, geological data); (h) access to economic opportunities in the Zouerate-Nouadhibou corridor; and (i) improved access to social services by the population living along the Zouerate-Nouadhibou

corridor.

Target populations and sectors:

- Local communities in mining districts, in particular along the Zouerate-Nouadhibou corridor
- Private foreign and national mining investors/operators
- National and regional sector authorities
- Water management authorities
- Land use management authorities

4. Institutional and implementation arrangements:

Project implementation period. The project would be implemented over a period of five years. The Project Completion date would be September 15, 2008 and the Credit closing date would be March 15, 2009.

Executing agency. The Ministry of Mines and Industry (MMI) would be responsible for the implementation of the project.

Implementing agency. The MMI, through an officially designated coordinator, will be responsible for the overall implementation of the project. MMI's line units will be strengthened for the Mining Cadastre Unit, and, within the Directorate for Mining and Geology, the Environmental Affairs Service and the Geological and Mining Information System.

Project administration. The MMI will maintain the Mining Project Coordination Unit (UCPM), established under the first Mining Sector Capacity Building Project, to (i) coordinate project implementation, and (ii) manage (a) procurement - including all contracting for works and purchases and the hiring of consultants, (b) project monitoring, reporting and evaluation, (c) the contractual relationship with IDA, and (d) financial record keeping, the Special Account and disbursements.

Accounting, financial reporting and audits. The financial section of the UCPM, with a very satisfactory track record, will also be responsible for the financial management of the proposed project. The computerized financial management system set up under the first project will be updated. The UCPM will maintain accounts and payments of the proposed project, clearly separated from the first mining project. A summary financial report will be included in the quarterly progress reports. Project accounts, the Special Account, all procurement and compliance with the financial and legal covenants of the Credit Agreement and all procurement, including Statements of Expenditure will be audited annually by independent auditors satisfactory to the Bank. The audit reports would be submitted to the Bank not later than six months after the end of each calendar year. An updated financial management assessment of the UCPM was carried out during pre-appraisal, and minor adjustments to the procedures implemented under the first TA were agreed upon with the UCPM.

Monitoring and evaluation. The UCPM will be responsible for monitoring and evaluation of the Project, according to the indicators and benchmarks included in the Project Implementation Plan (PIP) and the Credit agreement. Not later than 45 days after each quarter, the UCPM will submit to the Bank quarterly progress reports covering all Project activities, including procurement and financial summary reports. Bi-annual reviews, the first one to take place not later than 6 months after effectiveness, would provide detailed analysis of implementation progress towards development objectives, and include an evaluation of financial management as well a post-review of procurement matters. A mid-term review, about 30 months after effectiveness, would provide detailed analysis of implementation progress.

D. Project Rationale

1. Project alternatives considered and reasons for rejection:

The following options have been analyzed:

a) Discontinue the support of the Bank after completion of the on-going project. The on-going first mining project is yielding positive results in terms of exploration investments as a result of the modernization of the legal framework and of the administration of mining rights, including environmental management capacity (see section B.2 and 3). The goal of the Second Mining Capacity Building Project would be to use the successes achieved by the first project as a base for an expansion of activities based on the needs identified over the scope of the first project. Bank support is required for the creation of Local Economic Development activities, which would seek to empower local communities in mining areas by supporting sustainable alternative economic activities. In addition, the Second Mining project extends the activities of the first project in the institutional sector, especially with regard to environmental management. The Second Mining project would fund exploration of water resources, which would benefit other sectors and enhance the information base on water. In addition to expanding the above activities, the project would continue to conduct geological and geophysical surveys.

The information provided by the regional geological and geophysical surveys confirms the mineral potential of the country and will likely generate additional areas of interest for exploration. Continuity of the Bank support is however important, taking into account the following issues: i) a number of private investments for exploitation development are expected in the near future (partly as a result of the present project) and experience within the government is still weak regarding monitoring of sector performance during the exploitation phase, especially regarding environmental and social management; (ii) the development of exploitation projects will require the creation of a more systematic partnership among operators, government and communities in order to ensure a sustainable socioeconomic contribution from the mining sector to the national and local economies and optimize the benefits resulting from mining; (iii) the exploitation of identified iron and other mineral resources and the use of related existing infrastructure could be optimized and increased; (iv) while the technical capacity of the public mining institutions has been improved, their sustainability in terms of human and financial resources after closure of the present mining project still needs to be consolidated; and (v) with respect to geo-information infrastructure, success of the project outputs over selected areas financed under the first mining project motivates an increased coverage of mineral potential areas, including environmental baseline data.

b) Extension with allocation of a supplemental credit to the existing project. The option of continued support to the mining sector through a supplemental credit to the present project has also been analyzed. However, this option has been rejected considering that the project implementation objectives of the proposed operation would be rather different because of (i) a shift towards the development of socioeconomic activities in a closer partnership with the private sector and communities; and (ii) a more systematic approach to the identification of water resources in Mauritania. In addition, the identified total project costs needed to implement a meaningful program would exceed amounts which could be considered under a supplemental credit.

2. Major related projects financed by the Bank and/or other development agencies (completed, ongoing and planned).

Sector Issue	Project	Latest Supervision (PSR) Ratings (Bank-financed projects only)
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		Implementation Progress (IP)	Development Objective (DO)
Bank-financed			
Capacity building for Government institutions and promotion of private sector development.	Private Sector Development and Capacity Building Project (Credit 27300-MAU, closed)	S	S
Modernization of the Mauritania mining sector legal and regulatory framework; building of government capacity for the administration of mining rights and environmental management of mining activities; development of a geo-information infrastructure	Mining Sector Capacity Building Project (Credit 32060-MAU, on-going)	S	HS
Management capacity building of municipalities, improved provision and management of services, development of urban infrastructure	Urban Development Project (Credit 35740-MAU, on-going)	S	S
Legal assistance to the government in adjusting water and energy regulatory framework, studies on water management and distribution systems.	Energy, Water, and Sanitation Sector Reform Technical Assistance Project (Credit 33770-MAU, on-going)	S	S
Other development agencies			

IP/DO Ratings: HS (Highly Satisfactory), S (Satisfactory), U (Unsatisfactory), HU (Highly Unsatisfactory)

3. Lessons learned and reflected in the project design:

Lessons have been learned from the ongoing activities carried out under the first Mining Sector Capacity Building Project and earlier sector activities, as well as from other countries where the Bank has financed similar capacity building operations (e.g. Algeria, Bolivia, Burkina Faso, Ghana, Guinea, Mali, Papua New Guinea, Peru, Tanzania, Madagascar, Mozambique and others) and from a number of recent Bank studies and reviews on mining sector reform, environment and communities.

Experience in other countries indicates that improving the enabling environment increases the ability of a country to attract and retain appropriate private investment. For instance, Ghana in the late 1980s undertook significant reforms, supported by the Bank and other donors, to improve the enabling environment for private sector investment in mining. The result has been a four-fold increase in gold production, a mining investment climate that is consistently ranked among the best in the world by investors, and the privatization of state-owned mining enterprises. Experience with establishing capacity for environmental management in other countries, namely in Argentina, Bolivia, and Ecuador indicates that the central agency mandated with environmental responsibility needs to adopt an integrated approach and establish close linkages with sector agencies in implementing environmental policies and regulations.

Experience in Mauritania with capacity building, for instance as part of the on-going mining project, suggests that emphasis on beneficiary participation in project preparation, intensive supervision, organization and coordination in the field are critical for timely and effective implementation. Ownership and political commitment to project objectives are key to ensuring strong local leadership, availability of counterpart funds, and clear delineation of ministerial authority and responsibilities. As a result of the mid-term review (April 2002) of the project mentioned above, the following specific conclusions are applied to the design of the proposed project:

- Adjust the status of the institutions, particularly the Mining and Geology Directorate to facilitate an

effective and swift management capacity and eradicate the present bureaucratic obstacles:

- Ensure an adequate human resources policy and salary structure in all sector entities, to optimize the contracting of adequate staff and minimize the migration of the project trained professionals.
- Further strengthen capacity of the institutions to fulfill their functions, particularly with respect to environmental monitoring and regulatory enforcement, in relation to the development of mining operations.
- Further strengthen inter-institutional relationships, in particular regarding environmental management.

4. Indications of borrower commitment and ownership:

The proposed project is based on a request presented by the GIRM at the Consultative Group meetings in Paris in December 2001. It has been further discussed with the Bank during the identification and preparation missions which took place since then, together with the adjustment to the sector policy framework which would strengthen and sustain in the long-term the socioeconomic contribution of the mining sector to the national and local economies. A number of decisions, mainly regarding institutional capacity and sustainability have been taken so far, including:

- The GIRM has recently approved a Decree allowing the MMI to use funds generated by the sector institutions (e.g. surface fees related to the mining rights to ensure their financial sustainability)
- The implementation of the on-going mining project is progressing according to schedule and has achieved several of its implementation and development objectives in a highly satisfactory way, showing the GIRM commitment to develop the sectors under MMI responsibility.

5. Value added of Bank support in this project:

The Bank has been the leading provider of assistance to mining sector reform in African and Latin American countries during the last decade and in this capacity has contributed to the present mining “boom” in both continents. Since 1992, Mauritania has been making good use of the Bank’s experience in sector reform, particularly with respect to sector policy and modernization of its institutional and legal frameworks. Given its experience and established presence in the country, Bank involvement would facilitate the implementation of the project in a timely and efficient manner and ensure that the Government maintains its focus on the objectives of the project. The Bank would also play a critical role to facilitate interaction among the different stakeholders, in particular with respect to participatory processes and local economic development. Bank involvement would also be catalytic in attracting additional funds and support from bilateral donors particularly for the implementation of the social mitigation measures, and in providing the environment for encouraging private sector investment.

E. Summary Project Analysis (Detailed assessments are in the project file, see Annex 8)

1. Economic (see Annex 4):

Cost benefit NPV=US\$ million; ERR = % (see Annex 4)

Cost effectiveness

Other (specify)

See Annex 4.

2. Financial (see Annex 4 and Annex 5):

NPV=US\$ million; FRR = % (see Annex 4)

The Project is a capacity building operation and, as such, does not lend itself easily to quantitative investment analysis. However, a number of economic indicators can be projected and compared, such as value of mineral exports, fiscal revenues coming from the sector, and the amount of investments.

Mauritania's total exports in 2001 were about US\$400 million, or almost 12% of the country's GDP, of which 50 percent corresponded to a single mineral export (iron ore). The value of iron ore production currently stands at approximately US\$200 million. Most of the foreseeable expansion is in base and precious metals, as well as diamonds, and the majority of this production will be exported and will generate foreign exchange. Mining investments other than SNIM are still limited to exploration and have increased from less than US\$4.4 million in 1997 to about US\$13.5 million in 2001. To test the robustness of the possible contribution of mining to the economy, two scenarios (low and high case) have been constructed. The results of this analysis, projected to the year 2010 and 2015 are shown in the table below (please also see Annex 4):

Scenario	Gross Production Value (US\$million)	Gross Export Value (US\$million)	Exploration Investment (US\$million)
2002	197	197	11
Low 2010	300	300	25
High 2010	340	310	30
Low 2015	385	380	50
High 2015	440	430	60

Fiscal Impact:

Fiscal revenues are expected to increase from existing and new mining operations through implementation of the 1999 Mining Code, the Decree on Mining Titles (1999) as well as the 2002 Law on Model Mining Convention. SNIM, a State owned enterprise (SOE) and present main operator, benefits from a special regime that limits its contribution to the budget to 10% of sales (average of US\$20 million/year). The mining code enacted in 1999 introduced a fiscal regime for mining consistent with what is considered international good practice. Income tax for mining is set at 25%, and a three-year tax holiday applies to new mining operations. In addition, a law defining a model agreement for large mining investments has been enacted in January 2002. It provides fiscal stability and conflict-resolution guarantees during the life time of the mining title to which it is attached.

3. Technical:

The introduction and use of straightforward state-of-the-art technology has been successful under the on-going mining project, particularly within the fields of data processing and information management (e.g. GIS and related data bases). The best example is represented by the use of IT to manage the mining title system, which has been working without failure since 1999. The installation of similar IT is presently under implementation to manage environmental permits and monitoring, as well as the geological information infrastructure. Under the proposed project, mining sector capacity will be strengthened. In addition, through the development of inter-institutional activities (see Project Description), similar support would also be provided to the agencies in charge of overall environmental management and of water resources (CNRE).

4. Institutional:

The institutional capacity of the GIRM to manage the mining sector is being strengthened under the first project, and has achieved positive developments. The project will further strengthen existing institutions and work to increase their operational capacity.

4.1 Executing agencies:

The mining institutions are being strengthened under the on-going credit operation in terms of human

resources, technical capacity and stream-lining of operational procedures. An important remaining issue in the sustainability of the institutions capability to operate and fulfill their functions in the longer term. The GIRM has recently approved a Decree allowing the sector institutions to use part of the revenues they generate to support their activities. However, the implementation of this Decree in practice as well as the further strengthening of the Mining Directorate (DMG), Mining Cadastre (MCU) capacity to access, plan and manage properly the use of these financial resources will need adequate attention and support from the MMI and the Ministry of Finance. In this regard, the "Cour des Comptes" and /or Inspection Générale des Finance would perform annual audit on behalf of the Government. The proposed project will provide assistance in terms of training and technical advice to improve the management and accounting capacity of the institutions.

4.2 Project management:

The proposed project will be managed by the same Project Implementation Unit ("UCPM") and Project Coordinator as the on-going project. The UCPM has demonstrated its capacity in terms of project, procurement and financial management. It will be strengthened according to the need to respond to an increased volume of accounting work, in order to keep clear and separate records for the two loans, which will run simultaneously during a period of about one year.

4.3 Procurement issues:

The proposed project will benefit from the satisfactory experience gained by the UCPM under the implementation of the first project, and no particular procurement issue is foreseen.

4.4 Financial management issues:

Financial management has been satisfactory as well under the ongoing project and no particular issue is foreseen. The consolidated financial statements of the project will be audited for each fiscal year by an independent auditor acceptable to IDA in accordance with standards on auditing also acceptable to IDA.

5. Environmental:

Environmental Category: B (Partial Assessment)

5.1 Summarize the steps undertaken for environmental assessment and EMP preparation (including consultation and disclosure) and the significant issues and their treatment emerging from this analysis.

Under the on-going Mining TA, extensive work has been implemented to develop the sector capacity for environmental management in relation to mining activities. Environmental requirements and procedures have been introduced in the Mining Code (including consultation mechanisms) and specific regulations will be passed shortly by the GIRM; an environmental management unit has been formally established, trained and equipped within the DMG; an Environmental Information and Management System (SIGE) has been set up; pilot environmental base line studies in mineral prospective areas of northern Mauritania and a study on the environmental and socioeconomic impacts of the SNIM iron exploitation in Zouerate have been completed. This information and the studies' recommendations have been included in the sectoral environmental assessment (SEA) carried out as part of the preparation of the proposed project.

A very important achievement so far consists in the development of awareness regarding environmental and social management within the government.

The main issues, to be addressed by the proposed project include:

- Increase awareness and improve the interface between operators and government in order to facilitate the preparation of EIAs and audits according to the regulations, including consultation processes, and their timely presentation and assessment.
- Improve coordination between the different authorities responsible for environmental permitting and monitoring
- Facilitate and improve the participation of civil society in the monitoring of the sector environmental

performance.

5.2 What are the main features of the EMP and are they adequate?

One of the key objectives of this TA project is to improve and strengthen the management of the sector in an environmentally sound manner. A sector environmental assessment (SEA) has been conducted prior to appraisal to obtain recommendations for achieving this objective. This SEA systematizes and complements the extensive experience and lessons already gathered through activities implemented under the first sector project, which include (i) the drafting and approval of environmental regulations for mining activities; (ii) the setting up and training of an environmental management unit at the DGM responsible for the review and approval coordination of EIAs presented by mining operators, as well as the monitoring of the sector performance; (iii) set-up of an Environmental Information and Management System (SIGE); and (iv) environmental and social baseline studies over selected areas in Northern Mauritania.

5.3 For Category A and B projects, timeline and status of EA:

Date of receipt of final draft: April 2003

The project is a capacity building operation which will not involve direct investments in mining activities and, consequently, will not generate direct environmental and social impacts. However, if successful, the project will induce development of mining and oil activities in Mauritania. In that sense the potential environmental and social impacts of such a development need to be assessed and an Environmental Management Plan designed to ensure that regulatory, institutional and monitoring measures and mechanisms are in place to properly protect the environment and communities.

5.4 How have stakeholders been consulted at the stage of (a) environmental screening and (b) draft EA report on the environmental impacts and proposed environment management plan? Describe mechanisms of consultation that were used and which groups were consulted?

The SEA has been carried out by an independent consultant under the supervision of a steering committee involving all stakeholders, including representatives from the environmental administration outside the sector, NGOs, local governments and operators. The document has been made publicly available and distributed to all interested parties for review in April 2003. The findings, conclusions and recommendations are being discussed during a series of public workshops.

5.5 What mechanisms have been established to monitor and evaluate the impact of the project on the environment? Do the indicators reflect the objectives and results of the EMP?

As already stated, the project as such will not cause direct impacts on the environment. Indicators reflecting the capacity of the administration to monitor the sector - such as the systematic presentation of EIAs by companies, substantial responsiveness of EIAs according to the procedures established, timing for appraisal of EIAs and absence of back-log and effective monitoring of activities - are being set-up, not only to monitor project results but as parameters measuring the routine and longer term management capacity of the institutions in charge. In addition to the consultation procedures already in place, monitoring mechanisms involving the various stakeholders - civil society, NGOs, local and national authorities as well as companies - will be developed and implemented during the proposed project. Such participatory monitoring mechanisms will benefit from the emerging experience in other countries (e.g. Bolivia, Ecuador, and others).

