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Report No: PAD1207

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED GRANT

IN THE AMOUNT OF SDR 7.5 MILLION

(US\$10.30 MILLION EQUIVALENT)

TO THE

ISLAMIC REPUBLIC OF MAURITANIA

FOR A

PUBLIC SECTOR GOVERNANCE PROJECT

March 7, 2016

Governance Global Practice  
Africa Region

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CURRENCY EQUIVALENTS  
(Exchange Rate Effective as of January 31, 2016)

Currency Unit = US\$  
SDR 0.72164130 = US\$1  
MRO 344 = US\$1

FISCAL YEAR  
January 1 – December 31

ABBREVIATIONS AND ACRONYMS

AGA	Autonomous Government Agencies
ARMP	Procurement Regulatory Authority ( <i>Autorité de Régulation des Marchés Publics</i> )
BEPS	Base Erosion and Profit Shifting
CCM	Mining Conventions Commission ( <i>Commission des Conventions Minières</i> )
CPS	Country Partnership Strategy
CSM	Sectoral Procurement Commissions
CSO	Civil Society Organization
DA	Designated Account
DAD	Development Assistance Database
DGD	General Tax Directorate ( <i>Direction Générale des Douanes</i> )
DGI	General Tax Directorate ( <i>Direction Générale des Impôts</i> )
DTF	General Directorate for Financial Oversight ( <i>Direction de la Tutelle Financière</i> )
DGPPI	Directorate of Investment Projects and Programs ( <i>Direction Générale des Projets et Programmes d'Investissement</i> )
DMG	Directorate of Mines and Geology ( <i>Direction des Mines et de la Géologie</i> )
EITI	Extractive Industries Transparency Initiative
EPA	Public Administrative Body ( <i>Etablissements Publiques Administratives</i> )
ESW	Economic and Sector Work
EU	European Union
EWRR	Economy Wide Rate of Return
FBS	Fixed Budget Selection
FM	Financial Management
FMIS	Financial Management Information Systems
GDP	Gross Domestic Product
GFMIS	Government Financial Management Information Systems
GIZ	German Agency for International Cooperation ( <i>Deutsche Gesellschaft für Internationale Zusammenarbeit</i> )
GNI	Gross National Income
GoM	Government of Mauritania
GRS	Grievance Redress Service
IC	Individual Consultant
ICB	International Competitive Bidding
ICT	Information and Communication Technologies
IFAC	International Federation of Accountants
IFR	Interim Financial Report

IFRS	International Financial Reporting Standards
IGE	General State Inspectorate ( <i>Inspection Générale d'Etat</i> )
IGF	General Financial Inspectorate ( <i>Inspection Générale de Finances</i> )
ISA	International Standards on Auditing
IT	Information Technology
JIBAYA	Tax Administration System
LCS	Least Cost Selection
LDSW	Locally Developed Software
LGAF	Land Governance Assessment Framework
M&E	Monitoring and Evaluation
MDG	Millennium Development Goal
MEF	Ministry of Economy and Finance ( <i>Ministere de l'Economie et des Finances</i> )
MPEM	Ministry of Mining ( <i>Ministere du Petrole, de l'Energie et des Mines</i> )
NCB	National Competitive Bidding
NIF	Tax ID Number ( <i>Numéro d'Identifiant Fiscal</i> )
OECD	Organisation for Economic Cooperation and Development
OMRG	Mauritanian Geological Agency ( <i>Office Mauritanien de Recherches Géologiques</i> )
ONEC	National Order of Accountants ( <i>Ordre Nationale des Experts Comptables</i> )
PA	Project Account
PCU	Project Coordination Unit
PDO	Project Development Objective
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PIM	Project Implementation Manual
PIU	Project Implementation Unit
PPA	Project Preparation Advance
PRECASP	Public Sector Capacity Building Project ( <i>Projet de Renforcement des Capacités du Secteur Public</i> )
PRISM	Mining Sector Capacity Building Project ( <i>Projet de Renforcement Institutionnel du Secteur Minier</i> )
PRSP	Poverty Reduction Strategy Paper
QBS	Quality-based Selection
QCBS	Quality- and Cost-based Selection
RACHAD	Electronic Expenditure Chain System ( <i>Réseau Automatisé de Chaîne de la Dépense</i> )
RATEB	<i>Réseau Automatisée du Traitement et Salaires des Employés Payés sur Bul</i>
ROSC	Report on the Observance of Standards and Codes
SBD	Standard Bidding Document
SIGADE	<i>Système Intégré de Gestion Automatisée de la Dette Externe</i>
SIGPE	<i>Système Informatique de Gestion du Personnel de l'Etat</i>
SIGM	<i>Système Informatique Géographique Minéral</i>
SIGTAX	Training on Tax Software
SITP	<i>Système d'Information Trésor Public</i>
SME	Small and Medium Enterprise
SNIM	National Industrial and Mining Society ( <i>Société Nationale Industrielle et Minière</i> )

SOE	State-owned Enterprise
SSA	Sub-Saharan Africa
SSS	Single Source Selection
TEHLIL	Land Title Management System
TOR	Terms of Reference
TSA	Treasury Single Account
TTL	Task Team Leader
UNCTAD	United Nations Conference on Trade and Development

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**MAURITANIA**  
**Public Sector Governance Project**

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## PAD DATA SHEET

*Islamic Republic of Mauritania*

*Mauritania Public Sector Governance Project (P146804)*

### PROJECT APPRAISAL DOCUMENT

*AFRICA*

*GGODR*

Report No.: PAD1207

Basic Information			
Project ID P146804	EA Category C - Not Required	Team Leader(s) Kjetil Hansen, Eric Brintet	
Lending Instrument Investment Project Financing	Fragile and/or Capacity Constraints [ ]		
	Financial Intermediaries [ ]		
	Series of Projects [ ]		
Project Implementation Start Date 28-Mar-2016	Project Implementation End Date 15-Feb-2020		
Expected Effectiveness Date 01-Jul-2016	Expected Closing Date 15-Feb-2020		
Joint IFC No			
Practice Manager/Manager Renaud Seligmann	Senior Global Practice Director James A. Brumby/ Samia Msadek	Country Director Louise J. Cord	Regional Vice President Makhtar Diop
Borrower: Islamic Republic of Mauritania			
Responsible Agency: Ministry of Economy and Finance			
Contact: Telephone No.:	Samory Soueidatt 0022236303924	Title: Email:	Project Coordinator <a href="mailto:pgsp@pgsp.mr">pgsp@pgsp.mr</a>
Project Financing Data (in US\$ Million)			
<input type="checkbox"/> Loan	<input checked="" type="checkbox"/> IDA Grant	<input type="checkbox"/> Guarantee	
<input type="checkbox"/> Credit	<input type="checkbox"/> Grant	<input type="checkbox"/> Other	
Total Project Cost:	11.60	Total Bank Financing:	10.30
Financing Gap:	0.00		

<b>Financing Source</b>		<b>Amount</b>		
BORROWER/RECIPIENT		1.30		
International Development Association (IDA)		10.30		
Total		11.60		
<b>Expected Disbursements (in US\$ Million)</b>				
Fiscal Year	2017	2018	2019	2020
Annual	2.00	3.00	3.00	2.30
Cumulative	2.00	5.00	8.00	10.30
<b>Institutional Data</b>				
<b>Practice Area (Lead)</b>				
Governance				
<b>Contributing Practice Areas</b>				
Energy & Extractives				
<b>Cross Cutting Topics</b>				
[ ] Climate Change				
[ ] Fragile, Conflict & Violence				
[ ] Gender				
[ ] Jobs				
[ ] Public Private Partnership				
<b>Sectors / Climate Change</b>				
Sector (Maximum 5 and total % must equal 100)				
Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %
Public Administration, Law, and Justice	General public administration sector	100		
Total		100		
<input checked="" type="checkbox"/> I certify that there is no Adaptation and Mitigation Climate Change Co-benefits information applicable to this project.				
<b>Themes</b>				
Theme (Maximum 5 and total % must equal 100)				
Major theme	Theme	%		
Public sector governance	Public expenditure, financial management and procurement	75		
Economic management	Economic statistics, modeling, and forecasting	25		
Total		100		



<b>Proposed Development Objective(s)</b>	
The Project Development Objective (PDO) is to improve monitoring and transparency of selected government entities and the administration of property and mining taxation.	
<b>Components</b>	
<b>Component Name</b>	<b>Cost (US\$ )</b>
Improving Transparency and Control in Public Resource Management	5,200,000.00
Strengthening the Administration of Property Registration and Taxation and Mining Taxation	4,700,000.00
Project Management	1,700,000.00
<b>Systematic Operations Risk- Rating Tool (SORT)</b>	
<b>Risk Category</b>	<b>Rating</b>
1. Political and Governance	Substantial
2. Macroeconomic	Moderate
3. Sector Strategies and Policies	Substantial
4. Technical Design of Project or Program	Moderate
5. Institutional Capacity for Implementation and Sustainability	High
6. Fiduciary	Substantial
7. Environment and Social	Low
8. Stakeholders	Moderate
9. Other	–
<b>OVERALL</b>	Substantial
<b>Compliance</b>	
<b>Policy</b>	
Does the project depart from the CAS in content or in other significant respects?	Yes [ ]      No [ X ]
Does the project require any waivers of Bank policies?	Yes [ ]      No [ X ]
Have these been approved by Bank management?	Yes [ ]      No [ ]
Is approval for any policy waiver sought from the Board?	Yes [ ]      No [ ]
Does the project meet the Regional criteria for readiness for implementation?	Yes [ X ]      No [ ]