6. Social:

6.1 Summarize key social issues relevant to the project objectives, and specify the project's social development outcomes.

As stated in the environmental section, the project as such will not cause a direct social impact. However, the project will provide assistance to develop tools, mechanisms and procedures to identify and mitigate

negative social effects which might be caused by the development of mining operations, as induced by the sector reform supported by the proposed project.

Many of the social impacts of potential mining operations in Mauritania are similar to those of comparable projects in other parts of the world. The following issues are of particular relevance in the Mauritanian context:

(i) Potentially positive:

+ In addition to the mining employees and workers, other populations would be attracted by new and existing mining operations, with the expectations of employment in related industries, which do not require particular qualifications. Such migrations would cause positive and negative impacts, as stated below.

+ With the opening of mines, there is a parallel development of social infrastructure and services which can benefit other sectors (health, education).

+ Mining operations would induce an increase in job opportunities and a contribution to local economic development, if properly managed by the different stakeholders.

+ The development of an access infrastructure would induce an opening for trade and communication, for products from the mine and from other sectors.

(ii) Potentially negative:

- One very important issue in the Mauritanian context consists of the competing use of resources, most particularly water (e.g. agriculture, livestock, human consumption and others versus mining)

- The poorly managed migration movements of population towards mining centers might generate conflicts between the settled community and migrants; also, social (criminality, prostitution and others) and health problems (AIDS and other sexually transmitted diseases, diseases related to the contamination of water and air) would likely increase.

- Income differences among mining workers and the rest of population, particularly if no local economic development is induced, would generate social conflicts.

- Poorly managed at the regional level, mine closure would generate very negative social impacts regarding local employment and economic development.

The project would address these issues through component 1 within the Zouerate-Nouadhibou corridor (ZNC), in connection with the existing iron ore mines as well as potential new mines (e.g. gold in Tasiast), by promoting local economic development, building social (and environmental) management capacity, in partnership with municipalites and the SNIM company, developing water resources, improving community services management and establishing a regional development plan involving all involved stakeholders. The capacity of the involved central and decentralized administrations would also be improved regarding social management in relation to mining sector development.

While the main focus under the proposed project would target the ZNC, the findings and experiences would later be applied to other potential mining districts (Akjoujt, Bophal and others).

6.2 Participatory Approach: How are key stakeholders participating in the project?

The main stakeholders are the mining communities, in particular within the ZNC; development NGOs and regional CSOs; mining operators (with a particular emphasis on SNIM; and local (municipalities), regional (wilayas) and central authorities.

Involvement of stakeholders is part of several activities of the proposed project, including participatory development diagnostic and planning, definition and monitoring of the activities related to local economic development; and regional development planning in the Zouerate-Nouadhibou area.

6.3 How does the project involve consultations or collaboration with NGOs or other civil society organizations?

The strengthening and further development and implementation of participatory consultation processes is

an integral part of the project. The observations, suggestions and recommendations of key stakeholders as part of the SEA and Resettlement Policy Framework (RPF) processes, through the monitoring committee set-up by the GIRM. Extensive participation of communities, authorities and companies has already been included in the development and validation of the legal and regulatory framework for mining, as well as in the implementation of the studies which are about to be completed (e.g. environmental and socio-economic impacts of the SNIM operation; and the environmental baseline studies in Northern Mauritania). The mentioned SEA synthesizes the participatory actions and procedures already in place (e.g. as part of the EIA procedure for mining activities), as well as proposes the formal definition, development and implementation of mechanisms for ensuring a participatory approach related to environmental monitoring.

6.4 What institutional arrangements have been provided to ensure the project achieves its social development outcomes?

The capacity of the environmental unit (SAE) established under the first sector TA will be strengthened to manage social issues related to the enforcement of regulations. In addition, the monitoring of social issues will be part of the participatory monitoring mechanisms to be developed for environmental impacts (see 5.6 above). The development of an institutional set-up for the management of socio-economic impacts and the local economic development of communities in mining districts will be implemented under the proposed project on a pilot basis in NW Mauritania. Further discussions with involved stakeholders have been carried out as part of the SEA process, as well as during pre-appraisal and appraisal, in order to determine more precisely the mechanisms to be set-up.

With respect to the social development activities in the Zouerate-Nouadhibou corridor, NGOs and specialized consultants would be contracted to support participatory planning and development activities and small grant implementation.

6.5 How will the project monitor performance in terms of social development outcomes?

- Participatory monitoring mechanisms, involving civil society and NGOs, to be developed and implemented under the proposed project
- Stakeholders surveys
- Specialized consultants would be contracted to specifically monitor and provide advise to the LED and social development component of the proposed project
- A Consultative Committee, animated by an eminent person and involving representatives of civil society, mining companies, regional and local authorities, would be constituted to follow-up and provide orientation to the LED and social development component in the Zouerate-Nouadhibou corridor.
- The Environment Information and Management System, established under the first Mining TA and to be further developed under the proposed project, will provide internal and public reporting on progress towards the overall environmental and social objectives.

7. Safeguard Policies:

7.1 Are any of the following safeguard policies triggered by the project?

Policy	Triggered
Environmental Assessment (OP 4.01, BP 4.01, GP 4.01)	<input checked="" type="radio"/> Yes <input type="radio"/> No
Natural Habitats (OP 4.04, BP 4.04, GP 4.04)	<input checked="" type="radio"/> Yes <input type="radio"/> No
Forestry (OP 4.36, GP 4.36)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Pest Management (OP 4.09)	<input type="radio"/> Yes <input checked="" type="radio"/> No

Cultural Property (OPN 11.03)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Indigenous Peoples (OD 4.20)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Involuntary Resettlement (OP/BP 4.12)	<input checked="" type="radio"/> Yes <input type="radio"/> No
Safety of Dams (OP 4.37, BP 4.37)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Projects in International Waters (OP 7.50, BP 7.50, GP 7.50)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Projects in Disputed Areas (OP 7.60, BP 7.60, GP 7.60)*	<input type="radio"/> Yes <input checked="" type="radio"/> No

7.2 Describe provisions made by the project to ensure compliance with applicable safeguard policies.

A reference framework regarding safeguard policies applicable to the sector has been developed under the first mining TA project, and more precisely defined during preparation of the proposed project as part of the Sectoral Environmental Assessment and the Resettlement Policy Framework processes. Awareness of stakeholders has been increased as part of those activities.

Under the proposed project, methodological and on-the-job training on safeguard policies and their application would be provided to the public entities responsible for environmental and social management of the sector - principally the Environmental Affairs and the Inspectorate Services of the mining public administration. During project implementation, emphasis will be put on EIAs assessment capacity as well as the development and implementation of consultation procedures.

F. Sustainability and Risks

1. Sustainability:

Mauritania has good mining potential as demonstrated by the results from the surveys carried out under the on-going project and confirmed by the increased interest shown by major international mining companies in developing exploration campaigns during the last years. However, the GIRM will encounter difficulty in sustaining this interest and in ensuring the maximum contribution to economic and social development during the exploitation phase unless the institutional and regulatory framework in the sector is consolidated. The project will provide the funds required to obtain the human and financial resources for this task. This includes a training program for Mauritanian experts - geologists, engineers, environmental specialists, IT specialists, economists, lawyers - in the mining sector as well as a government policy to pay these trained experts competitive salaries. In this respect, the GIRM has recently adopted the standards that will allow (i) recruitment of local specialists under competitive conditions and, as such, will ensure maintaining the best possible staff in the existing institutions; and (ii) funding of core functions such as administration of mining rights, environmental permitting and monitoring, follow-up of sector performance and operation of the sectors information systems. As under the first TA project, sustainability will be enhanced through the project's strong emphasis on institutional building, training, human capital development, and environmental as well as social awareness in the public and private sectors, and partnership development with civil society.

2. Critical Risks (reflecting the failure of critical assumptions found in the fourth column of Annex 1):

Risk	Risk Rating	Risk Mitigation Measure
From Outputs to Objective Government continued commitment to sector reform	N	- Government's program for mining sector reform was confirmed and reinforced during the December 2001 Consultative Group meeting.
Staff awareness and commitment to the reform	M	Allocation of sizeable training resources and set-up of a sustainable human resources policy,

<p>Effective and transparent information promotion policy and effective communication between government and operators</p>	<p>M</p>	<p>including an adequate remuneration scheme under the recently approved Decree</p> <ul style="list-style-type: none"> - A policy will be defined and approved by MMI, spelling the main principles for an open information management - Capacity building and training regarding investment promotion information management - Public access through internet and other means to policies, legal framework, and geo-data.
<p>Stakeholders (communities, operators, investors in addition to government) commitment</p>	<p>S</p>	<ul style="list-style-type: none"> - Implementation of participatory processes regarding the improved contribution from mining to local economic development
<p>Identification of feasible alternative economic activities for Local Economic Development in mining districts</p>	<p>M</p>	<ul style="list-style-type: none"> - Implementation under the project of identification surveys and diagnostic studies (part of the participatory process).
<p>Identification of economically feasible ore deposits</p>	<p>M</p>	<ul style="list-style-type: none"> - Implementation of promotion activities - Optimization of infrastructure (transport, water) - Continued development of the geological information infrastructure
<p>Reasonably stable world minerals market conditions and prices</p>	<p>M</p>	<ul style="list-style-type: none"> - Diversification of mineral production - Although the general trend in mineral prices will continue to be flat or down over the long term, it is expected that, as a result of the project, potential investors will find promising targets that will allow them to position themselves favorably in the next minerals investment cycle.
<p>From Components to Outputs</p>		
<p>MMI commitment</p>	<p>M</p>	<ul style="list-style-type: none"> - Sector policies supported by the project are in-line with the country's overall development and economic policies. - A smooth, trust-based dialogue has been established during the on- going project between MMI, the project management and the WB project team.
<p>Effective procurement and financial management</p>	<p>N</p>	<ul style="list-style-type: none"> - The existing project management unit has demonstrated its efficiency under the first sector TA project.
<p>Consultants quality inputs and outputs</p>	<p>M</p>	<ul style="list-style-type: none"> - Quality control mechanisms for foreign consultants established under the first project have proven their efficiency and will be implemented as well under the proposed project - Improved, output-based mechanisms will be implemented for national consultants
<p>Awareness and stability of staff within institutions</p>	<p>M</p>	<ul style="list-style-type: none"> - A comprehensive training program will be implemented

Effective inter-institutional coordination	S	- The recently approved (July 2002) Decree regarding the use of part of the revenues generated by the sector institutions to fund their budget will improve the availability, motivation and sustainability of staff as well as provide the necessary means to operate - Activities in cooperation and actively involving the principal extra-sectorial institutions (environment, water) have been incorporated in the project design
Political interference	M	- Project implementation guidelines to be included in the Credit Agreement will aim at minimizing political interferences - Detailed and concrete outputs and indicators.
Qualified external auditor appointed on approved terms of reference before effectiveness	M	-Timely shortlisting of possible candidates
Overall Risk Rating	M	

Risk Rating - H (High Risk), S (Substantial Risk), M (Modest Risk), N (Negligible or Low Risk)

3. Possible Controversial Aspects:

None

G. Main Loan Conditions

1. Effectiveness Condition

(i) The Project account has been opened and counterpart funds deposited. (ii) The auditors have been appointed. (iii) The UCPM Project Director has been confirmed by the Government, a deputy accountant (Nouakchott) and the Zouerate UCPM regional coordinator (responding to UCPM Director) have been contracted. And (iv), the Project Implementation Plan (PIP), including the Administrative, Financial and Accounting Procedures (AFAP) manuals have been adopted by the Government and are acceptable to IDA

2. Other [classify according to covenant types used in the Legal Agreements.]

Financial Covenants : (i) The UCPM shall maintain or cause to be maintained records and accounts to reflect in accordance with sound accounting practices the operations, resources and expenditures; (ii) Records, accounts, special accounts, SOEs shall be audited by independent auditors acceptable to IDA; (iii) Production of quarterly FMRs.

H. Readiness for Implementation

1. a) The engineering design documents for the first year's activities are complete and ready for the start of project implementation.
1. b) Not applicable.
2. The procurement documents for the first year's activities are complete and ready for the start of

- project implementation.
- 3. The Project Implementation Plan has been appraised and found to be realistic and of satisfactory quality.
 - 4. The following items are lacking and are discussed under loan conditions (Section G):

I. Compliance with Bank Policies

- 1. This project complies with all applicable Bank policies.
- 2. The following exceptions to Bank policies are recommended for approval. The project complies with all other applicable Bank policies.



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Annex 1: Project Design Summary
MAURITANIA: SECOND MINING SECTOR CAPACITY BUILDING PROJECT

Hierarchy of Objectives	Key Performance Indicators	Data Collection Strategy	Critical Assumptions
<p>Sector-related CAS Goal: Accelerate private sector-led growth</p>	<p>Sector Indicators:</p> <ul style="list-style-type: none"> - Increased investment in the mining sector - Increased minerals exports 	<p>Sector/ country reports:</p> <ul style="list-style-type: none"> - Sector production and exports statistics 	<p>(from Goal to Bank Mission)</p> <ul style="list-style-type: none"> Continued supportive and pragmatic macroeconomic and sector policies - Favorable international mineral market prices and demand
<p>Institutional development and governance</p>	<ul style="list-style-type: none"> - Consolidation of public mining institutions and long-term sustainability of their core functions - Improved management of social and environmental impacts - Average time to grant a mining title maintained below 30 days at project closure 	<ul style="list-style-type: none"> - Resources analysis studies - Socio-economic surveys - Sector statistics - Stakeholders surveys - EIAs 	<ul style="list-style-type: none"> - Development of partnership and effective coordination between stakeholders (operators, government and communities) - Government awareness and commitment
<p>Basic infrastructure for sector development</p>	<ul style="list-style-type: none"> - Access for private operators to existing infrastructure linked to the Zouerate-Nouadhibou corridor - An increased number and diversification of economic activities/exports including minerals and others - Improved knowledge of location, access and quality of water resources 	<ul style="list-style-type: none"> - Macroeconomic studies and statistics - Sector statistics - Socio-economic surveys - Mining Cadastre review 	<ul style="list-style-type: none"> - Government commitment - Effective inter-institutional and sectoral coordination for data sharing and optimization

Hierarchy of Objectives	Key Performance Indicators	Data Collection Strategy	Critical Assumptions
<p>Project Development Objective: Build up and promote institutional and technical capacity to manage the country's mineral resources, including social and environmental management and improve sector contribution to national and regional economic development</p>	<p>Outcome / Impact Indicators:</p> <ul style="list-style-type: none"> - MMI able to promote, manage and monitor performance of the mining industry by further training of professional staff. - Systematic application of consultative processes - Sustainability Index of public mining institutions measuring staffing competence level, financial accounts, budget procedures, and staff remuneration 	<p>Project reports:</p> <ul style="list-style-type: none"> · Sector and institutional performance appraisals: · Mid-term and ICR reports covering institutional issues 	<p>(from Objective to Goal)</p> <ul style="list-style-type: none"> · Government capable of catalyzing and promoting mining sector development
<p>Promote private investments in mining</p>	<ul style="list-style-type: none"> - 10% increase in average cumulative annual investments in mining - 10% increase in average cumulative annual minerals exports by project end - Improved coverage and access to geological information - Baseline of mining sector impacts assessment and improved capacity for EIA monitoring - Socially and economically conflict-free industry 	<ul style="list-style-type: none"> · Macro-economic and sector statistics · Continued monitoring by MMI · Base line studies · Stakeholders surveys · Macroeconomic statistics · Socio-economic surveys · Project impacts assessment reports · Mid-term and ICR reports covering environmental and socio-economic issues 	<ul style="list-style-type: none"> · Diversified mining production projects · Favorable international mineral market prices and demand · Stable, politically neutral macroeconomic and sector policy environment · Environmental and social awareness and commitment of stakeholders · Favorable international mineral market prices and demand
<p>Creation and support to local economic development programs</p>	<ul style="list-style-type: none"> - 35 subprojects created before project end - At least 5 new economic activities identified and feasibility studies completed in the Zouerate-Nouadhibou corridor - 20% increase in average household income in the areas where local economic activities are implemented 		

Hierarchy of Objectives	Key Performance Indicators	Data Collection Strategy	Critical Assumptions
Output from each Component:	Output Indicators:	Project reports:	(from Outputs to Objective)
1. Improve the conditions for contribution of mining to sustainable local economic development in the Zouerate-Nouadhibou corridor	<ul style="list-style-type: none"> - 35 small grants projects successfully implemented by project end, with project completion reports submitted and reviewed -SNIM environmental audit presented and evaluated 18 months after effectiveness. -Regional development action plan, agreed upon by all stakeholders by midterm review -20% increase in average household income in areas where local economic development activities are implemented 	<ul style="list-style-type: none"> - Stakeholders surveys - Socio-economic studies - UCPM quarterly, annual and mid-term progress reports, and final report - WB aide memoires, PSRs and ICR 	<ul style="list-style-type: none"> - Stakeholders commitment - Identification of feasible alternative economic activities - Commitment of independent operators to small grants component objectives
2. Optimize and promote the development of mineral exploitation in NW Mauritania	<ul style="list-style-type: none"> - Sharing of existing infrastructure (railway or port) with other private operators by midterm review - A joint mining venture, or a new mining operator with a feasible project in the Zouerate-Nouadhibou region by project end. 	<ul style="list-style-type: none"> - Sector statistics - UCPM quarterly, annual and mid-term progress reports, and final report - WB aide memoires, PSRs and ICR 	<ul style="list-style-type: none"> - Gouvernement commitment - SNIM commitment and cooperation - Identification of feasible ore deposits
3. Increase and add value to geo-data to improve multi-sectoral use of earth sciences information, in particular with respect to management and promotion of mineral and water resources	<ul style="list-style-type: none"> - Airborne geophysical survey completed 18 months after effectiveness. - Geological mapping completed and products published 48 months after effectiveness. - Processing of geo-data: products published 48 months after effectiveness. At least 5 mineral resource studies and a Mauritania Mineral Resource Assessment guide published by project end. - Hydrogeological map published 36 months after effectiveness. 	<ul style="list-style-type: none"> - Maps, data-bases and reports - UCPM quarterly, annual and mid-term progress reports, and final report - WB aide memoires, PSRs and ICR 	<ul style="list-style-type: none"> -High quality consultants engaged for project components - Effective information and data sharing strategy
4. Consolidate the environmental management	<ul style="list-style-type: none"> - SIGE continuing to operate and sustainable at project end 	<ul style="list-style-type: none"> - EAs and EIAs evaluation reports 	<ul style="list-style-type: none"> - Continued availability of financial and human resources