<b>Safeguard Policies Triggered by the Project</b>	<b>Yes</b>	<b>No</b>	
Environmental Assessment OP/BP 4.01		X	
Natural Habitats OP/BP 4.04		X	
Forests OP/BP 4.36		X	
Pest Management OP 4.09		X	
Physical Cultural Resources OP/BP 4.11		X	
Indigenous Peoples OP/BP 4.10		X	
Involuntary Resettlement OP/BP 4.12		X	
Safety of Dams OP/BP 4.37		X	
Projects on International Waterways OP/BP 7.50		X	
Projects in Disputed Areas OP/BP 7.60		X	
<b>Legal Covenants</b>			
<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>	<b>Frequency</b>
Project Steering Committee		1-Aug-2016	
<b>Description of Covenant</b>			
The Recipient shall, within one month of the Effective Date, establish, and thereafter maintain a steering committee with a mandate, composition and resources acceptable to the Association for the purpose of providing strategic guidance and oversight of the Project (Project Steering Committee).			
<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>	<b>Frequency</b>
Separate Treasury Account		1-Sep-2016	
<b>Description of Covenant</b>			
The Recipient shall, not later than two (2) months after the Effective Date, open a separate treasury account or an account in a commercial bank acceptable to the Association (Project Account) and maintain said account open for a period of not less than eight (8) months after the implementation of the project, for the exclusive purpose of depositing funds provided by the Recipient for the financing of the Project (“Counterpart Funding”), in an amount not to exceed one million three hundred United States Dollars (US\$1,300,000) equivalent.			
<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>	<b>Frequency</b>
Deposit to the Project Account		1-Sep-2016	
<b>Description of Covenant</b>			
The Recipient shall, not later than two (2) months after the Effective Date, deposit the sum of three hundred and twenty five thousand United States Dollars (US\$325,000) equivalent in the Project Account.			
<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>	<b>Frequency</b>
Deposit to the Project Account	X		Yearly
<b>Description of Covenant</b>			
The Recipient shall thereafter, not later than September 1 in each of the remaining three years of Project implementation, deposit the sum of three hundred and twenty five thousand (US\$325,000) equivalent in the Project Account.			

Name	Recurrent	Due Date	Frequency	
FM Software		1-Dec-2016		
<b>Description of Covenant</b>				
The Recipient shall, within six (6) months of the Effective Date, install and at all times during Project implementation maintain, a financial management software for the PIU within the Ministry of Economy and Finance (MEF).				
Name	Recurrent	Due Date	Frequency	
Internal Audit Review		1-Dec-2016		
<b>Description of Covenant</b>				
The Recipient shall, within six (6) months of the Effective Date, carry out an in-depth review of the internal audit function of the Ministry of Economy and Finance (MEF).				
<b>Conditions</b>				
Source Of Fund	Name	Type		
IDAT	ROSC Steering Committee	Disbursement		
<b>Description of Condition</b>				
The Recipient shall establish and thereafter maintain a steering committee with a mandate, composition and resources acceptable to the Association for the purposes of implementing the Report on the Observance of Standards and Codes (ROSC) recommendations (ROSC Steering Committee).				
Source Of Fund	Name	Type		
IDAT	Project Implementation Unit	Effectiveness		
<b>Description of Condition</b>				
The Recipient has established the Project Implementation Unit.				
Source Of Fund	Name	Type		
IDAT	Project Manual	Effectiveness		
<b>Description of Condition</b>				
The Recipient has adopted the Project Manual.				
<b>Team Composition</b>				
<b>Bank Staff</b>				
Name	Role	Title	Specialization	Unit
Kjetil Hansen	Team Leader (ADM Responsible)	Senior Public Sector Specialist		GGODR
Eric Brintet	Team Leader	Lead Financial Management Specialist		GGODR
Moustapha Ould El	Procurement	Senior Procurement		GGODR

Bechir	Specialist	Specialist		
Fatou Fall Samba	Financial Management Specialist	Financial Management Specialist		GGODR
Aissatou Diallo	Team Member	Senior Finance Officer		WFALA
Aleksandar Kocevski	Team Member	Operations Officer		GGODR
Daniel Roberge	Team Member	Sr Land Administration Specialist		GSULN
David A. Bontempo	Team Member	Operations Analyst		GGODR
Dolele Sylla	Team Member	IT Analyst, Client Services		ITSCR
El Hadramy Oubeid	Team Member	Public Sector Specialist		GGODR
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Melissa C. Landesz	Safeguards Specialist	Natural Resources Management Specialist		GENDR
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Yoko Kagawa	Team Member	Senior Operations Officer		GGODR	
<b>Extended Team</b>					
<b>Name</b>	<b>Title</b>	<b>Office Phone</b>	<b>Location</b>		
<b>Locations</b>					
<b>Country</b>	<b>First Administrative Division</b>	<b>Location</b>	<b>Planned</b>	<b>Actual</b>	<b>Comments</b>
Mauritania	Nouakchott	District de Nouakchott	<b>X</b>		
<b>Consultants (Will be disclosed in the Monthly Operational Summary)</b>					
Consultants Required ? Consulting services to be determined					



## I. STRATEGIC CONTEXT

### A. Country Context

1. **Mauritania is a large, sparsely populated country bridging the Arab Maghreb and Western Sub-Sahara.** It has become a lower-middle-income country with a gross national income per capita of US\$1,270 driven by a thriving extractive sector and high international commodity prices. The recent decline in mineral export prices and lower international demand has, however, highlighted the contribution of exceptionally favorable external factors to Mauritania's strong growth performance over the last few years. Annual real gross domestic product (GDP) growth is projected to decelerate markedly to 3.2 percent in 2015 from 6.4 percent in 2014. Over the medium term, real GDP growth is expected to return to trend rates observed before the commodity price boom (2011–2014), slowing down to 4.5 percent in 2016 and 2017.

2. **A comfortable fiscal position and increased public spending in recent years have not translated into significant progress in social development outcomes.** Total public spending doubled between 2009 and 2014 in nominal terms or by 57 percent in real terms. Yet, the most recent poverty data (2015) shows a modest decrease in absolute poverty from 46.8 percent to 41.2 percent and extreme poverty from 16.5 percent to 9.9 percent between 2008 and 2014. Many other development indicators are trailing significantly behind. Infant-child mortality remains high, at 122 per 1,000 versus a national Millennium Development Goal (MDG) target of 45 per 1,000. Maternal mortality is at 560 per 100,000 live births against an MDG target of 232. Access to electricity is only 20 percent compared with the 32 percent Sub-Saharan Africa (SSA) average. Access to improved water sources is 50 percent compared with a 64 percent average for SSA. Food security remains an issue, particularly in rural areas. Net primary school enrollment remains low, at 55 percent.

3. **The Mauritanian public sector is characterized by weak implementation capacity and there are few controls in place to ensure that funds are spent and services delivered effectively and efficiently.** The scores on nearly all Worldwide Governance Indicators have worsened over the last ten years, with significant declines in Government Effectiveness (from the 58th percentile versus the SSA average of 28th in 2003 to the 19th percentile versus the SSA average of 27th in 2013); Regulatory Quality (from the 51st to 26th percentile), and Control of Corruption (from the 61st to 28th percentile against an SSA average of the 30th percentile). These challenges are also reflected in the **Country Policy and Institutional Assessment** ratings<sup>1</sup> and the scores in the 2008 and 2014 **Public Expenditure and Financial Accountability (PEFA)** assessments which show significant weaknesses in Mauritanian public financial management (PFM) systems and little progress over time.<sup>2</sup> Public sector shortcomings are also reflected in the social sectors. In the health sector, only 3 percent of health centers have the necessary diagnostic capacity to administer the eight basic tests and less than 1 percent of them have all of the 14 essential medicines available at all times. In the education sector, an acute lack of qualified teachers and high rates of absenteeism have resulted in poor educational outcomes and high dropout rates among children of the poorest quintile. The lack of a unified property cadaster and

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<sup>1</sup> Mauritania achieved a very modest improvement from 3.2 in 2004 to 3.3 in 2013 and with relatively weak performance in areas of transparency/accountability (constant of 2.5), public administration (constant 3.0), and public sector management and institutions (2.9 to 3.1).

<sup>2</sup> See annex 5 for a summary of the scores in the 2008 and 2014 PEFA evaluations.

overly complex property registration procedures has resulted in a high number of false titles and alleged land grabs by the elite. As a result, property disputes are clogging up the justice system and could be a source of social instability in the longer term.

4. **The Government of Mauritania (GoM) recognizes the apparent paradox of strong economic growth accompanied by stagnant social indicators** and has put in place programs to ensure shared growth and poverty reduction. The achievement of these objectives depends on a public sector that can plan, budget, execute, and account for public resources in an effective manner. In a context marked by the end of the commodity super-cycle and declining growth, urgent efforts are needed to improve public sector management and optimize public spending. This is a key condition for Mauritania to consolidate social stability, create jobs, and reduce poverty.