<p>capacity of the minerals sector</p>	<ul style="list-style-type: none"> - SAE staff stable and in capacity to fulfill its functions on a continuous basis. - Coordination with the MDRE operating on a routine basis. - Timely, accurate processing of EIAs and EAs - Sustainability index, measuring client satisfaction, staffing requirements, financial autonomy of institutions. 	<ul style="list-style-type: none"> - UCPM quarterly, annual and mid-term progress reports, and final report - WB aide memoires, PSRs and ICR 	<ul style="list-style-type: none"> - Staff awareness and commitment - Operators commitment - Effective inter-institutional relationships
<p>5. Consolidate the public institutional and technical capacity for management of the mineral sector, including inter-institutional relationships (environment, water)</p>	<ul style="list-style-type: none"> - SIGM operating in a continuous and sustainable way. - DMG and Mining Cadastre staff stable and committed to project objectives. - No back-log of documents to be processed by the Mining Cadastre, DMG and MMI. - Mining Sector Promotion Unit operational by midterm review. - 100% of DMG and MMI staff trained by project end. 	<ul style="list-style-type: none"> - Customers surveys - Sector statistics - UCPM quarterly, annual and mid-term progress reports, and final report - WB aide memoires, PSRs and ICR 	<ul style="list-style-type: none"> - Effective and transparent information policy - Effective inter-institutional relationships - Continued availability of financial and human resources - Staff awareness and commitment

Hierarchy of Objectives	Key Performance Indicators	Data Collection Strategy	Critical Assumptions
Project Components / Sub-components:	Inputs: (budget for each component)	Project reports:	(from Components to Outputs)
Local Economic Development in Mining Areas	US\$ 7.15 million		
1.1 Development and diversification of local economic activities	US\$1.82 million	<ul style="list-style-type: none"> - Stakeholders surveys - Consultants reports - UCPM quarterly, annual and mid-term progress reports, final report - WB aide memoires, PSRs and ICR 	<ul style="list-style-type: none"> - Commitment of stakeholders (SNIM, communities, NGOs, WB and others) - Ownership of project objectives - Effective institutional set-up and coordination to supervise and orient activities - Quality and commitment of contracted consultants - No negative political interference
1.2 Improved service delivery in the Zouerate-Nouadhibou corridor	US\$0.75 million	<ul style="list-style-type: none"> -Stakeholder surveys -Consultant reports -PSRs and ICRs, WB aide memoires 	<ul style="list-style-type: none"> -Stakeholder cooperation -Government support to carrying out project objectives
1.3 Hydrogeological studies	US\$2.88 million	<ul style="list-style-type: none"> -Grant evaluation reports -Recipient surveys - Sector statistics and reports 	<ul style="list-style-type: none"> - Government commitment -Staff ability to administer and monitor the grants program - Effective supervision activities -Timely processing of grant requests
1.4 Strengthening of development management capacity	US\$1.53 million	-Sector reports and statistics	<ul style="list-style-type: none"> -SNIM cooperation -Government commitment
1.5 Supervision of local economic development	US\$0.17 million	- Interim reports and evaluation	-Staff stability and continuity
Geo-Information and development	US\$12.49 million		
2.1 Airborne geophysical surveys	US\$4.72 million	- Databases, CD-ROMs and maps produced as a result of the surveys covering the required areas.	<ul style="list-style-type: none"> - Government cooperation and assistance - High quality of recruited consultants
2.2 Geological surveys	US\$2.84 million	<ul style="list-style-type: none"> - Consultants reports and products - UCPM quarterly, annual and mid-term progress reports, final report - WB aide memoires, PSRs and ICR 	<ul style="list-style-type: none"> - Timely procurement of surveys and studies - Quality of works and contracted consultants - Effective inter-institutional coordination - Awareness and stability of

2.3 Hydrogeological mapping and water database of Mauritania	US\$0.74 million	<ul style="list-style-type: none"> - Consultant reports and products - Number of maps published and sector infrastructure studied. 	<ul style="list-style-type: none"> national staff - No negative political interference - Operators commitment - Timely procurement of surveys and studies - Quality of works and contracted consultants - Effective inter-institutional coordination - Awareness and stability of national staff
2.4 Synthesis of geological data and mineral resources information	US\$3.26 million	<ul style="list-style-type: none"> - UCPM quarterly, annual and mid-term progress reports, final report - WB aide memoires, PSRs and ICR 	<ul style="list-style-type: none"> - Timely implementation of procurement procedures - Effective inter-institutional coordination - Continued ownership of project objectives - Staff stability and awareness
2.5 Supervision of the geological infrastructure component	US\$0.93 million	<ul style="list-style-type: none"> - Consultant surveys and reports - Number of maps published 	<ul style="list-style-type: none"> - Adequate project coordination and supervision
3. Capacity building of private mining institutions	US\$4.49 million		
3.1 Mining Sector Promotion Unit	US\$1.31 million	<ul style="list-style-type: none"> - Number of investor demands answered 	<ul style="list-style-type: none"> - Quality of contracted staff - Effective inter-institutional cooperation
3.2 Mining cadastre unit follow-up	US\$0.31 million	<ul style="list-style-type: none"> - Client consultation, surveys - Number of exploration licenses issued 	<ul style="list-style-type: none"> - Ownership of project objectives - Timely implementation of procurement procedures - Quality and commitment of contracted consultants
3.3 Environmental management of the mining sector	US\$1.36 million	<ul style="list-style-type: none"> - Stakeholder surveys, client consultations - 	<ul style="list-style-type: none"> - Continuous SIGE commitment - Cooperation with stakeholders and effective information sharing
3.4 Institutional strengthening of the Directorate for Mining and Geology	US\$0.66 million	<ul style="list-style-type: none"> - Production and exports statistical data - Consultants reports - UCPM quarterly, annual and mid-term progress reports, final report - WB aide memoires, PSRs and ICR 	<ul style="list-style-type: none"> - Government commitment - Timely procurement - Quality of contracted consultants - Operators commitment
3.5 Training programs	US\$0.74 million	<ul style="list-style-type: none"> - Number of staff trained - Surveys done before and 	<ul style="list-style-type: none"> - Quality of consultants recruited and selected for

3.6 Supervision of institutional reinforcement	US\$0.11 million	after training -Interim reports and evaluation activities	training -Staff stability and quality of recruited international consultants
4. Project coordination and management	US \$2.07 million	<ul style="list-style-type: none"> - Quarterly, annual and mid-term progress reports, final report, all including financial and procurement assessments - Yearly financial audits - WB procurement and financial reviews - WB aide memoires, PSRs and ICR 	<ul style="list-style-type: none"> - UCPM staff continuity and stability - Continued project ownership - No political interference - Continued commitment to reform - Continued satisfactory performance of staff

Annex 2: Detailed Project Description
MAURITANIA: SECOND MINING SECTOR CAPACITY BUILDING PROJECT

By Component:

Project Component 1 - US\$7.15 million

Local economic development in mining areas

This component would support the empowerment of local communities and municipalities. The project will work on local economic development around the SNIM exploitation site and along the Zouerate-Nouadhibou corridor in NW Mauritania. The project will support activities aiming to (i) diversify the local economic base by seeking alternative economic activities, (ii) fund a small grants program to provide necessary funds to small businesses and entrepreneurs seeking to increase or diversify their productive capabilities; (iii) strengthen the capacity of local authorities for the delivery of social services; (iv) develop hydrogeological studies to improve the availability of water in the region; and (v) strengthen the regional development management capacities, especially in the environmental and social areas.

Subcomponent 1.1 Development and diversification of local economic activities (US\$1.82 million). The subcomponent would include the following activities:

(a) *Participatory identification of potential economic activities (US\$0.17 million).* This program would identify in a participatory way potential new local economic activities and initiatives in mining areas, feasible within a regional development framework, through workshops, studies and surveys. Participatory diagnostic is a key element in establishing partnerships among local communities, local authorities and mining societies, as it opens the dialogue and consultation among the different actors on local and regional development, and would identify potential demand and supply from the different groups of stakeholders. The participatory diagnostic would take place in the Zouerate area and seek to establish the demand for social infrastructure, service delivery, and alternative economic activities in line with development potential and priorities, and provide orientation and information to existing and potential artisans and small entrepreneurs. The diagnostic would be conducted among the local population, religious and regional authorities, local associations, NGOs and civil society, as well as SNIM representatives and employees providing an opportunity for consultation and active involvement of stakeholders. SNIM previous experience with diversification of economic activities, will be incorporated into the study. Specialized development NGOs and consultants would be contracted to carry out the planned activities.

(b) *Feasibility studies of social infrastructure, service delivery and alternative economic activities (US\$0.29 million)* This component would identify the feasibility of alternative economic activities, identified under the participatory process. A small number of activities will be selected as pilots and on the basis of this experience procedures will be adjusted as required and further activities will be selected. The feasibility studies would determine the local development needs, along with the necessary infrastructure. The studies would be completed by local and international consultants, specialized in desert zone development in agriculture, tourism, artisanal and industrial activities. The studies would develop the implementation strategy, which would include a multisectoral approach. Coordination of activities with relevant ministries and institutions is implied as part of the studies. The feasibility studies would also calculate the costs of carrying out the diversification of economic activities.

(c) *Small grants program to support diversification of local economic development and technical assistance (US\$1.21 million)* The small grants program would be established in zones of influence of mining activities, principally along the Zouerate-Nouadhibou corridor and, at a later stage, in other mining areas. It will be administered by the project management unit, UCPM. The target group of the

small grants program includes: (i) artisanal and small-scale economic activities by associations, cooperatives or firms, in order to improve the incomes and living conditions of the local communities; (ii) social infrastructure selected by local communities through a participatory approach; (iii) transfer of services. The grants program would provide the necessary funds to artisans and small entrepreneurs to diversify and/or increase their productive capabilities through improved level of expertise, increased capacity, purchase of new equipment, training and new business development. The grants program would also seek to diversify economic activities in the area by engaging small-scale operators in supply-chain activities, services, agriculture, manufacturing, packaging, tourism and others. The program would work with already-established and to be established small businesses, NGOs, community organizations, which would use the grant money to create, expand or diversify their activities either through the provision of supplies or services, to mining companies, or in sectors not related to mining in order to reduce the community dependence from mineral operations. A small number of pilots will be selected and pilot funding will be provided up to 90% of project costs to provide an initial demonstration effect of the program. Based on the experience of the pilots, procedures and criteria will be adjusted as required to improve effectiveness. Following the pilot projects the percentage of grant funding provided will be reduced. Maximum grant amount would reach US\$20,000. Conditions to benefit from the program would be applied to ensure a substantial vested interest by grant recipients in the projects outcome. Such conditions will include an appropriate cost sharing formula or other commitments, depending on socio-economic threshold and criteria. Concessional cost sharing percentages will apply to vulnerable groups including women and the elderly. On the basis of periodical invitation to present proposals (about three times a year), the projects would be screened, selected and approved through a three steps procedure, involving a technical and institutional evaluation by a committee involving representatives from the MMI/UCPM, from the Civil Society, external experts and the Bank. Results will be publicized to ensure transparency. Projects completion reports would be collected and evaluated twelve months after the start of the project. The credit would fund the contracting of a development NGO to provide on-site assistance for the program management and implementation.

(d) *Information and monitoring (US\$0.15 million)*. Stakeholders surveys, workshops and information campaigns would be carried out during implementation in order to assist in management of community expectations and to keep informed the various parties, including populations, local and national authorities, companies, the government and donors regarding activities progress and outcomes.

Subcomponent 1.2 - Improved service delivery in the Zouerate-Nouadhibou corridor (US\$0.75 million)
This subcomponent would provide technical assistance to streamline and improve the provision of services to local communities situated along the Zouerate-Nouadhibou corridor. The project would act as a link in the definition and implementation of a sustainable system for the delivery of certain services, including by private sector contractors, in coordination with, i.a. other Bank's projects such as the on-going Urban Development Project (PDU), or the Agence d'Acces Universel. The project would, if feasible, support short- to mid-term improvements of delivery mechanisms of certain services, to be identified in the context of participatory diagnostic, in coordination with longer term initiatives (e.g. the PDU).

Subcomponent 1.3 - Hydrogeological studies (US\$2.88 million). Any new development - and even, at term, the mere survival of existing activities - depend on the identification of new water resources within the region, both for industrial and community uses. The subcomponent will finance hydrogeological studies in the Zouerate - Choum segment of the corridor area (Fig.1). The objective would be to locate new water reservoirs, through inventory of existing information, satellite imagery and aerial photo data interpretation as well as detailed geological and ground geophysical and exploration surveys. Development of identified resources would be carried out within the framework of other initiatives. National and international consultants and works would be contracted with credit funds to implement the program.

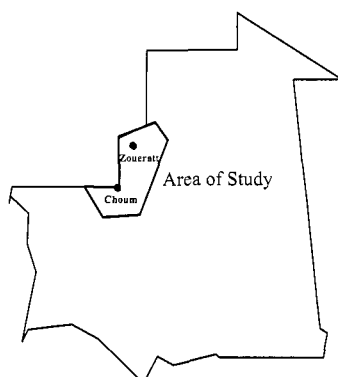


Fig.1 Location of selected area for hydro-geological studies

Subcomponent 1.4 - Strengthening of development management capacities (US\$1.53 million). This component would consist of three parts, namely (i) support to municipalities for the set-up of community development plans through participatory approach, technical assistance and training; (ii) reinforcement of the regional capacity to manage social and environmental impacts of mining development, including SNIM's social and environmental management capacities and (iii) assistance to strategic long-term economic development planning of the area, namely through the optimization of SNIM's contribution to such development. SNIM, (Societe Nationale Industrielle Miniere) was established in 1974 and is currently the largest exporter in Mauritania. Iron ore deposits in the North of the country are substantial, and deposit exploration over the long term is an important theme in the country's macroeconomic development. Mineral resource exploration is also crucial for Zouerate regional growth. Under this component, the project would finance technical assistance to municipalities and to SNIM, as well as goods to municipalities. SNIM would provide the funding for environmental studies, field work, chemical analyses, personnel hiring and training as well as field and office infrastructure.

Subcomponent 1.5 - Supervision of local economic development (US\$0.17 million) Consultative process with the stakeholders, as well as the diversification of local economic base is an involved process, which requires continuous supervision throughout implementation. This component includes international consultant services to supervise local economic development activities in the targeted areas. The supervision activities would include the consultative process with local stakeholders, expansion of the local economic base, and presentation of international best practice to guide the development efforts.

**Project Component 2 - US\$12.49 million
Geo-information and Development**

The main objective of this component is to provide geoscientific information necessary to a variety of sectors to enhance the economic development of Mauritania. The provision of geo-data is fundamental for good governance and proper management of territory. The information would support activities related to many sectors, such as water resources and environmental management, promotion of investments in the mining sector and others. PRISM-1 funded the production of environmental, geological, geochemical and geophysical data and mineral resources maps over selected areas of Mauritania. That information raised awareness regarding the country's mineral potential in the investment community. In addition, further processing would extend the benefits of this knowledge resource and improve access - since it clearly constitutes a public good - to a broader spectrum of stakeholders. Additional geological information will also be used to improve the identification and management of water resources. Nevertheless, there still remain important areal gaps to be surveyed. This component would seek to address these issues and would consist of the following activities:

Subcomponent 2.1 - Airborne geophysical surveys (US\$4.72 million) Airborne geophysics represents a key methodological, cost- and time-efficient tool for providing information on surface and sub-surface rocks characteristics and geology. The areas to be flown will amount to a total of about 680,000 line kilometers, covering about 480,000 square km, over three selected areas complementing the works carried out under PRISM 1 (see Fig. 2). Measurements will be done at an average altitude of 100 meters above ground and at 700 meters intervals between lines and would include magnetometry and spectrometry. Financing would be provided under the IDA Credit as well as under an Islamic Development Bank (IDB) parallel funding.

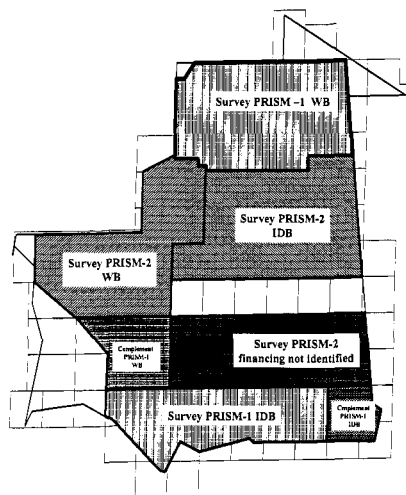


Fig.2 Schematic map showing areas surveyed under Prism 1 and selected to be surveyed under Prism 2.