5. **The following section outlines recent advances and remaining challenges in areas that will be critical for improving public sector effectiveness and efficiency in Mauritania.** Experience from other World Bank projects shows that incremental reforms which leave the government in control of the pace of reform and, with sufficient time to build consensus and the necessary coalitions, have the highest probability of success in Mauritania. The decision to provide targeted support across a wide number of reforms has been taken in response to government demand and an analysis of the current political space for PFM reforms. The proposed project will, therefore, provide focused technical support across a fairly broad set of reforms, including state-owned enterprises (SOEs) monitoring; fiscal data transparency and Integrated Financial Management Information Systems (IFMIS); procurement reforms; accounting and auditing standards; internal audit capacities in the Ministries of Health and Education; strengthened property registration and tax administration; improved mining sector tax administration; and modernization of the mineral registry. The project will be implemented in close coordination with other donors. It builds on recent analytical work by the Bank and others and close dialogue with the authorities and donors.

## **B. Sectoral and Institutional Context**

6. **The GoM has undertaken a number of public sector reforms<sup>3</sup> in recent years and some results have been achieved.** Budget execution has improved since 2012<sup>4</sup> through the introduction of several PFM reforms. These reforms have reduced the time taken to execute payment orders (through an electronic expenditure chain system, *Réseau Automatisé de Chaîne de la Dépense*, RACHAD) and facilitated the use of electronic government financial management information systems (GFMIS) by most ministries. A civil service staffing census was carried out and undocumented salary payments were eliminated. A new procurement law and improvements to the Institutional Framework for Procurement laid the foundations for more effective controls over public spending. Tax revenues increased by 160 percent between 2011 and 2013 because of

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<sup>3</sup> Most of the public sector reforms are guided by the Public Financial Management Reform Master Plan (*Schéma Directeur de la Réforme du Système des Finances Publiques*) approved in 2012 and updated in 2014 and the Poverty Reduction Strategy Paper (PRSP3) which is coming to an end in 2015.

<sup>4</sup> Actual spending reached 99 percent of budget projections in 2013 and 2014. On average, total spending over 2009–2012 was equivalent to roughly 26 percent of GDP. Current expenditures represented roughly 17 percent and capital investment accounted for 7 percent, with the remaining 2 percent devoted to special treasury accounts.



a fiscal census and improved tax collection measures. An electronic land registry for Nouakchott was also set up and land titles were scanned and verified, with double and false titles eliminated.

7. **Even though there is progress, many of these reforms have not been fully implemented and priority should now be given to closing the remaining implementation gaps** which are outlined in the following paragraphs.

**Increased transparency and controls over public expenditures are needed for accountability and improved service delivery**

8. **Though budget execution rates are high, the quality of public spending is affected by variations in the composition of expenditures and poor systems for monitoring and controlling public spending.** There are significant differences between budgeted and actual expenditures within and among budget categories, with under-spending in some and overspending in others. There is also uncertainty about the eligibility of spending. Furthermore, almost a third of government spending is devoted to ‘unspecified expenses’, with no information available on which sectors receive these funds or what type of expenditures they finance (see Table 1). One reason for this is the weak enforcement of internal controls and poor monitoring by senior managers. Budget information systems do not provide the authorities with a clear, real-time overview of budget execution. A rapid GFMS diagnostic carried out by the Bank in August 2014 found that existing electronic financial management information systems were largely uncoordinated, fragmented and not effectively used. Many systems depend on multiple data sources and manual reentry. There are redundancies and lack of interfaces between systems and some suffer from reliability and data quality issues. The result is that reports from different systems often show significant variations due to errors from reentry or reconciliation delays and this, in turn, introduces uncertainty into budget analysis and monitoring.

**Table 1. Public Spending by Sector, Domestic and External Sources, and Budget Execution Rates, 2010–2012 Average**

Average 2010–12	As % of Expenditure				Execution Rate (%)
	Approved Budget (Total)	Actual Expenditure (Authorized Total)	Actual expenditure (Authorized) of External Funds	Actual Expenditure (Authorized) of National Resources	
High Institutional Offices	2.2	2.2	0.7	2.4	102.5
Defense	11.4	10.3	0.0	11.8	95.0
External Affairs	2.1	1.9	0.0	2.2	95.5
Justice	1.1	1.2	0.0	1.3	116.7
Economic and Sector Ministries (Fisheries, Mining, Trade)	9.1	10.2	18.3	9.0	117.9
Education and Culture	14.3	13.4	4.0	14.8	99.1
Health and Social Affairs	9.5	8.9	1.4	10.0	98.5
Infrastructure	12.0	19.2	73.7	11.2	168.8
Other public agencies	8.2	7.6	1.9	8.5	98.5

Average 2010–12	As % of Expenditure				
Sectors	Approved Budget (Total)	Actual Expenditure (Authorized Total)	Actual expenditure (Authorized) of External Funds	Actual Expenditure (Authorized) of National Resources	Execution Rate (%)
Unspecified expenses	30.1	25.1	0.0	28.8	87.8
Total	100.0	100.0	100.0	100.0	105.4

Source: World Bank Staff Analysis of Annual Budget Laws: (Chapter 99: *Dépense Communes, Charges de la Dette, Comptes Spéciaux, Prêts, Avances et Participations*)

9. **The parastatal sector plays a central role in managing public expenditures and providing social services, yet government scrutiny over the performance of SOEs and public agencies is limited.** There are over 150 SOEs and autonomous government agencies (AGAs) in Mauritania with a value added equal to 14–15 percent of GDP and a workforce of approximately 8,000 staff in 2008. They receive large government subsidies while continuing to incur significant losses and delivering poor services. A 2013 Bank study highlighted the growing fiscal risk that parastatals represent for the country. It found that the number of public agencies had grown since 2010 and subsidies to SOEs and AGAs had increased sharply, from MRO 5 billion in 2005 (US\$17.2 million) to over MRO 70 billion in 2013 (US\$240 million) (nearly equal to the annual receipts from taxes and royalties in the extractive industries). State oversight and monitoring of SOEs and AGAs by the government is virtually nonexistent. The Central Ownership Unit, the General Directorate for Financial Oversight (*Direction de la Tutelle Financière*, DTF) hosted in the Ministry of Finance, lacks capacity and appropriate systems and processes to carry out its oversight mandate. The result is a poorly governed sector which represents a significant drain on public resources.

10. **The internal and external oversight institutions of the state are ill-equipped to effectively audit public accounts.** The General Financial Inspectorate (*Inspection Générale des Finances*, IGF) is generally well-staffed with 28 auditors and inspectors, yet its reach does not extend beyond the capital city, due in part to an extremely limited budget (US\$15,000 for 2014). The IGF has little freedom in determining and executing its work program, reacting instead to ad hoc demands from the Ministry of Finance which take up much of its capacity. There is no systematic follow-up on IGF recommendations. The General State Inspectorate (*Inspection Générale d'Etat*, IGE) reports to the prime minister and is vested with the responsibility of performance and functional audits. Despite having relatively strong capacity, coordination with other control bodies is poor and implementation of IGE recommendations is uneven. The internal audit units of key public service ministries, such as health and education, have an important role to play to ensure both fiduciary compliance and quality control over programmatic activities. However, these units are underfunded, they lack practical tools and training, and are therefore only able to cover less than ten percent of their intended targets. The *Commissaires aux Comptes* are internal auditors that report to the Ministry of Finance and are responsible for each SOE or AGA. Few, if any, of them have the necessary capacity to oversee the finances of these institutions and they rarely submit any reports. The Supreme Audit Institution (*Cour des Comptes*) is hampered by limited resources and is experiencing significant delays. It has recently finalized the 2005–06 audit and is currently working on the 2007 report on the execution of the state budget. Given the

shortcomings of the internal and external state oversight institutions, public institutions, including SOEs and AGAs, tend to rely on private auditors.

11. **The Mauritanian auditing and accounting profession is also very weak, with the consequence that audited accounts and financial statements of companies and autonomous public institutions are unreliable.** This is outlined in the recent Report on the Observance of Standards and Codes (ROSC) on Accounting and Auditing (2014). The Mauritanian accounting system presents significant departures from the International Financial Reporting Standards (IFRS) and therefore, financial statements prepared using the system provide information that is of lower quality and less utility. Furthermore, the poor organization and weak governance of the professional accountancy body, the National Order of Accountants (*Ordre National des Experts Comptables*, ONEC), undermines its ability to enforce compliance with international auditing and accounting standards. Larger companies and institutions resort to hiring auditors from other countries for their accounting and auditing needs. Lack of reliability of certified accounts can affect companies' abilities to access finance, as well as the state's ability to assess tax liabilities. Given the reliance by public institutions on the use of private auditors, the state has an interest in strengthening standards as a way of increasing control over public resources.