Subcomponent 2.2. - Geological surveys (US\$2.84 million) Geological mapping carried out under PRISM-1 (a synthesis covering the whole country at a 1:500,000 scale and 32 mapsheets surveyed at a 1:200,000 scale) already confirmed and identified parts of the country's mineral potential. The raw data produced so far contributed to attracting the attention of private mining investors and the interest of other sectors. As already mentioned, there is a need to extend the coverage of areas not yet covered under the first survey. This component would finance the production by international consultants of about 17 geological maps at the 1:200,000 scale (ca. 185,000 square kilometers) over selected areas of the country. Financing would be provided under the IDA Credit and IDB parallel funding.

Subcomponent 2.3 - Hydrogeological mapping and water data base of Mauritania (US\$0.74 million) In the context of Mauritania, the availability of water resources determines social and economic development of the country. The present drought, in addition to the arid, desert climate, makes water one of the most precious natural resources in Mauritania, where exploration of water resources is an essential component for the populations. In most parts of the country, availability of water is a pre-requisite for any mining project development, as it is needed at several stages of the production cycle. This component would assist the development of a national computerized water wells data base and information system, in close cooperation with the National Water Resources Center (CNRE), based on CNRE own data and on that generated under PRISM 1. A hydrogeological map done at the scale of 1:500,000 would be completed, compiling geological and geophysical data assembled during PRISM-1 and CNRE data. International and national consultants would be contracted under the IDA credit to develop the information system, disseminate the information and produce the map. Necessary hardware and software, equipment, and training would be procured under the credit.

Subcomponent 2.4 - Synthesis of geological data and mineral resources information (US\$3.26 million)

This component would provide assistance to further process geo-data generated under PRISM-1 and PRISM-2 and prepare maps, documents and materials aiming at promoting the mining sector as well as spreading the use of the information to other sectors and users, including foreign investors, local administrations and civil society. Geological, geophysical, geological, geochemical and satellite imaging data would be integrated, and products would include i.a. the publishing of a geological map of Mauritania at the 1:1,000,000 scale as well as regional mineral resources assessments, ore deposits modelling and exploration of methodology guidelines, thematic studies on geo-environment and other documents would be generated. Financing would be provided under the IDA credit to contract international and national consultants. Parallel financing would be provided by JICA (Japanese International Cooperation Agency) to train OMRG (Mauritanian Geological Research Office) in ore deposits modelling and mineral resources assessment documents production, to be promoted by the MMI's Mining Promotion Unit (UPM, see 3.1 below).

Subcomponent 2.5 - Supervision of the geological infrastructure component (US\$0.93 million) The highly technical nature of the airborne geophysical surveys and cartography requires engineering supervision to ensure the best possible quality of output. The role of the supervising team would be to ensure smooth progress of the activities by hiring a team of consultants, as has been done under PRISM-1. The team would advise the Project Management Unit, evaluate bidding documents, oversee works progress, evaluate the product's quality, assist in the coordination of training programs to strengthen the capacity of institutional technical staff, and disseminate products and information generated by the project.

Project Component 3 - US\$ 4.49 million
Capacity building of public mining institutions

Significative progress has been achieved under PRISM-1 regarding the development of sector management capacity. However, as demonstrated under this project as well as in many others worldwide, institutional strengthening is a long process, mostly with respect to involved cultural and methodological changes required to modernize the system. At the PRISM-1 mid-term review, in April 2003, a number of issues have been identified which will need to be addressed under the proposed project. Such issues are mainly: (i) to improve sector information management and promotion aiming at potential investors and - likewise important - civil society, authorities and other involved stakeholders; (ii) to consolidate the sector management capacity regarding the administration of mining titles, environmental permitting and monitoring of sector compliance with respect to the regulatory framework; (iii) to further develop the sector human resources knowledge and capacity through continued training programs; and (iv) to ensure the long term sustainability of the sector public institutions. Sector sustainability will be insured through the application of 40% of funds generated by sector institutions. The funds generated will be put in a special account and used for sector reinforcement.

Subcomponent 3.1 - Mining Sector Promotion Unit (US\$1.31 million) The objective of the Mining Sector Promotion Unit (UPM) would be to increase the Government's capacity for sector promotion - in a broad sense - programs by allocating adequate human, operational and financial means. The entity would be established under the auspices of the Minister of Mines and Industry and would benefit from the operational and legal status similar to the successor users regarding mineral development. It would prepare or commission development studies, e.g. regarding the contribution of mining to socio-economic and environmental improvement, or identification of possible new projects. It would assist national and international investors, authorities and CSOs, and would be responsible for the coordination of collection, storage, maintenance and distribution of the available data on the country's mineral resources. The component would provide funds for the establishment of the unit through procurement of goods and works, including hardware, software and office equipment; for contracting international as well as national consultants to set up the unit, for preparing studies and materials and for carrying out promotion

and dissemination activities.

Subcomponent 3.2 - Mining cadastre unit follow-up (US\$0.31 million) Created under PRISM-1, the Mining Cadastre Unit (UCM) has become a successful and exemplary operation, facilitating access and security of tenure to mining titles for exploration and exploitation activities. The Cadastre has become fully operational, and assistance to its organization will end with PRISM-1. After operation for two-three years without supervision, the Cadastre would face the need for monitoring, upgrade, and evaluation of its activities. This component would finance a modernization of the system, gradual replacement of equipment, and international consultant services.

Subcomponent 3.3 - Environmental management of the mining sector (US\$1.36 million) PRISM-1 initiated the institutional capacity building for environmental management of the mining sector. PRISM-1 assisted the Government to set up the sector environmental regulatory and institutional framework, developed pilot studies of the social and economic impacts produced by mining activity, as well as a study of environmental conditions in the potential mining zone in the Northern part of the country. The component would follow the activities initiated under PRISM-1. The component would finance:

(a) Coordination of activities with the Ministry of Rural Development and the Environment (MDRE) and the Environmental Affairs Service (SAE), part of the MMI's Directorate of Mines and Geology (DMG) (US\$0.15 million). This program would finance activities to optimize cooperation between the two organizations for the issuance of environmental permits, as defined under the environmental regulations. The component would streamline the procedures involving the MRDE and DMG's Environmental Affairs Service (SAE), and would develop EIAs assessment capacity, mainly by means of on-the job training to staff through technical assistance to be provided by international and national consultants to be contracted under credit funds.

(b) Support to DMG's Environmental Affairs Service (SAE), NGOs and civil society to implement the regulatory framework (US\$0.86 million). The Environmental Decree for Mining Activities, expected to be approved in 2003, defines a clear framework of regulatory responsibilities for mining companies and for the state regarding environmental management. During the PRISM-1 project, a unit responsible for processing environmental permitting has been set up under the DMG, equiped and trained to handle environmental matters related to mining activities. However, the unit still lacks hands-on experience and practice for EIAs assessments. In addition, the defined procedures have only been tested on a virtual basis. The component would provide technical assistance to develop such capacity mainly by means of on the job training to SAE, NGO and other stakeholders' staff on the critical aspects of environmental management from consultations to preparation and evaluation of EAs and EIAs and preparation for mine closure through technical assistance to be provided by international and national consultants to be contracted under the credit funds. Within this framework, an important activity would consist of carrying out, by national consultants with participation of SAE staff, an environmental assessment of the closed Akjoujt copper mine, in order to train the SAE personnel regarding the planning, implementation and technical constraints of environmental audits.

(c) Strengthening of the Environmental Information and Management System (SIGE) (US\$0.35 million). The SIGE has been established under PRISM-1 and the information generated so far inputted into the systems. However, the functioning of the system as a tool supporting environmental management and dissemination of information has not yet been tested yet under fully operational conditions (partly because the Environmental Decree for Mining Activities had not yet been passed. This activity will therefore provide resources to adjust and improve the SIGE, including its operability regarding the transparent and efficient processing of environmental permitting, dissemination and access to information by all concerned stakeholders and links with other sectoral or non-sectoral data bases. International and national consultants would be contracted and equipment renewed as needed.

Subcomponent 3.4 - Institutional strengthening of the Directorate for Mining and Geology (DMG) (US\$0.66 million). Further support would be provided to the DMG to strengthen its sector management capacity, including limited infrastructure improvement as needed. Particular emphasis would be given to DMG abilities to properly monitor the sector compliance with respect to regulations in providing technical assistance to the Mining Inspectorate services and the means to carry out actual field work. The DMG would also provide resources to strengthen the Geological and Mining Information System (SIGM), set up under PRISM-1 through contracting of international and national consultants and provisioning of goods to upgrade the system, and to link it to other institutions (e.g. CNRE, OMRG).

Subcomponent 3.5 - Training programs (US\$0.74 million) This component will provide training to further develop the capacities of people involved directly - agencies responding to MMI, SNIM and others - or indirectly - (e.g. CSOs, representatives of local authorities and others) in sector activities and to improve mineral resources governance. The training program will consist of i) creation of a training network throughout Mauritania; ii) on the job training under the different components; iii) publicly and privately organized workshops and study programs in Mauritania; iv) short international study tours; v) participation in international seminars and conferences for qualified staff. International training will consist mainly of programs in Europe, South Africa, North America and/or Australia to increase existing qualifications, or in other African countries and in Latin America for staff to share experiences in the execution of similar sector development activities.

Subcomponent 3.6 - Supervision of institutional reinforcement activities (US\$0.11 million) The high complexity of the institutional capacity building process requires expert advice and supervision throughout the duration of the activity. This component would include services of international consultants to facilitate interinstitutional dialogue, manage the coordination of efforts, integrate component activities, and consolidate institutional strengthening.

Project Component 4 - US\$2.07 million

Project coordination and management

Mining Project Coordination Unit (UCPM), established under the first project, would continue operating under this component. Current project staff will be reinforced by an evaluations specialist and a staff accountant. During the period of overlap of the two projects (PRISM-1 closes on December 31, 2004, while PRISM-2 will become effective in 2003), the UCPM will coordinate project activities in parallel to make sure that the two budgets, procurement and disbursement activities are run separately. The UCPM staff, already well trained during PRISM-1, would be responsible for a) closely following the project plan, including follow-up and evaluation activities; b) establishing annual program budgets and assuring adequate mobilization of resources; c) procurement, including consultants, goods and works; d) disbursement. In addition, a regional unit, subordinate to the national UCPM, will be established in Zouerate to manage and coordinate the activities to be developed in the Zouerate-Nouadhibou corridor (ZNC), principally under component 1. Also, an eminent person would be engaged to lead and facilitate the activities of the monitoring Committee which would be established to monitor and assess the actions to be implemented in the ZNC. The UCPM will serve as a liaison between the project and the World Bank office, as well as the Ministry of Mines and Industry (the Executing Agency), the Ministry of Rural Development and the Environment (MDRE), the National Center for Water Resources (CNRE), the National Industrial and Mining Company (SNIM), local governments, NGOs and civil society and provide direct information on project implementation and outcomes.

Annex 3: Estimated Project Costs
MAURITANIA: SECOND MINING SECTOR CAPACITY BUILDING PROJECT

Project Cost By Component	Local US \$million	Foreign US \$million	Total US \$million
1. Local economic development in mining areas	4.56	2.26	6.82
2. Geo-information and development	3.32	8.88	12.20
3. Institutional consolidation of the mining sector	2.05	2.22	4.27
4. Project management	2.01	0.00	2.01
Total Baseline Cost	11.94	13.36	25.30
Physical Contingencies	0.10	0.20	0.30
Price Contingencies	0.20	0.40	0.60
Total Project Costs¹	12.24	13.96	26.20
Total Financing Required	12.24	13.96	26.20

Project Cost By Category	Local US \$million	Foreign US \$million	Total US \$million
Goods	1.30	0.31	1.61
Works	3.13	3.97	7.10
Services	5.73	8.33	14.06
Training	0.06	0.64	0.70
Small Grants	0.80	0.00	0.80
Incremental Costs	0.92	0.11	1.03
Contingencies	0.30	0.60	0.90
Total Project Costs¹	12.24	13.96	26.20
Total Financing Required	12.24	13.96	26.20

¹ Identifiable taxes and duties are 0 (US\$m) and the total project cost, net of taxes, is 26.2 (US\$m). Therefore, the project cost sharing ratio is 68.7% of total project cost net of taxes.

Annex 4: Economic Analysis

MAURITANIA: SECOND MINING SECTOR CAPACITY BUILDING PROJECT

Mining production in Mauritania consists today of iron ore (produced since 1961) and, to a less extent, industrial minerals. Copper has also been exploited at the Akjoujt mine between 1970 and 1980. Iron ore accounts for one-third to one-half of the country's exports, and hence greatly influences the gross value of minerals production. Mining revenues contribute 12% to the country's GDP. Mauritania's total exports in 2001 were about US\$393 million, of which iron ore exports, at US\$197 million, amounted to 50% of the total.

The state-owned SNIM has been generally responsible for 35-50% of the country's total exports, owing to the dependence on iron ore for export revenues. Future mining exploration belongs to expansion in gold mining and diamonds. Average annual investment in the mining sector has been expanding, rising to US\$13.5 million in 2001 from US\$4.4 million in 1997 and almost nil in the early 90s. The positive investment trend is likely due to the new sector policy and to the Mining Law, which was enacted in 1999 and established a modern framework for sector development (e.g. abolishing the local partner association requirement for new investments), and the set up of an efficient Mining Cadastre facilitating the access to mineral resources and ensuring the security of tenure for mining titles -- a pre-requisite for sector investments. Mauritania is currently trying to expand and diversify the export base through the promotion of new mining activities. In addition to iron ore, salt and phosphates are also produced, and there is a good potential for minerals such as diamonds, gold, copper, platinum and paladium, among others. Mauritania's diamond potential is being explored by Rex Diamond Mining Corporation, Diamet, Ashton Mining, Brick Capital Corporation, Dianet, and De Beers. As of 2002, 34 exploration licenses for diamonds were being held by different companies, concentrating in the Northern part of the country. With respect to gold, 54 exploration licenses have been issued, also as of 2002, with BHP, Rex Mining, Luchosol and Brick Capital active in this sector. There is also a good potential for the quarrying and export of ornamental stones. Furthermore, the iron ore resources in the Zouerate region are far from being exhausted and the potential to further develop this sector is deemed to be very attractive, either in association with the national SNIM company or through new grass root projects. The existence of the railway transport infrastructure and of the mineral harbour in the so-called Zouerate-Nouadhibou Corridor represents an attractive element to promote growth for iron production.

In addition to an increase in mineral export value, and potential impacts on local economic development (see component 1 of the proposed project), the impact of the projected sector development on fiscal revenues (other than SNIM, which generates about US\$15 to US\$20 million/year) as a result of the new sector policy, can be estimated in the range of US\$5 to US\$10 million per year, depending on the scenario. Under the 2002 Model Mining Convention, mining companies are subject to mining royalties, calculated on the basis of selling price of the mineral for the given year. The rate is fixed according to the substance group to which the mineral belongs.

To test the robustness of the possible contribution of mining to the economy, two scenarios (low and high case) have been constructed.

Mauritania Mineral Production and Export Projections by 2015 (US\$ million)

Scenario	Gross Production Value (US\$million)	Gross Export Value (US\$million)	Exploration Investment (US\$million)
2002	197	197	11
Low 2010	300	300	25
High 2010	340	310	30
Low 2015	385	380	50
High 2015	440	430	60

Economic benefits of mining include the development of supply networks, transfer of technology, and direct and indirect job creation. Environmental regulations will be put in place as a result of the project, along with monitoring capabilities to minimize damage to the environment from mining operations.

Low Case Scenario: SNIM iron ore exports decrease to US\$150 million per year. One diamond mine starts operating by 2008. Akjoujt project is delayed until 2009.

High Case Scenario: SNIM iron ore exports remain around US\$200 million. Two small gold mines start production by 2008, and a third one starts production by 2010. A diamond mine is commissioned in 2008, and another one in 2012. Industrial minerals production for the domestic market reaches about US\$5 million by 2010.

Iron Ore: Current reported production: 10,7 million tons in 2001. Low Case Scenario: average iron ore prices decreasing to about \$18 per ton by 2005, and remaining at that level until 2010; Pellet plant starts operating by 2005 with an annual capacity of 4 million tons per year. High Case Scenario: average iron ore prices increasing to US\$23 per ton between 2008 and 2012; Pellet plant starts operating by 2004, with an annual capacity of 7 million tons per year. The opening of new iron ore operations has not been included, but this would nevertheless remain a plausible hypothesis boosting the projected figures by an estimated 30%.

Copper: Current reported production: none. Low Case Scenario: Akjoujt delayed 6 years; copper prices remain at US\$.80 per pound. High Case Scenario: Akjoujt delayed 4 years; copper prices recover to reach US\$1.00 per pound.

Gold: Current reported production: none. Low Case Scenario: Average annual investment: US\$10 million 2003-2012; Annual Exports: US\$5 million in 2005, and \$10 million by 2012; High Case Scenario : Average annual investment: US\$15 million (2002-2012); Annual Exports: US\$10 million in 2005, US\$25 million by 2012.

Diamonds: Current reported production: none; Low Case Scenario: Average annual investment: US\$15 million (2005-2015); Annual Exports: \$10 million in 2007, and \$20 million by 2010; High Case Scenario: Average annual investment: US\$20 million (2005-2015); Annual Exports: US\$10 million in 2005, and US\$50 million by 2012.

Mining industry in Mauritania

Exploration investment in the Mining sector in Mauritania since 1997 to 2001 developed as the chart below illustrates (in million \$US):

Years	1997	1998	1999	2000	2001
SNIM		0.9	1.5	2.1	3.2
REX		2.8	2.4	2.5	2.5
J.M.ASHTON-DIA MET	1.5	1.9	2.3	2.5	1.8
NORMANDY LASOURCE	2.6	2.2	2.5	2.8	2.7
GGI	.3	0.2	0.1	0.0	
GRI		0.1	0.3	0.4	0.5
GMJV		0.4	0.7	1.2	
BHP		0.0	0.2	0.5	1.6
De Beers		0.0	0.0	0.0	1.2
TOTAL	4.4	8.2	10.0	12.0	13.5

There were 88 mining permits issued in Mauritania in 2002, covering 304,240 km squared. 72 of the 88 permits were held by foreign enterprises. Foreign and local enterprises paid more than US\$500,000 in taxes for permits and exploration rights. Exploration titles are held by Ashton, Rex, SNIM, De Beers, Sophosma, and Samin, among others.

Annex 5: Financial Summary
MAURITANIA: SECOND MINING SECTOR CAPACITY BUILDING PROJECT

Years Ending
December 31

	IMPLEMENTATION PERIOD						
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Total Financing Required							
Project Costs							
Investment Costs	0.4	3.6	5.5	7.0	5.5	2.5	0.5
Recurrent Costs	0.1	0.2	0.3	0.3	0.2	0.1	0.0
Total Project Costs	0.5	3.8	5.8	7.3	5.7	2.6	0.5
Total Financing	0.5	3.8	5.8	7.3	5.7	2.6	0.5

Financing							
IBRD/IDA	0.4	3.1	4.5	4.5	3.5	1.5	0.5
Government	0.1	0.2	0.3	0.3	0.2	0.1	0.0
Central	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Provincial	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Co-financiers	0.0	0.5	1.0	2.5	2.0	1.0	0.0
User Fees/Beneficiaries	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Project Financing	0.5	3.8	5.8	7.3	5.7	2.6	0.5

	OPERATIONAL PERIOD						
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Total Financing Required							
Project Costs							
Investment Costs	0.1	0.2	0.4	0.5	0.3	0.7	0.4
Recurrent Costs	0.2	0.2	0.3	0.3	0.4	0.4	0.4
Total Project Costs	0.3	0.4	0.7	0.8	0.7	1.1	0.8
Total Financing	0.3	0.4	0.7	0.8	0.7	1.1	0.8

Financing							
IBRD/IDA	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Government	0.3	0.4	0.7	0.8	0.7	1.1	0.8
Central	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Provincial	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Co-financiers	0.0	0.0	0.0	0.0	0.0	0.0	0.0
User Fees/Beneficiaries	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Project Financing	0.3	0.4	0.7	0.8	0.7	1.1	0.8

Main assumptions:

Annex 6(A): Procurement Arrangements
MAURITANIA: SECOND MINING SECTOR CAPACITY BUILDING PROJECT

Procurement

General

1. A Country Procurement Assessment Review (CPAR) for Mauritania has been carried out in 1999 and updated June 2002. It concludes that, as a rule, national procedures for procurement of works, goods and services are acceptable to IDA subject to a few amendments. So far, the findings of the CPAR remain valid. A new Procurement Code has been enacted in February 2002, based on the Bank's CPAR recommendations, and will be partially amended in a near future to take into account a few observations suggested by the Bank.

2. No special exceptions, permits or licenses need to be specified in the Credit documents for International Competitive Bidding (ICB) since Mauritania procurement regulations allow IDA procedures to take precedence over any contrary provisions of local regulations. National Competitive Bidding (NCB), advertised locally, would be carried out in accordance with Mauritania procurement law and regulations, acceptable to IDA, provided they ensure economy, efficiency, transparency, and broad consistency with key objectives of the Bank Guidelines.

Use of Bank Guidelines

3. Goods and works financed by IDA will be procured in accordance with *IDA Guidelines for Procurement under IBRD Loans and IDA Credits dated January 1995 and revised in January 1996, August 1996, September 1997, and January 1999*. Bank Standard Bidding Documents (SBD), and Standard Evaluation Report (SER) will be used for International Competitive Bidding (ICB). For NCB procedures, the Government gave assurance during negotiations that the following principles would be adhered to: (i) bids are advertised in national newspapers with a wide circulation; (ii) bid evaluation and bidder qualification criteria would be clearly specified in bidding/pre-qualification documents and will not be applied arbitrarily; (iii) any bidder would be given adequate response time (at least four weeks) for preparation and submission of bids; (iv) all bids would be submitted in one envelope to be opened publicly; (v) point systems would not be used for bid evaluation for works; (vi) the award of contracts would be announced to all bidders; (vii) eligible firms would not be precluded from participation; (viii) no preference margin is granted to domestic contractors and suppliers; (ix) contracts would be awarded to the lowest evaluated bidder in accordance with predetermined and transparent methods; (x) bid evaluation reports would clearly state the reasons to reject any non-responsive bid and (x) prior to issuing the first call for bids, draft standard bidding documents prepared as annexes to the Administrative, Financial and Accounting Procedures Manual would be submitted to and found acceptable by IDA.

4. Consultancy services financed by IDA will be procured in accordance with *IDA Guidelines for the Selection of Consultants by World Bank Borrowers dated January 1997, revised in September 1997 and January 1999 and May 2002*. The standard Request for Proposals (RFP) as developed by the Bank will be used for the selection of consulting firms. Simplified contracts, acceptable to the Bank, will be used for short term assignments, i.e. those not exceeding six months, or for those costing less than USD200,000. The Government has been briefed during appraisal as well as negotiations about the features of the most recent consultants Guidelines, in particular with respect to advertisement, proposals opening and the various steps of IDA review.

5. Small Grants. Procurement of services, works and goods under Small Grants contracts would follow the procedures defined in the PIP and in accordance with the simplified procurement procedures referred to in Section 3.15 of the *Guidelines for Procurement under IBRD Loans and IDA Credits*, and with the Bank's *Guidelines for Simplified Procurement and Disbursement for Community-based*

Investments (February 1998).

Procurement methods (Table A)

6. Procurement of Works. The project will finance works contracts for an estimated total amount of USD7.33 million equivalent, of which IDA will finance USD24.55 million, including (i) civil works related to the rehabilitation and improvement of existing facilities to provide adequate office space to municipalities within mining areas and to sector institutions; (ii) publication of promotion and educational materials, scientific documents and maps; and (iii) airborne geophysical surveys. The contracts estimated to cost more than USD500,00 each, related to water exploration and to the airborne geophysical survey to be funded under the IDA Credit, represent an estimated cost of USD1.70 million and 2.20 million respectively, and will be procured according to **International Competitive Bidding** (ICB) procedures, with post-qualification. Other airborne surveys would be procured according to the procedures of the respective parallel financiers. Civil works procurement, representing an amount of USD0.35 million, shall be carried out through **National Competitive Bidding** (NCB) procedures for contracts estimated to cost more than USD100,000 each, including 1 package for works at DMG and UCM. Other contracts, including publications, smaller civil works and maintenance, each estimated to cost less than USD100,000 and representing an aggregate amount of USD0.25 million, will be procured through **small work contracts** procedures.

7. Procurement of Goods. The project will finance the purchase of goods for an estimated total amount of USD1.68 million equivalent, of which IDA will finance USD1.45 million, including (i) office equipment, hardware and software, (ii) vehicles and (iii) field equipment and instruments. All identified good contracts and included in the Procurement Plan, agreed at negotiations, are estimated to cost less than USD200,000. Most of the goods will be procured as packages using (a) **NCB** procedures when costing more than USD50,000, including vehicles (2 packages at an estimated cost of USD0.40 million) and hardware and software (2 packages at a total estimated cost of USD0.38 million); office and IT supplies would be mostly purchased through annual based supply contracts ("*marche de clientele*"), following NCB procedures; (b) **National Shopping** (NS) procedures acceptable to the Bank, based on the evaluation of at least three price quotations and in accordance with provisions of paragraph 3.5 and 3.6 of the Guidelines, for items costing less than USD50,000, including office equipment, furniture, training materials and documentation; and (c) **International Shopping** (IS) procedures, acceptable to the Bank for contracts costing less than USD100,000, and based on the same procedures as NS, for specialized small equipments (e.g environmental monitoring instruments) and foreign documentation and technical literature. In the case goods contracts estimated to cost more than USD200,000 each would be needed and agreed between the Borrower and the Association, they would be procured according to ICB procedures

8. Consultancy Services and Training. The project will finance the contracting of consultancy services for studies, technical assistance and training up to an estimated total amount of USD14.6 million, of which USD9.8 million will be financed by IDA.

Firms. Firms will be recruited on the basis of the **Quality and Costs Based selection** (QCBS) method, for an estimated aggregate of USD6.86 million, using the Bank's Standard Request for Proposals, to provide services including (a) within selected mining areas in NW Mauritania (i) community driven and local economic development, (ii) improvement of services provision to communities, (iii) hydrogeological studies and (iv) environmental and social management capacity building for municipalities and mining companies; (b) over selected areas of Mauritania (i) regional geological mapping, (ii) development of hydrogeological data bases and maps, (iii) processing and synthesis of available geo-data and production of thematic maps, documents and promotion materials, and (iv) supervision of geo-information related services and works; (c) public mining sector institutional

strengthening: (i) assistance to the DMG environmental unit (SAE) to review and assess EIAs and audits; and (d) the project's financial audits. Exceptions to the QCBS method, for an estimated aggregate of USD2.04 million, will include the use of **Selection Based on Consultant's Qualification (CQ)** for the contracting of services related to (a) in selected mining areas of NW Mauritania (i) feasibility studies regarding the development of local economic activities, (ii) municipal management capacity building, and (iii) monitoring workshops and information; (b) over selected areas of Mauritania (i) mineral resources thematic studies and (ii) supervision of hydrogeological data-bases and investigations; and (c) public mining sector institutional strengthening (i) sector promotion, (ii) follow-up of the mining cadastre (UCM), (iii) support to the DMG environmental unit (SAE), including the information and management system (SIGE), and (iv) continued assistance to the modernization of the DMG. For contracts based on a short list of consultants estimated to cost USD50,000 or less per contract, the short list may consist entirely of national consultants if a minimum of three qualified ones are available.

Individuals. Individuals will be recruited in cases where a firm is not needed. Such individuals will be selected and recruited on the basis of qualification and experience (CQ) in accordance with Bank Guidelines, for an estimated total amount of USD1.36 million.

Commercial Practices. Services to assist Beneficiaries in carrying out Subprojects pursuant to Component 1.1 of Annex 2 of the Project, may be procured in accordance with commercial practices acceptable to the Association and specified in the Project Implementation Plan (see also paragraph 9 of this annex).

9. Small Grants. Small grants for a total of USD0.84 million equivalent will be awarded to artisanal and small-scale associations, cooperatives, or enterprises within the zone of influence of mining operations, and to CSOs and private organizations working with communities in such areas, to carry out projects aiming at the diversification of local economic activities, and improvement of livelihood, environmental, social and/or working conditions. Financing would not exceed USD20,000 equivalent per project and they will have a maximum duration of 12 months. They will be implemented by the beneficiaries themselves. On the basis of periodical invitation to present proposals (about three times a year), the projects would be screened, selected and approved through a three steps procedure, involving a technical and institutional evaluation by a committee involving representatives from the MMI/UCPM, from the Civil Society, external experts and the Bank. Eligibility criteria and procedures are defined in a special chapter of the PIP, to be approved by the Borrower and acceptable to IDA before project effectiveness. The implementation may involve a mixture of work force accounted by the beneficiaries, consultancy services, small civil works, purchase of equipment or materials and/or expenditures related to training. Conditions to benefit from the program would be applied to ensure a substantial vested interest by grant recipients in the projects outcome. Such conditions will include cost sharing formula or other commitments, depending on socio-economic threshold and criteria. These activities would come under a Grant Agreement between the UCPM and the beneficiary. Monitoring and ex-post audits will be carried out by UCPM and, on a random basis, by the Bank and through independent technical audits.

10. Incremental Recurrent Costs. The project would finance incremental recurrent costs up to an amount of USD1.06 million equivalent, of which USD0.55 would be financed by IDA. Incremental recurrent cost would include (a) expenditures for the contracting of auxiliary personnel required for the implementation of the project; and (b) expenditures and supplies for the operation and maintenance of facilities required for the implementation of the project (such as expenditures for office supplies, rental fees, services, operation and maintenance of equipment financed out of the proceeds of the Credit), as well as for domestic and international travel and per diems related to project implementation activities. All procurement within this category shall be done according to the procedures defined in the Project Implementation Plan manual (PIP). The approval by IDA and the adoption by MMI of this manual is a condition of effectiveness of the Credit, and any amendment to such manual will have to be also

acceptable to IDA.

Advertising

11. A general procurement notice (GPN) will be prepared and issued upon Board Approval in the United Nations Development Business listing all contracts above US\$ 500,000 for works and US\$ 200,000 for consultants. It would be updated annually for any outstanding major procurement contracts. Specific Procurement Notices for works to be procured by ICB will be advertised in the national press of wide distribution and internationally. Requests for expression of interest will be published in local newspapers and in the UNDB for consultancy contracts estimated to cost more than US\$ 200,000. Responses will be recorded in a register established at the UCPM. Since a large portion of the Credit funds will be used for technical assistance and consulting assignments, early attention will be given to advance planning of recruitment and timely search for expressions of interest through international advertising to obtain the best possible pool of candidates from which strong short lists can be compiled. The related bidding documents, as applicable, will not be released – or the short list for consultant services will not be prepared – before eight weeks after the GPN has been published. Specific procurement notices (SPN) will be advertised in the national press of wide circulation and internationally for large contracts. Sufficient time will be allowed to obtain bid documents and to prepare bids.

IDA Review

12. All contracts for works above US\$500,000 and for goods above US\$200,000 will be subject to IDA's prior review procedures. The use of IDA's standard bidding documents will considerably expedite the prior review process as IDA review will primarily focus on invitations to bid, bid data sheets, contract data, technical specifications, bill of quantities/schedule of requirement and other contract specific items. The review process would cover about 76 percent of the total value of the amount contracted for works. Procurement post review of contracts awarded below the threshold levels will apply and should cover 15 % of contracts in term of number. In the event samples of post reviews indicate major problems, additional reviews, financed by the Borrower, should cover the remaining portion of contracts. Draft standard bidding documents for NCB will be reviewed and agreed upon with IDA prior to Credit effectiveness.

13. For consultant services, prior review will include the review of budgets, short-lists, selections procedures, terms of reference, letters of invitation, proposals, evaluation reports and draft contracts. Prior IDA review will not apply to contracts for the recruitment of consulting firms and individuals estimated to cost less than US\$ 200,000 and US\$ 50,000 equivalent, respectively. However, IDA prior review will apply to the Terms of Reference of such contracts, regardless of value, to single-source hiring, to assignments of a critical nature as determined by IDA or to amendments of contracts raising the contract value above the prior review threshold. Documents related to procurement below the prior review thresholds will be maintained by the borrower for ex-post review by auditors and by IDA supervision missions. The Project Unit will be required to maintain all relevant procurement documentation for subsequent review by IDA. The Project Unit will submit to IDA periodic procurement schedules detailing each procurement package in progress and completed as part of the normal project reporting exercise.

Procurement Implementation Arrangements

14. Procurement responsibility for the project rests with UCPM. Under the proposed project, it will be responsible for the quality of these procurements and adherence to Bank procedures. The tasks of UCPM will comprise: (a) maintaining a register of all interested bidders; (b) maintaining a detailed list of technical specifications of goods and services to be financed by the project; (c) preparation of the procurement plan and calendar; (d) preparation and/or finalization of pre-qualification /bidding documents and requests for proposals; (e) bid evaluation and preparation of evaluation reports; (f)

contract approval process through CCM/CDM (see below) and IDA, respectively; (g) receipt of goods and services and dispatching; and (h) processing international and local price quotations.

15. In addition to IDA procedures, UCPM will process procurement according to the Mauritanian legislation through the Departmental Tender Board - *Commission Departementale des Marches* (CDM) - responding to the MMI, for the procurement of contracts between UM2 million and UM25 million (about US\$7,500 and US\$100,000 equivalent, respectively) for consultant services, between UM2 million and UM30 million (about US\$7,500 and US\$120,000 respectively), for goods and finally between UM3 million and UM75 million (about US\$11,000 and US\$280,000 respectively), for works. The National Tender Board - *Commission Nationale des Marches* (CCM) - will be responsible for processing procurement above those thresholds. The UCPM would prepare bidding documents but would not award contracts, which is the responsibility of the CDM and the CCM, respectively. The involvement of CDM may be further increased, as it is foreseen that the thresholds would be raised in a forthcoming revised Prime Minister Decree.

Procurement Capacity Assessment

16. A procurement capacity assessment of the existing implementing agency (UCPM) has been conducted during project preparation. The following points emerged from this assessment:

- The UCPM has gained extensive experience and managed satisfactorily IDA and IDB procurement procedures under a previous project as well as the on-going Mining Sector Capacity Building Project (Cr. 3206-MAU). The unit is well organized, has clearly defined procurement responsibilities and skilled staff. It has the capacity to manage the Procurement Cycle well and has a good record keeping system. Even though the proposed project involve a more diverse stakeholders basis, UCPM staff will be able to monitor and coordinate all contracts.
- As mentioned under paragraph 14 of this Section, entities other than UCPM and IDA are involved in the procurement process:
 - (i) The National Tender Board (CCM) is involved in the procurement process of all IDA projects in Mauritania. It has a demonstrated a good procurement management capacity and is well experienced with respect to the implementation of Bank procedures and guidelines.
 - (ii) However the Departmental Tender Board - *Commission Départementale des Marchés* (CDM) - responding to the MMI- has at present a weak procurement capacity and experience, due to its so far limited involvement in procurement management because of the very low upper threshold – about US\$4,000 – above which the procedures were transferred to CCM. Consequently, the CDM has no permanent trained staff nor equipment. After the recent procurement reform, CDM will now be responsible to process a larger volume of contracts due to the raised thresholds of contracts value controlling its involvement: up to about US\$280,000 for works, US\$120,000 for goods and US\$100 000 equivalent for consultant services. Even though the UCPM staff will be responsible to prepare the procurement documents and to provide technical assistance to the CDM, it will be necessary to strengthen this unit's procurement management capacity.
- On the basis of the present procurement capacity assessment, the MMI's CMD should establish a unit with one permanent experienced staff, and office facilities and supplies in order to provide timely and adequate procurement services. The Credit would provide support to the strengthening of the MMI's CDM by financing, technical assistance, office supplies and equipment to the CDM, as well as training to CDM staff. The GoM agreed to execute the procurement capacity building plan below for the CDM.