12. **Despite the introduction of a modern procurement code and the strengthening of institutional foundations for managing and controlling procurement, the Mauritanian procurement system is inefficient and limited in effectiveness.** A recent assessment of the Mauritanian procurement system shows that the legal framework is incomplete—many of the operational regulations and standard bidding documents are still missing. Other weaknesses identified by the review include a lack of operational knowledge in core procurement institutions, an unclear and inefficient institutional setup with sometimes overlapping mandates, a lack of controls and procurement audits, a complete absence of civil society participation in public procurement processes, and ineffective mechanisms for reporting allegations of corruption. The Procurement Regulatory Authority (*Autorité de Regulation des Marchés Publics*, ARMP) does not publish any information on public procurement contracts that it reviews during the year. In summary, the procurement system is heavy, inefficient, and expensive, leading to significant delays without increasing controls or improving value for money. Globally, weaknesses in the procurement system appear not to have affected budget execution rates substantially. However, they are likely to have prompted a rise in the level of expenditures managed by the parastatal sector which is not subject to national procurement legislation.

### **Broadening the Tax Base and Modernizing Tax Administration, Including Mining Taxation**

13. **Mauritania currently has the necessary fiscal space to finance its Poverty Reduction Strategy, but this is highly dependent on volatile mining taxes.** Mauritania has experienced firsthand the rapid price fluctuations associated with its main commodities, iron ore and gold; 2011 saw a record year of sales with more than US\$2 billion, while sales figures dropped some 15 percent in 2012 despite higher production volumes. Revenues from extractives were 14.9 percent of GDP in 2012, then dropped to 11.2 percent in 2013, and are projected to decrease further to just 5.6 percent in 2015. Gold prices peaked in 2012 at almost US\$1,900 per ounce, but came down to US\$1,200 in 2014. Likewise, iron ore, which is Mauritania's main export commodity, peaked at nearly US\$190 per ton in 2011 and was down to just under US\$60 per ton in 2014.

14. **The authorities understand the urgent need to expand the tax base and improve tax collection to limit the country's vulnerability to mining tax volatility.** The government's commitment to taxation reforms since 2010 has yielded significant results. The widespread use of taxpayer identification numbers has increased the number of declaring firms and this, combined with coordination with the customs authorities and better tax audits, has led to a tripling in the number of taxpayers between 2010 and 2012. New progressive tax rates were introduced in 2014 and excise taxes and taxes on capital gains have increased. The government has also closed mining taxation loopholes by creating the legal basis for taxing the transfer of mining assets between nonresidents. There is, however, still scope to both further broaden the revenue base and enhance the tax administration system. For example, the legal texts, including the Tax Code (1974), are outdated and require revision; communication to taxpayers remains insufficient; the General Tax Directorate (*Direction Générale des Impôts*, DGI) lacks competent and skilled tax experts and controllers; and the process for paying taxes remains cumbersome and unclear.

15. **Property taxation is an area with particular potential and represents a priority for the government.** In its effort to expand the tax base, the government has started to increase the collection of property taxes in tandem with a more modern property registry. While property taxes increased threefold between 2010 and 2014, the proportion of property taxes remains very low. In 2014, fees and taxes were levied on just over 3,000 properties out of 26,000 with registered titles,<sup>5</sup> raising only 1 percent of total taxes (US\$4.3 million). Challenges to collecting property taxes are closely linked with the absence of a proper fiscal registry and formal land titles, with many property owners relying on temporary or traditional titles and many properties covered by multiple conflicting titles. An unreliable property registration and titling system also has wider social and economic consequences, in particular, for women and vulnerable groups. These groups are almost entirely outside of the formal property system, rely on informal titles, and are unable to use their properties to obtain credit for investments. They can also be subject to eviction or displacement. The government is committed to reforming the current system through wider land reforms, including the establishment of a modern and reliable single cadastre.

16. **The extractive sector is, and will continue to be, an important lever of economic growth in Mauritania, but government revenue collection has been hampered by a variety of tax exemptions and weak administration.** Mineral and petroleum exports together represent some two-thirds of total national exports and approximately 25 percent of government revenues. Over the past decade, the value of export of minerals has increased tenfold and investment in exploration of minerals increased six times. The virtual monopoly held by the state-owned National Industrial and Mining Society (*Société Nationale Industrielle et Minière*, SNIM) was disbanded in the 1990s and the IDA-financed Mining Sector Capacity Building Projects (*Projet de Renforcement Institutionnel du Secteur Minier*, PRISM 1 and 2) from 1999 to 2013 facilitated the inflow and diversification of operators and foreign private investors. Despite inherent price and production uncertainties, the mining sector is expected to see modest short-term increases due to committed investment plans. Furthermore, Mauritania has a strong potential for expanding through the development of identified reserves and diversification into new commodities if commodity prices improve.

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<sup>5</sup> There are an estimated two million properties in Mauritania; less than 1 percent of which are registered and have official title documents.