Capacity Building Plan

Required action	Schedule	Responsible
Make available for the Departemental Tender Board (<i>Commission Départementale des Marchés</i> CDM) a sufficient space for meeting, preparation of bidding documents and conservation of files.	Before the end of September 2003	MMI
Designation of administrative agent as permanent staff for CDM.	Before the end of September 2003	MMI
Recruitment of procurement specialist to provide technical assistance for the first six months for supporting CDM and coaching administrative agent who will be fully responsive after this periode.	Before the end of September 2003	UCPM
Supply necessarily equipments for preparation, copying and conservation of procurement documents.	Before the end of September 2003	UCPM
Training of CDM permanent staff and CDM members.	During first 6 months after effectiveness	UCPM

Procurement Plan (PP)

17. The draft Procurement Plan for works, goods and services to be procured by UCPM during the five years of project implementation has been prepared and agreed upon between the Borrower and IDA during negotiations. At latest by January 31 of each subsequent year, the procurement plan related to the agreed Annual Work Program will be updated and submitted to the Bank for review and approval. The PP shows the step-by-step procedures for procurement, contract packages for goods, works and consultants services and training, estimated cost and the procurement/selection method, the activities which follow procurement, such as manufacture, shipment, delivery and installation of goods; mobilization, construction and completion of works. It is mandatory that all procurement be carried out in accordance with the formally agreed procurement plan (original and formally up-dated). Therefore, for the purpose of this project, agreed Procurement Plans will determine procurement methods and it is not necessary to set up the corresponding aggregate total amounts. The PP will be an integral part of the Project Implementation Plan (PIP) which will be acceptable to the Bank and formally approved by the Borrower as a conditionality for project effectiveness.

Procurement methods (Table A)

Table A: Project Costs by Procurement Arrangements
(US\$ million equivalent)

Expenditure Category	Procurement Method			N.B.F.	Total Cost
	ICB	NCB	Other ²		
1. Works	4.40 (4.11)	0.27 (0.23)	0.25 (0.21)	2.40 (0.00)	7.32 (4.55)
2. Goods	0.00 (0.00)	1.55 (1.33)	0.14 (0.12)	0.00 (0.00)	1.69 (1.45)
3. Services	0.00 (0.00)	0.00 (0.00)	10.25 (9.84)	4.30 (0.00)	14.55 (9.84)
4. Training	0.00 (0.00)	0.00 (0.00)	0.74 (0.74)	0.00 (0.00)	0.74 (0.74)
Small Grants	0.00 (0.00)	0.00 (0.00)	0.84 (0.84)	0.00 (0.00)	0.84 (0.84)
Incremental costs	0.00 (0.00)	0.00 (0.00)	0.76 (0.58)	0.30 (0.00)	1.06 (0.58)
Total	4.40 (4.11)	1.82 (1.56)	12.98 (12.33)	7.00 (0.00)	26.20 (18.00)

^{1/} Figures in parentheses are the amounts to be financed by the IDA Credit. All costs include contingencies.

^{2/} Includes civil works and goods to be procured through national shopping, consulting services, services of contracted staff of the project management office, training, technical assistance services, and incremental operating costs related to (i) managing the project, and (ii) re-lending project funds to local government units.

Table A1: Consultant Selection Arrangements (optional)
(US\$ million equivalent)

Consultant Services Expenditure Category	Selection Method							Total Cost ¹⁾
	QCBS	QBS	SFB	LCS	CQ	Other	N.B.F.	
A. Firms	6.86 (6.67)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	2.04 (1.95)	0.00 (0.00)	4.30 (0.00)	13.20 (8.62)
B. Individuals	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	1.35 (1.22)	0.00 (0.00)	0.00 (0.00)	1.35 (1.22)
Total	6.86 (6.67)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	3.39 (3.17)	0.00 (0.00)	4.30 (0.00)	14.55 (9.84)

¹⁾ Including contingencies

Note: QCBS = Quality- and Cost-Based Selection

QBS = Quality-based Selection

SFB = Selection under a Fixed Budget

LCS = Least-Cost Selection

CQ = Selection Based on Consultants' Qualifications

Other = Selection of individual consultants (per Section V of Consultants Guidelines), Commercial Practices, etc.

N.B.F. = Not Bank-financed

Figures in parentheses are the amounts to be financed by the Bank Credit.

Prior review thresholds (Table B)

Table B: Thresholds for Procurement Methods and Prior Review¹

Expenditure Category	Contract Value Threshold (US\$ thousands)	Procurement Method	Contracts Subject to Prior Review (US\$ millions)
1. Works	>500	ICB	All/1.7
	100-500	NCB	None
	<100	Price quotations	None
2. Goods	>200	ICB	All/0.0
	50-200	NCB	None
	<100	IS	None
	<50	NS	None
3. Services Firms Individuals	>200	QCBS	All/8.5
	<200	QCBS, CQ	None
	>50	CQ	All/1.1
	<50	CQ	None
4. Training			Annual training plans and all out-of-country training
5. Small Grants			PIP Small Grants Procedures
6. Miscellaneous			

Total value of contracts subject to prior review: USD12.3 million (about 76% of total, excl. N.B.F contracts)

Overall Procurement Risk Assessment: Average
Frequency of procurement supervision missions proposed: One every 12 months (includes special procurement supervision for post-review/audits)

¹ Thresholds generally differ by country and project. Consult "Assessment of Agency's Capacity to Implement Procurement" and contact the Regional Procurement Adviser for guidance.

**Annex 6(B): Financial Management and Disbursement Arrangements
MAURITANIA: SECOND MINING SECTOR CAPACITY BUILDING PROJECT**

Financial Management

1. Summary of the Financial Management Assessment

1.1 UCPM financial management assessment was conducted to: (a) determine if it has acceptable procedures of financial management in term of internal and external controls and of management of financial information; and (ii) make recommendations on how to minimize the fiduciary risk components identified.

1.2 The computerized financial management system set up under the first TA project will be updated. The UCPM will maintain accounts and payments of the proposed project, clearly separated from the first TA project.

1.3 An Accountant Assistant would be recruited to reinforce the FM unit.

1.4 Financial Reporting : Separate financial statements will be prepared for the project. They will comprise: (i) a statement of source and application of Funds for the project during the current financial year and cumulative since the start of the project; and (ii) a balance sheet. These two financial statements will be prepared annually. In addition, the project management unit will submit quarterly reports using the FMR models including financial reports, physical progress reports and procurement/contracts reports, within 45 days of the end of the reporting period.

2. Audit Arrangements

Financial Audit. The consolidated financial statements of the project will be audited for each fiscal year by an independent auditor acceptable to IDA in accordance with standards on auditing also acceptable to IDA. Audit reports of reasonable scope and detail will be submitted to IDA within six months of the end of the audited period. The auditor will provide an opinion on: (i) the project financial statements (statement of Source and Application of Funds and Balance Sheet); (ii) the statement of expenditures (SOE); (iii) the special account (SA); and (iv) the project account. The auditor will also issue a separate management report on internal and operational procedures outlining any recommendations for improving internal accounting controls and operational procedures identified as a result of the financial statement audit at the levels of UCPM, MMI implementing agencies and Community-based organizations.

3. Disbursement Arrangements

Method of Disbursement. The borrower will use transaction-based disbursements (traditional mode) in accordance with procedures outlined in the Bank's Disbursement Handbook.

Minimum of Application Size. The minimum application size for direct payments, to be withdrawn directly from the Credit Account, and special commitments is: (i) USD200,000 equivalent for goods and USD500,000 equivalent for works; (ii) USD200,000 equivalent for consulting and auditing services, in the case of consulting firms, and USD50,000 equivalent, in the case of individual consultants.

Allocation of credit proceeds (Table C)

The Credit would be disbursed over a period of 60 months (the Project completion date would be September 15, 2008 and the Credit closing date is March 15, 2009), as follows: (i) 100 percent of foreign and 85 percent of local expenditures for contract works; (ii) 100 percent of foreign and 85 percent of local expenditures for goods; (iii) 100 percent of foreign, 85% (firms) and 90% (individuals) of local expenditures for consultancies (including audits); (iv) 100 percent for training and seminars; (v) 100

percent of expenditures for small grants, and (vi) 85 percent for incremental operating costs. Disbursement of Credit proceeds would be made against six categories (base costs): (i) contract works (USD4.32 million); (ii) goods (USD1.38 million); (iii) consulting contracts (USD9.35 million); (iv) training and workshops (USD0.70 million); (v) small grants (USD0.80 million), and (vi) incremental operating costs, including audits (USD0.55 million). Unallocated funds amount to USD0.90 million.

Table C: Allocation of Credit Proceeds

Expenditure Category	Amount in US\$million	Financing Percentage
Works	4.32	100 percent of foreign and 85 percent of local expenditures
Goods	1.38	100 percent of foreign and 85 percent of local expenditures
Consultants services	9.35	100 percent of foreign, and 85 percent (firms) and 90% (individuals) of local expenditures
Training	0.70	100%
Small Grants	0.80	100%
Incremental recurrent costs	0.55	85%
Unallocated	0.90	
Total Project Costs with Bank Financing	18.00	
Total	18.00	

Use of statements of expenditures (SOEs):

Disbursements will be made against Statement of Expenses (SOEs) for contracts and goods not requiring the Bank's prior review. Therefore disbursements for all contracts for: goods of less than US\$ 200,000, for works of less than USD500,000, for consulting services, training and publications by firms and individuals of less than US\$ 200,000 and US\$50,000 respectively; and all incremental operating expenses and small grants would be made on the basis of SOEs and certified by the UCPM. SOE statements will be audited annually by independent auditors acceptable to the Bank. All SOEs supporting documentation will be kept therefore by the UCPM and made available for review by bank supervision missions and external auditors.

Special account:

Payments from the Credit proceeds would be administered by the UCPM from a Special Account. The Special Account would be maintained in US dollars in a commercial bank selected by the Borrower and acceptable to the World Bank. The authorized allocation, sufficient for about four months of eligible expenditures, would be USD1,000,000; however, the initial allocation would be limited to USD500,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into the Bank shall be equal to or exceed SDR 1,500,000. The Special Account would be managed by the UCPM which would be responsible for preparing disbursement requests. These requests would be submitted on a monthly basis. Replenishment of the Special Account would follow Bank procedures. Disbursements will be made under the authorized signature from a designated representative of the Borrower. The Special Account would be audited annually by independent auditors acceptable to the Bank.

Annex 7: Project Processing Schedule
MAURITANIA: SECOND MINING SECTOR CAPACITY BUILDING PROJECT

Project Schedule	Planned	Actual
Time taken to prepare the project (months)	5	9
First Bank mission (identification)	07/28/2002	07/28/2002
Appraisal mission departure	11/04/2002	04/29/2003
Negotiations	12/09/2002	05/07/2003
Planned Date of Effectiveness	05/19/2003	09/15/2003

Prepared by:

The World Bank Oil, Gas, Mining and Chemicals Department jointly with the Ministry of Mines and Industry the Mining Sector Capacity Building Project Coordination Unit.

Preparation assistance:

PHRD Grant for project preparation, Environmental and Social Department of the Africa region

Bank staff who worked on the project included:

Name	Speciality
Paulo de Sa	Task Team leader
Gotthard Walser	Senior Mining Specialist
Peter van der Veen	Sector Manager, Peer Reviewer
Ahmedouould Hamed	Senior Procurement Specialist
Brahimould Abdelwedoud	Municipal Officer
Alexandra Pugachevsky	Operations Analyst
Sandra Cesilini	Senior Social Specialist, Peer Reviewer
Salamata Bal	Social Specialist
Yahya Ould Aly Jean	Disbursement Assistant
Christopher Sheldon	Senior Mining Specialist
Hans Wabnitz	Senior Counsel
Wolfgang M.T. Chadab	Finance Officer
Amelia Williams	Team Assistant
Yves Duvivier	Country Office Manager, Mauritania
Eavan O'Halloran	Operations Officer
Claude Ginet	Consultant, Geologist
Cherif Diallo	Senior Implementation Officer, Peer Reviewer
Desire Coquillat	Consultant, Financial Management Assessment
Anna Martella	Consultant, Anthropologist

Annex 8: Documents in the Project File*
MAURITANIA: SECOND MINING SECTOR CAPACITY BUILDING PROJECT

A. Project Implementation Plan

Draft Project Implementation Plan (March 2003)
Procurement Plan (April 2003)

B. Bank Staff Assessments

PRISM 1 Mid-term review aide memoire (April 2002)
Identification mission aide memoire and BTO (August 2002)
Preparation mission aide memoire and BTO (November 2002)
Pre-appraisal mission aide memoire and BTO (March 2003)
Financial Management Assessment Report (April 2003)

C. Other

Sectoral Environmental Assessment, Tecsalt (April 2003)
Resettlement Policy Framework (April 2003)
Draft Small Grants Manual (April 2003)
*Including electronic files

Annex 9: Statement of Loans and Credits
MAURITANIA: SECOND MINING SECTOR CAPACITY BUILDING PROJECT
21-May-2003

Project ID	FY	Purpose	Original Amount in US\$ Millions		Cancel.	Undisb.	Difference between expected and actual disbursements*	
			IBRD	IDA			Orig	Frm Rev'd
P069095	2002	Urban Development Program	0.00	70.00	0.00	74.66	15.94	0.00
P071308	2002	EDUCATION SECTOR DEVELOPMENT PROGRAM	0.00	49.20	0.00	48.39	-4.71	0.00
P071881	2002	MR Global Distance Learning Center	0.00	3.30	0.00	2.78	1.28	0.00
P064570	2000	CULTURAL HERITAGE	0.00	5.00	0.00	2.82	1.94	0.00
P044711	2000	Maur:INTEG DEV PROG FOR IRRIGATED AGR	0.00	38.10	0.00	15.93	4.43	0.00
P066345	2000	MR EGY/WATER/SANITATION SECTOR REFORM	0.00	9.90	0.00	5.46	8.03	0.00
P057875	1999	MINING SECT CAPACITY	0.00	15.00	0.00	5.72	4.00	0.00
P063791	1999	MR - TELECOM & POSTAL REFORM	0.00	10.80	0.00	2.68	2.79	0.00
P055003	1999	NUTRITION (LIL)	0.00	4.90	0.00	2.28	2.11	2.36
P035689	1998	HEALTH SECTOR INVEST	0.00	24.00	0.00	8.52	8.62	7.84
P046650	1997	MR REGIONAL POWER	0.00	11.10	0.00	1.30	1.49	-0.20
Total:			0.00	241.30	0.00	170.55	45.92	10.00

MAURITANIA
STATEMENT OF IFC's
Held and Disbursed Portfolio
Jun 30 - 2002
In Millions US Dollars

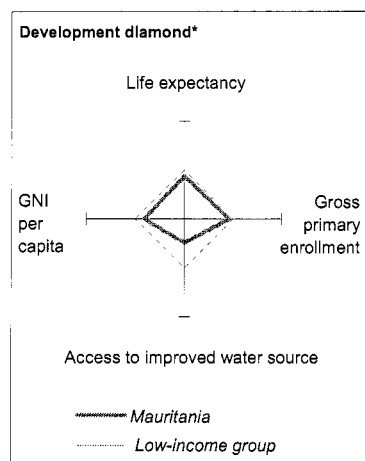
FY Approval	Company	Committed				Disbursed			
		IFC				IFC			
		Loan	Equity	Quasi	Partic	Loan	Equity	Quasi	Partic
1997	BMCI	3.50	0.00	0.00	0.00	3.50	0.00	0.00	0.00
1996/00	GBM	7.00	0.00	0.00	0.00	7.00	0.00	0.00	0.00
1999	PAL-Tiviski	0.50	0.00	0.00	0.00	0.44	0.00	0.00	0.00
1999	SEF Lemhar	0.44	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Portfolio:		11.44	0.00	0.00	0.00	10.94	0.00	0.00	0.00

FY Approval	Company	Approvals Pending Commitment			
		Loan	Equity	Quasi	Partic
Total Pending Commitment:		0.00	0.00	0.00	0.00

Annex 10: Country at a Glance

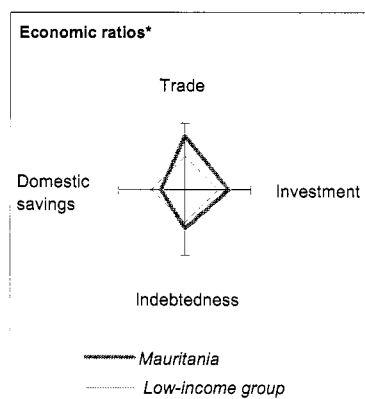
MAURITANIA: SECOND MINING SECTOR CAPACITY BUILDING PROJECT

POVERTY and SOCIAL	Mauritania	Sub-Saharan Africa	Low-income
2001			
Population, mid-year (millions)	2.8	674	2,511
GNI per capita (Atlas method, US\$)	350	470	430
GNI (Atlas method, US\$ billions)	0.96	317	1,069
Average annual growth, 1995-01			
Population (%)	3.2	2.5	1.9
Labor force (%)	3.3	2.6	2.3
Most recent estimate (latest year available, 1995-01)			
Poverty (% of population below national poverty line)	46	..	..
Urban population (% of total population)	59	32	31
Life expectancy at birth (years)	52	47	59
Infant mortality (per 1,000 live births)	74	91	76
Child malnutrition (% of children under 5)	32	..	..
Access to an improved water source (% of population)	37	55	76
Illiteracy (% of population age 15+)	59	37	37
Gross primary enrollment (% of school-age population)	88	78	96
Male	89	85	103
Female	82	72	88



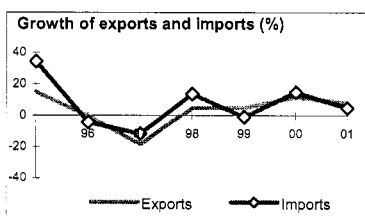
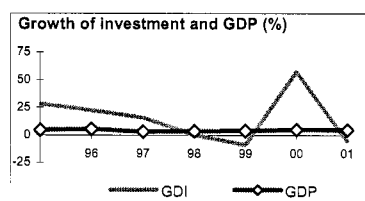
KEY ECONOMIC RATIOS and LONG-TERM TRENDS

	1981	1991	2000	2001	
GDP (US\$ billions)	0.86	1.1	0.98	1.0	
Gross domestic investment/GDP	26.5	17.9	30.3	26.7	
Exports of goods and services/GDP	39.3	44.1	40.1	38.2	
Gross domestic savings/GDP	0.5	9.7	18.4	14.0	
Gross national savings/GDP	9.6	9.7	29.8	19.9	
Current account balance/GDP	-17.1	-8.2	1.1	-5.1	
Interest payments/GDP	2.1	2.2	..	..
Total debt/GDP	112.7	193.6	189.5	181.9	
Total debt service/exports	22.4	17.3	..	..
Present value of debt/GDP	..	..	61.7	60.0
Present value of debt/exports	..	..	128.4	136.8
(average annual growth)					
GDP	0.2	4.3	5.1	4.6	5.8
GDP per capita	-2.3	1.3	1.6	1.4	3.1
Exports of goods and services	0.2	3.1	11.9	8.0	8.6



STRUCTURE of the ECONOMY

	1981	1991	2000	2001
(% of GDP)				
Agriculture	31.9	28.7	21.3	20.9
Industry	26.2	30.0	29.1	28.6
Manufacturing	..	10.8	8.6	8.0
Services	41.9	41.3	49.6	50.5
Private consumption	65.4	72.1	64.7	70.4
General government consumption	34.2	18.2	17.3	15.6
Imports of goods and services	65.3	52.3	52.2	50.7
(average annual growth)				
Agriculture	1.4	4.6	2.8	-0.2
Industry	4.7	2.1	6.7	1.4
Manufacturing	-1.6	-0.5	3.3	5.9
Services	1.1	5.6	5.9	8.5
Private consumption	-0.9	2.2	-16.4	14.6
General government consumption	-3.5	2.5	23.2	-5.6
Gross domestic investment	3.4	10.6	57.5	-5.4
Imports of goods and services	-1.7	2.9	14.8	4.8

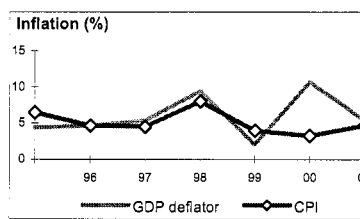


Note: 2001 data are preliminary estimates.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

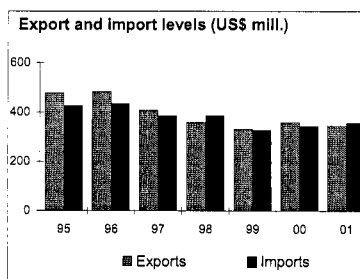
PRICES and GOVERNMENT FINANCE

	1981	1991	2000	2001
Domestic prices (% change)				
Consumer prices	..	5.6	3.3	4.7
Implicit GDP deflator	7.3	9.8	10.7	5.4
Government finance (% of GDP, includes current grants)				
Current revenue	..	22.6	25.8	28.1
Current budget balance	..	1.4	9.0	11.4
Overall surplus/deficit	..	-5.7	-3.1	2.4



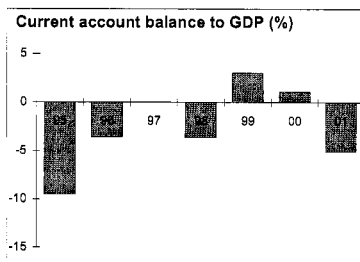
TRADE

	1981	1991	2000	2001
(US\$ millions)				
Total exports (fob)	..	434	359	345
Iron ore	..	212	202	188
Fish	..	222	157	155
Manufactures
Total imports (cif)	..	416	343	357
Food	..	121	120	113
Fuel and energy	..	39	100	92
Capital goods	..	78	78	61
Export price index (1995=100)	..	110	82	87
Import price index (1995=100)	..	108	98	95
Terms of trade (1995=100)	..	101	83	91



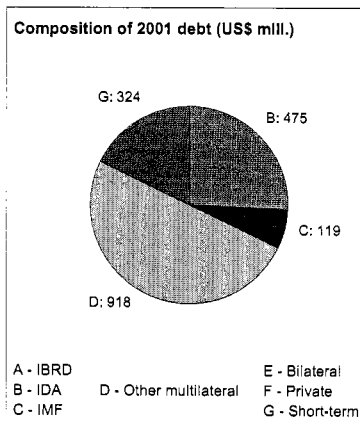
BALANCE of PAYMENTS

	1981	1991	2000	2001
(US\$ millions)				
Exports of goods and services	319	498	392	385
Imports of goods and services	514	591	493	496
Resource balance	-196	-93	-101	-111
Net income	-51	-61	-20	-58
Net current transfers	99	62	132	117
Current account balance	-147	-93	11	-51
Financing items (net)	171	121	-35	18
Changes in net reserves	-24	-28	24	33
Memo:				
Reserves including gold (US\$ millions)	166	67	255	286
Conversion rate (DEC, local/US\$)	48.3	81.9	238.9	255.2



EXTERNAL DEBT and RESOURCE FLOWS

	1981	1991	2000	2001
(US\$ millions)				
Total debt outstanding and disbursed	967	2,188	1,852	1,836
IBRD	11	43	0	0
IDA	44	224	449	475
Total debt service	77	88	..	..
IBRD	1	15	2	0
IDA	0	2	7	9
Composition of net resource flows				
Official grants	..	..	..	..
Official creditors	145	25	..	..
Private creditors	-15	-2	..	..
Foreign direct investment	12	2	42	14
Portfolio equity	0	..	..	..
World Bank program				
Commitments	3	0	63	123
Disbursements	17	14	57	47
Principal repayments	0	12	6	5
Net flows	17	1	51	42
Interest payments	1	5	3	3
Net transfers	16	-4	48	38



Additional Annex 11: SECTORAL ENVIRONMENTAL ASSESSMENT SUMMARY

MAURITANIA: SECOND MINING SECTOR CAPACITY BUILDING PROJECT

Context

The first Mining Sector Capacity Building Project (PRISM 1) funded activities supporting the reform of the Mauritanian mining sector, in order to build up the Government management capacity and to attract investments. The legal framework was modernized, an institutional strengthening program was initiated and a series of activities implemented to develop the national technological capacity and to provide the geo-information needed to administer the sector (i.e. environmental studies, geological mapping, geophysical surveys). The second part of this project, PRISM-2, is currently in preparation and will continue to assist the Government to improve sector development management.

On the basis of its objectives and planned activities, PRISM 2 has been categorized by the World Bank as environmental category B. A Sector Environmental Assessment (SEA) has been carried out by an independent consultant firm, contracted by the Borrower, as part of project preparation. The objectives of the SEA were to identify the social and economic impacts potentially triggered by PRISM-2 implementation, to propose realistic measures which would avoid or reduce these potential impacts, and to integrate these measures into project design, in particular in its environmental component. This document summarizes the main findings and recommendations of the SEA.

Objectives of the proposed project

The development objectives of the proposed project would be to build-up and consolidate the Government's long term institutional and technical capacity to manage the country's mineral resources, including social and environmental management; to encourage private investments in the minerals sector; and to increase fiscal revenues from the mining sector and improve the sector contribution to national and regional socioeconomic development.

Project components

The proposed project will continue the activities successfully implemented under PRISM-1 - including geo-information infrastructure development and institutional strengthening. In addition, it will incorporate hydrogeological research, local economic development in mining sector communities, closely focusing on mining sector contribution to the fight against poverty.

There are four project components:

- Local economic development in mining areas, focusing mostly on the Zouerate-Nouadhibou corridor, which will include building social and environmental management capacity for local governments;
- Geo-information and development;
- Institutional reinforcement (including environmental management); and
- Project management.

Potential mining development scenario

Once the PRISM is completed, Mauritania will benefit at the national scale, from promotion tools for the mining sector, geological maps at various scales and geophysical surveys on almost all of its territory. In the Zouerate-Nouadhibou corridor area, there will be reinforcement of local authorities capacity to take responsibility independently of the SNIM activities, increase iron production, whether by the SNIM or by other operators, environmental management capacity building of the SNIM, as well as improvement of the efficiency and use of existing infrastructures and potential construction of new infrastructures. South of the Mauritanides, a detailed hydrogeological study will be conducted.

Regarding institutional capacity building, a mining promotion unit will be created, mining cadastral survey office reinforced, a coordination mechanism between the SAE and DEAR established, a baseline environmental study in the Mauritanides southern area achieved, environmental audits of Akjoujt copper mine and SNIM operations finished, and inter-departmental analysis of the environmental impact study of the Bofal-Loubboïra phosphates deposit exploitation completed.

With the exception of mining activities of the SNIM (iron) in the north of the country, SAMIA (gypsum) in Nouakchott area and sand quarries (which those on the littoral are the subject of a moratorium), there are currently no other mining activities in Mauritania. Projects which could soon begin operating include the iron production increase project of the SNIM, the Akjoujt copper deposit re-exploitation (GEMAK), the Tasiast goldfield and Bofal phosphate exploitation (SOPHOSMA).

Legal and institutional framework.

Mauritania is party to numerous international environmental conventions, including those on climate change and biodiversity.

In accordance with Mauritania Mining Policy Declaration, dated March 6th 1997, the private sector is in charge of developing the Mauritanian mining industry, while assuming all risks and the financial, material and human responsibility required for the sector development. The State of Mauritania, however, shall ensure favourable conditions for investment, promotion of the sector and setting up of an appropriate legal and institutional framework. Through its Water and Energy Sectors Development Policy Declaration, dated September 23rd 1998, Mauritania recognizes the need to ensure the sustainable development of the water sector and to improve longterm management of water resources.

The Environment Parent Act (Parent Act) has been promulgated in July 2000 and application decrees are currently under preparation. Numerous legal texts cover the fields of environment quality, protected areas, protection of endangered species, control of land and resources use, health and occupational safety, as well as impact assessment and analysis processes and public consultation and community participation. Few application decrees are enforced, however.

In reference to local legislation, a process of decentralisation and devolution is under preparation. According to existing legislation, municipal authorities have the responsibility to assume the management of district interests; they ensure public services needed by local populations which do not fall under the state's responsibility. The mayor ensures, under the control of the local administrative authority, the application of laws and regulations. Municipalities can fulfil their responsibilities on mining activities carried out on their territory and could even promulgate regulations for the protection of the environment on district territory.

Institutional framework

The public institutions considered or taken into account in this SEA are the following: Ministry of Mines and Industry (MMI), especially the SAE; Ministry of Rural Development (MDRE), particularly the DEAR; Ministry of Interior, Postal and Telecommunications Services (MIPT), notably the DATAR and DCL; Ministry of Hydraulics and Energy, especially the DHA, CNRE, ANEPA and ARM; analysis laboratories, including the National Centre of Hygiene (CNH), two university laboratories, the laboratory of the SNDE and the future laboratory of OMVS.

The institutional deficiencies limiting the accomplishment of tasks or making it impossible have been examined along three angles. On the policy and legal point of view, the environmental issue does not appear yet as a priority for the government, there have been recent initiatives in the environmental sector but application decrees and standards are just about non-existent, the MDRE is politically fragile, there is an insufficient consensus on the role and functions of the MDRE as far as environment is concerned and finally, there is no clear definition of local communities responsibilities in environment. On the inter-institutional point of view, there is no supra-departmental authority responsible for the environment, there is a resistance to give up some powers and an overlap in the responsibilities, and there is no participative and dialogue mechanisms, and this, at all levels. Moreover, it appears that for ensuring the follow-up of legislation, the ministries have difficulty to work together, there is a confused distribution of the mandate and attributions of institutions responsible for environmental management as well as an absence of operational coordination between the organisms. Finally, on the point of view of organisational and individual attributions, there is an overlap in the responsibilities of various ministries (MMI, MDRE, MIPT), an insufficiency of human (national managers) and financial means as well as a relative lack of national high level expertise and technical expertise in environmental management.

Private Mining sector

Two mining societies have been analysed, namely SNIM and SAMIA, as well as organisations which have development projects in study and feasibility phase, being SOPHOSMA and GEMAK. All of them have need assistance in environmental management.

Non-Governmental Organizations

The last dozen years have brought a notable increase in the number of NGOs in Mauritania. Nevertheless, the EES has determined that NGOs still play a limited role in the environmental sphere.

Municipalities and wilayas

At the local level, the team met with representatives from the Tiris-Zemmour Willaya, in the Nouakchott municipality, and from the Bababe and El Vera communities, which are located in the area of future SOPHOSMA development. These organizations lack the ability to fully participate in local economic development in their region and are short of financial and human resources to take control of their economic development, especially in the mining sector.

The Surrounding Environment

Natural environment

Mauritania is characterised by a saharan climate in its northern two thirds and by a sahelian climate in its southern and extreme southeastern parts, the 150 mm isohyet, which is moving to the south as years go by, being the approximate limit in between the two types of climate. The whole country is in pluviometric deficit. Only the southwest region corresponding to the Senegal river valley has permanent surface water. Wetlands, associated with *dayas*, *garas* or *gueltas*, are freshwater ponds whose longevity depends on their location in the country and on rainfalls intensity, quantity and frequency.

Most Mauritania's aquifers have fossil groundwater and their last significant recharge occurred 5000 years ago. The hydric situation of the various aquifers is unknown. Nevertheless, Mauritania has significant groundwater resources which are, however, unequally distributed over the territory and whose quality considerably varies from one region to another. Except near some mining complexes (Akjoujt among others) and apart from salinity which makes water non potable (mainly in the north of the country and along the littoral), the groundwater is in general of good quality. The way water is drawn can cause pinpoint contamination (nitrates, coliforms, etc.) of groundwater, especially at the site of dug and traditional wells.

The country is generally characterised by low density vegetation, due to climate degradation which has affected during the latest decades all the saharo-sahelian region, particularly its northern edge, and which has contributed to the destruction of Mauritanian vegetal cover, and even to the disappearance of biotopes and wildlife species.

The most important forest potential is located in Senegal river valley and along its tributaries (woodlands, Acacia steppes and brushes) covering a little less than 3 % of the country. The exploitation of wood resources for fulfilling the populations' needs in firewood and charcoal is well over the resources growth rate (10 times more). Mauritania has 14 vegetal species considered as endangered, 9 as endemic and 22 protected within conservation areas.

Native fauna in Mauritania is, consequently, largely affected by drought, especially its prevalence in the last 30 years. The neighboring areas along the Senegal river are rich in fauna. There are nearly 20 fully protected fauna species in Mauritania, and 22 partially protected species. In the protected areas, Mauritania has created two national parks, both situated along the Atlantic coast – the National Park of Banc d'Arguin in the North, and the National Parc of Diawling in the South, as well as two natural reserves – El Aguer in the wilaya of Hodh El Gharbi, and the Chott Boul, in the wilaya of Trarza. There are also three reserves – Tilemsi, Guelb er Richat, and El Atf, in the Hodh Ech Charghi, Adrar, and Gorgol wilayas, respectively. Finally, there are nearly 30 protected forests, that cover a total of 48,000 hectares, a majority of which are located along the Senegal river valley.

Human resources

Mauritania is a transition country between West and North Africa, and is part of the Arabic Maghreb Union. The National Land Use Plan, prepared in 1993, describes the major land use alternatives, and establishes the orientations allowing the Government to determine by legislation the arbitration regulations for land use (decrees not yet prepared).

As of 2000, there were more than 2.5 million inhabitants in Mauritania. The density of the population is very weak, at 2.6 inhabitants per km squared, 10 times less than the African average of 26 inhabitants per km squared.

The average poverty index in 1995 was 46.0, which puts Mauritania at a disadvantage relative to the rest

of the African continent, North and West Africa included. Between 1996 and 1999, there was an increase in the incidence of poverty in the country. About 50% of the population, as of 1995, lived below the poverty line. In 1987, a poor or an extremely poor person received an income of less than US\$370 or US\$275, respectively.

The high number of persons 15-years-old and under, (48.9% in rural areas, and 41.4% in urban areas) poses additional requirements in education, health and professional development. This situation will most likely be gradually alleviated, as the birthrate has fallen (from 6.2 children per woman in 1980 to 4.7 in 2001). The river valley has the majority of the population (36.4%), but Nouakchott has seen the highest increase in demographics between 1988 and 2000, with the annual growth rate of 3.75%.

The 2000 census has established that only 4.8% of the Mauritanian population is nomad, compared to 12.8% in 1988. The 1970s drought brought an end for the nomad lifestyle for many, and has generated a general increase in urbanization. In 2000, Mauritania was relatively less rural than other African countries (42.5% vs. 61.5%). The Northern region is highly urbanized (69.8% of the population), while a majority of the people living around the river delta (74.3%) and the central part of the country (68.9%) are rural.

Average household size in Mauritania is 6.5 persons. Women are heads of 30% of households, and in rural areas - 32% of households.

Sanitary conditions in Mauritania are disturbing. Infant mortality rate is at 101 deaths before the end of first year per 1000 births – which is very high in comparison to the average childhood mortality rate in Africa, which is 80 deaths per 1000 births. Maternal mortality rate is estimated at 747 deaths per 100,000 live births for the 1994-2001 period.

In 1998, the illiteracy rate was at 59.98%, with the 16% difference between male (67.95%) and female (52.08%) illiteracy. The river delta and central regions are less favored in comparison to the national average, with 65.55% and 68.9%, respectively, while the Nouakchott and the Northern regions are better off with 41.8% and 48.64%, respectively. Since 1988, the average illiteracy rate has not decreased, and remains very high; in 2000 it rests at 58% (vs. the African average of 38%).

From 1990 to 1999, Gross National Product has increased at the rate of 3.9%, compared to 2.5% for the rest of the African continent. In 2000, GNP per capita was nevertheless one of the lowest in Africa, at US\$495 per year, compared to US\$749 for the rest of Africa.

The services sector represented 38% of GNP, and is the largest part of Mauritanian economy, followed by the industrial sector at 33%, and the rural sector at 28%. The main activities of the industrial sector are iron ore production and industrial fishing, which together represent more than 95% of the country's exports. Such dependency on two products exposes Mauritania to price fluctuations for the two products.

Three out of every four people are involved in agriculture, especially in the river delta and in the Assaba wilaya. Food production in Mauritania is composed of rice, rice, dates, beef and poultry, milk and fish.

Finally, there is a certain level of infrastructure – three national roads, from Nouakchott to Atar in the North (R.N.1), towards Rosso in the South (R.N.2), and towards Nema in the East (R.N.3), a network of secondary roads in more or less good condition. The only railroad links Zouerate and Nouadhibou. There are two international airports, in Nouakchott and Atar, and a number of national airports in the main wilayas. Industrial ports are located in Nouadhibou (central port), and Nouakchott. Artisanal

fishing ports are located in Nouadhibou and Nouakchott, and also in the Banc d'Arguin zone (Nouamghar), and in the areas along the Senegal river (Rosso, Boghe, Kaedi).

Power production has been limited until recently to thermal stations in important towns (Nouakchott, Nouadhibou, Zouerate, Selibaby, Nema, Timbedra, Aïoun, Kiffa, Guerou), but can now count on OMVS hydroelectric development for the south of the country, from Selibaby Region up to Nouakchott. The city of Nouakchott has an aqueduct network drawing groundwater but there is no sanitation system. The future Aftout project, aiming at supplying water to Nouakchott from Senegal river comprises a sanitation component.

Environmental and Social Assessment

Legal framework

The present study has determined the following legal problems – difficulty with access to legal information, absence of implementation manuals, a high level of Government discretion in law application, overlapping of texts on the same subject, and a high number of relatively important counterparts involved in environmental management.

In regard to legislative and regulatory issues, PRISM does not include a legal component -- the first project has only one text directly linked to the mining sector legal regulations. The second mining project plans to evaluate the existing regulations linked to the cadastre, along with revising environmental legal texts.

According to EES, the applicable themes are:

- quality of the environment : non-existence of application decrees for standards on acceptable thresholds for air, water, soil noise and vibrations;
- groundwater exploitation and wells protection: non-harmonised and numerous legal texts;
- effluents treatment: incomplete tools;
- solid waste management : classified industrial enterprises are subjected to specifications; there is a lack of application decrees (landfills); dissuasive mechanisms are extreme;
- protected areas : they are well identified and a mining investor could avoid these areas or know the boundaries of a mining project in such area;
- endangered species protection : habitats to protect are not identified, but protected areas such as national parks, classified forests and wildlife reserves are identified;
- control of land and resources use : several legal tools aiming at regulating land property and their use exist; land use conflicts are possible if a mining exploitation is authorised; regarding site restoration, the State discretionary powers should be restricted;
- health and occupational safety : many measures exist in this matter but they require to be updated on the basis of international practices (toxic products storing standards, hazardous materials information and utilisation system, etc.).
- impact assessment and analysis processes, public consultation and community participation : the application decrees need to be adopted; there is a jurisdiction problem regarding the decree on mining environment;
- responsibilities of managers : there is no distinction between a legal entity and a natural person.

Institutional framework

Problems exist on different levels. On the governmental level, there is a problem with the organization of environmental management, which requires harmonization of PRISM activities with certain

governmental entities.

On the ministerial level, the problems concern communication and coordination of activities between the Ministry of Mining and Industry with the other ministries, affected by mining activities. Reinforcement of this coordinating effort is envisioned for PRISM-2 (SAE, DEAR, CNRE). Training for the employees in the main ministries (SAE, DEAR, CNRE) is another issue, and is planned for PRISM-2.

On the regional and local levels, there exists a problem of weak control and competencies of the regional authorities responsible for the mining sector. PRISM-2 includes capacity building efforts in the Zouerate region to correct this particular problem.

Water

The only direct impact of the second project is linked to hydrogeological exploration. The project will involve improved understanding of underground waters, which is a step in the right direction. Nonetheless, mining sector development led by PRISM will negatively impact the country's water resources, with the mining sector consuming large quantities of water and producing hazardous waste and byproducts.

From the legal and institutional perspectives linked to water resources, there is no independent laboratory, which would permit verification of data presented by the mining industry (analysis of effluent, surface water, groundwater, soil and air) for environmental audits, impact studies and follow-up.

Water overexploitation could risk to exacerbate the desertification process and thus to contravene the Paris Convention to Combat Desertification. Water use conflicts could also occur (population, livestock, wildlife, vegetation). A socio-political debate should be initiated on national and regional priorities regarding use of water, which is a little and even not renewable resource almost everywhere on the Mauritanian territory. But this debate should be based on the knowledge of the resource which is not comprehensive yet. Indeed, the hydric situations of Mauritanian aquifers are not precisely known and the CNRE does not have the internal resources (human and financial) to undertake this task. The PRISM will allow to acquire some elements of knowledge, but this will be insufficient to allow the development of necessary tools for adequate water management.

It is necessary to determine, by region, the water needs, the existing conditions (available quantity, renewal, etc), as well as water usage priorities. The CNRE database, which will become more user-friendly under the second project, allows evaluation of the needs, while the availability of resources is still not known. On the other hand, increased knowledge of water resources would provide mining companies with the required information on the needed water levels, but would not guarantee the environmental protection agencies that water resources will not be over-exploited.

Water usage in humid climates for adequate water provisioning is another problem. This requirement would meet the demands of the Ramsar Convention (1971), and has not yet been met in Mauritania. On the other hand, spillage of effluents and contaminated products into the surrounding areas, especially in the humid zones, would eventually affect the quality of surface and underground waters. A lack of precise guidelines covering the levels of contaminating agents permits the mining sector to take advantage of rules and regulations, which may not be necessarily directly suited for Mauritanian conditions.

The exploitation of surface waters or shallow underground waters leads to the reduction of deep water tables recharge; the rabatment of shallow water tables piezometric levels leads to vegetal cover

degradation and would exacerbate soil salinisation under saharan climate, thus desertification.

From an economic point of view, the royalties for groundwater exploitation through one or several drilled wells are fixed at 3 UM/m³ by the Water Code, and this, for the supply of drinking water to the population, considered as a basic public service. Groundwater exploitation for industrial needs does not take place in the same context. Therefore, the amount of royalties for these activities should be reviewed by taking into account that water resources in Mauritania are mostly not renewable.

Moreover, the littoral protection could be threatened by mining development if the decree on construction ban is not adopted in time in order to control land use in this area.

In addition, water pumped in Senegal river for supplying drinking water is only disinfected and no treatment can mitigate an eventual contamination by petroleum or chemical products discharged in the river or its tributaries. Treatment procedures are very sensitive to water quality at the intake, including nitrates and total particles, and a quick change in quality can offset the effect of disinfection, and therefore cause the eventual transmission of diseases.

Biological environment

There are very little reliable data on the state of wildlife populations at the country's scale (size, habitats, migrations, etc), and the legislation does not appear efficient in matter of wildlife and habitats protection. Indeed, regulations are very little developed and application tools for protecting particular vegetation areas such as classified forests are non-existent. In fact, environment protection is mostly limited to agriculture and animal production related aspects.

There are also gaps in the transversal vision of the environment in the governmental system and a lack of cohesion in actions and measures set up for the protection of the environment.

Large land clearing, access to the territory induced by new infrastructures, increased human pressure, introduction of exotic species, leaching basins and tailings pounds (risks of incidental spill, attraction for birds), are some of the impact sources that could affect the biological environment. The potential impacts include the destruction of vegetation and wildlife terrestrial and aquatic habitats, change and disturbance of these habitats, and reduction of animal populations reproduction rate. In Senegal river area, these effects could be transboundary, affecting also Senegal and Mali.

Social environment

In the Mauritanian context, several elements of the human environment are sensitive to mining development. There will be migration and movements of population and labour, and increase in revenues for one part of this population, but also consequently an increase in revenues inequities. Land use will be directly affected by the presence of infrastructures and the exploited area as well as by mining or associated activities (like transport), but also indirectly by the results of these activities; for example, by the population resettlement following expropriation, potential conflicts in areas used for animal production, like pastures and transhumance routes, for tourism or heritage development.

Health and safety standards linked to mining (of workers or of the surrounding population), present another problem – possible work accidents, respiratory illness, air, water pollution, and a rise in sexually transmitted diseases or malaria.

Mining developments would improve the quality of life by providing public services, such as potable

water and electricity, health and education. Economic effects could also include a disruption of schooling, changes in the cost of services (water, electricity), economic discrepancies between men and women, especially in the division of labor, and other external effects on related activities (agriculture, animal husbandry, tourism).

The lack of awareness, sensitisation and involvement of the population concerning mining development environmental problems is another concern.

As a macro-economic impact, the mining sector reinforcement would allow the perception of foreign currencies through exportations and also to diversify these exportations. The growth of mining activities would contribute to the development of local expertise and to the reduction of importation. Such economic input would be particularly beneficial for the most disadvantaged wilayas: Adrar, Assaba, Brakna, Guidimaka and Gorgol.

On the regional level, there would be positive impacts. Required infrastructure (roads, electricity), would serve the entire region. Direct impact on the population consists of a positive effect on the quality of life – electricity, potable water, healthcare, education, auto services, development of women’s organizations involved in stone cutting and polishing. Negative effects are income disparity in the case of women, and interrupted schooling of the young, who would seek employment because of the availability of non-skilled labor opportunities.

Development without PRISM-2

If the PRISM-2 is not implemented, the benefits generated by the PRISM-1 risk being lost. There would not be such good potential coordination for development, nor adoption and promotion of a sustainable economic development and social policy. No monitoring would take place on regulation in matter of environment. The consistency of measures supporting development in Zouerate area would be affected. Development would be more disordered due to the non-existence of investments orientation and poor control of development actions. It would be more difficult to ensure the protection and improvement of quality of life, fight all kinds of pollution, due to the poor capacity of existing institutions. Finally, the knowledge of water resources and their adequate management methods could risk to stagnate, and the effects of mining development on this resource could be significant.

Recommendations for the content of PRISM-2

To offset the gaps in the legal framework, it is recommended to integrate a legal component into the PRISM-2. The study of the legal framework would focus on legislation directly or indirectly related to the mining sector and would have three objectives: to propose and implement means allowing access to all legislation and regulations applicable in Mauritania; to review the whole environmental legislation and amend overlapping situations; to prepare application decrees which laws refer to, while favouring the dialogue between concerned ministries; to limit the grant of discretionary powers and avoid to implement discretionary power following the deliverance of an exploitation permit; and finally, to establish the list of all required environmental permits for an investor wishing to launch a mining project in Mauritania and to make available this list and legal texts to investors and other stakeholders involved in the mining sector. It is essential that the legal framework be transparent and adequate in order to attract potential investors and mining sponsors.

On the institutional plan, it is recommended to launch the PRISM-2 according to schedule in order to ensure the sustainability of the benefits achieved under the PRISM-1. The beneficial impacts of the

PRISM-2 will reach a larger part of the population and not only the institutions and private entities involved in the PRISM-1.

The PRISM-2 comprises a component consisting of carrying out studies and the monitoring of capital as well as the collection of mining-related international information. Beyond compilation and transmission of the information, it would be opportunate that the mining promotion unit acquire an analysis tool to ensure the economic monitoring of the various mining sub-sectors (gold, copper, diamonds, etc.). The economic monitoring should also identify the recent and long term trends of the international ore market: ore price, international ore demand and production.

From the environmental point of view, the PRISM-2 should support in priority the Ministry of Mines and Energy, through its Service of Environmental Affairs (SAE), promote the mining sector and prepare receiving and supervising potential investors. For this, the PRISM-2 should continue PRISM-1 actions related to SAE capacity building, combined this time with the reinforcement of the DEAR (MDRE) and CNRE (MHE).

In Mauritania, water is a fragile and vital resource and without it, there would be no mining development nor agro-pastoral activity. Current legislation considers water as patrimonial and it is necessary that this notion be taken into account in each decision which could have an impact on this resource. The acquisition of knowledge and transmission of information are essential in this context. Therefore, it is recommended to encourage water management by aquifer, since surface water (wadis, ponds, etc.) are closely linked with surface aquifers.

The partial knowledge of water resources prevailing in Mauritania could cause adverse impacts on this precious resource. This knowledge needs to be more comprehensive. The DEAR, SAE and CNRE should have the necessary tools to ensure the adequate monitoring of the hydric resource quantity and quality, and to analyse impact studies that they receive.

Furthermore, the DEAR project consisting of making the inventory and characterising wetlands should be re-launched and implemented as soon as possible. Thus, the DEAR and SAE will be capable with this tool to better assess the impact studies that they receive. Any exploitation project in wetlands for mining or other development should be the subject of an impact study covering not only water quantity and quality but also the whole ecosystem.

In addition to the hydrogeological map covering the area south of the Mauritanides and the updating of the CNRE database planned under the PRISM-2, it would be necessary to include a component on information analysis in order to bring out the baseline characteristics of Mauritanian aquifers, a summary assessment of their hydric situations and an analysis of their individual vulnerability to contamination and overexploitation. It would also be necessary, through additional funds, to initiate a research program on Mauritanian aquifers recharge mechanisms and plan for a component consisting in modelling the large aquifers of the "Continental terminal" (Trarza, Benichaâb and Boû Lanouâr).

From the legal point of view, a mechanism should be set up so that any new water exploration drilled well, whatever positive or negative and its source of funding, should be reported to the CNRE.

In the framework of the environmental impact assessment of the hydrogeological study planned in the south of the Mauritanides by the PRISM-2, the SAE should ensure that the selected drilling company uses material in good mechanical conditions as well as a method and drilling materials allowing to avoid any effect on groundwater quality.

The available information on vegetation, wildlife (distribution areas, densities, reproduction sites, population evolution), endangered species and their habitats, protected areas and their wildlife, is quite scarce. It would be useful to produce some maps identifying and demarcating the most sensitive areas to mining development, including aquifers vulnerable to overexploitation, areas used for animal production or agriculture, areas with vegetation of interest or habitats of vulnerable or threatened species, agglomerations, known archaeological sites, etc. in order to allow managers to quickly judge the potential impacts of projects they have to analyse. These maps illustrating the areas sensitive to mining exploitation could be made available to interested sponsors and would be very useful for the preparation of future mining projects impact studies. The PRISM-2 could facilitate the preparation of maps of areas sensitive to mining exploitation in regions likely to offer a quick development of this type of activity during the next years, like Inchiri Region.

Another tool which could be very useful for managers of the DEAR and SAE would be a good practices guide in matter of mining exploitation. This tool would include a detailed list of prevention measures aiming at preserving the environment and the populations health at each step of the mining exploitation cycle and adapted to the Mauritanian context. This guide could also be made available to private investors wishing to increase their project environmental performance and to improve the quality of the impact study that they will have to submit for approbation.

It would be relevant to broaden the objectives of the SNIM environmental management capacity building by supporting the achievement of an environmental impact study on the SNIM operations and a study on surrounding populations and workers health.

Besides, the PRISM-2 will finance a strategic study of the SNIM long term development in Zouerate area. To this end, it would be important to carry out a social and environmental impact assessment.

In the framework of the Bofal-Loubboïra phosphates exploitation environmental impact study analysis planned by the PRISM-2, it would be important to take into account all aspects of the project, including the solutions proposed for ore transportation and processing, notably infrastructures like the loading dock and the chemical complex.

The PRISM-2 proposes a study on the baseline environmental conditions of the area south of the Mauritanides, by focusing on the use and management of water resources. It would be essential to include in this study a socio-economic component and the mapping of the elements sensitive to mining development.

In the framework of the support to Zouerate region local communities planned by the PRISM-2, it is necessary to plan for the reinforcement on the organisational and financial management capacity levels, without replacing the Government in its budgetary responsibility. The PRISM-2 should rather facilitate, in consultation with local authorities, the research of new taxation powers that could allow the development of their community in harmony with the prevailing economic sector.

In general, the objective of the PRISM-2 is to involve populations in the mining sector development process, but no concrete activity, other than those planned in Zouerate region, is programmed. An assistance should be planned to reinforce the capacities of some NGOs involved in the environment sector related to mining development, including financial support mechanisms that would allow them to carry out concrete and efficient actions in the field of environment. In addition, it is recommended that a communication component, mostly directed to regional stakeholders (NGO, walis and hakems) and representatives of the various ministries, be planned in the framework of the mining sector promotion.

The communication activities should include workshops in the administrative centres of wilayas and not only in Nouakchott.

Recommendations on Mining Concessions

Mining exploitation impacts can be significantly reduced through adequate environmental management not necessarily involving considerable costs, if these environmental management measures are integrated in the ore exploitation and transformation processes; however, the costs related to abandoned exploitation sites post-restoration can be quite considerable. For Mauritania, the measures related to the hydric resource are a priority.

MAP SECTION