17. **Improvements to the mining tax administration system are needed to enable the government to optimize revenue gains in the extractive sector.** The lack of a unified tax code for mining operations represents a challenge to effective revenue mobilization by government agencies. Despite the remarkable increase in government revenue before 2013, various comparative financial models show that Mauritania's effective tax rate of around 30 percent of mining profits ranks among the lowest on the continent. Currently, operators are subjected to a variety of tax terms, incentives, and exemptions which were introduced over time and which are, at times, contradictory or even detrimental to economic growth in Mauritania. This situation has risen because of information asymmetries, whereby, the authorities often lack information necessary for fiscal policy design and negotiation of mining agreements (including information about the mineral resource potential and the economies of mining operations). Low levels of capacity and weak interministerial collaboration further constrain effective tax collection and verification. Mineral tax administration only gained importance after 2010 (following the disbanding of the SNIM and the initial tax holidays granted to private investors) and, therefore, the experience and skills of sector regulators and tax authorities are limited. The annual Extractive Industries Transparency Initiative (EITI)<sup>6</sup> reporting of revenue flows to government has also exposed challenges. The consolidation of information on tax revenue is compromised by the dispersion of data on companies' tax payments across a multitude of agencies. These challenges are symbols of the weak tax administration in which tax inspectors and technical experts have no tradition of collaboration. As a result, tax assessments lack effectiveness and audits fail to fulfill the intended control function.

### C. Higher Level Objectives to which the Project Contributes

18. **The World Bank Group Country Partnership Strategy (CPS) for FY2014–2016 was finalized in September 2013.** It focuses on two pillars:

- Pillar 1 - Growth and Diversification: aims to increase productivity through private sector development, infrastructure development, and financial sector development
- Pillar 2 - Economic Governance and Service Delivery: focuses on public sector performance, including local government, food security, education, and skills development

19. **The Public Sector Governance Project supports the second pillar of the CPS,** with a focus on improving economic governance and public sector performance for enhanced service delivery. The objectives of the project are therefore in line with those of the CPS and of the Bank Group's overall strategic goals of poverty reduction and inclusive economic growth as well as those of the Bank Group's Africa Strategy.

20. **The proposed activities will support priority reforms outlined in the *Schéma Directeur* and PRSP3.** The proposed activities respond to concrete government demands and will complement support provided by other donors in Mauritania. The Bank will coordinate with other

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<sup>6</sup> Mauritania became compliant with the EITI in 2012.

partners through its continued active role in the donor group on PFM and the EITI process. A summary of related donor support is outlined in annex 10.

## II. PROJECT DEVELOPMENT OBJECTIVES

### A. Proposed Development Objective(s)

21. The project development objective (PDO) is to improve monitoring and transparency of selected government entities and the administration of property and mining taxation.

22. This PDO will be achieved by (a) improved monitoring and transparency of SOE and AGA operations, public finances and mineral licensing, and controls over public expenditures for service delivery in the Ministries of Health and Primary Education; and (b) property titling and taxation in pilot areas, training on complex tax issues related to base erosion and profit shifting (BEPS) in the mining sector, and strengthened mining tax audit capacities.

### B. Project Beneficiaries

23. **The GoM and its public sector in particular, will benefit from the implementation of priority government reforms for improved public sector and financial management (FM).** The Mauritanian civil society, private sector, and general population will also benefit from a more transparent, professional, and service-oriented public and parastatal sector. Property owners will benefit from a more secure and efficient system of land titling. The private sector will benefit in particular from stronger accounting and auditing standards and so will customs authorities. Civil society organizations (CSOs) and the academia will benefit from improved access to public sector fiscal data.

### C. PDO Level Results Indicators

- Timely public disclosure of reports on SOE/AGA performance issued by the directorate in charge of monitoring SOEs/AGAs, the DTF (measured by the number of annual reports on SOEs and AGAs disclosed)
- Coverage of internal audits in the Ministries of Health and Primary Education (measured by the increased number of budget units audited by the internal audit units in the Ministries of Health and Education as percentage of the total budget)
- Properties on which fees and taxes are being levied (measured by the number of registered properties being charged property taxes and other fees resulting from an increase in properties registered in pilot areas and an improved property taxation system)
- Mining companies subjected to tax audits (measured by the percentage of mining companies—operators and their exclusive subcontractors—which are subjected to tax audits during the year as a share of active mining companies covered by the department of large taxpayers in the same year)

### III. PROJECT DESCRIPTION

24. The project has three components: (a) Improving Transparency and Control in Public Resource Management; (b) Strengthening the Administration of Property Registration and Taxation and Mining Taxation; and (c) Project Management. The project duration is four years (2016–2020).

#### A. Project Components

##### **Component 1: Improving Transparency and Control in Public Resource Management (US\$5.20 million)**

25. The objective of this component is to support the authorities' efforts to enhance transparency and improve controls over the use of public resources through an updated and more integrated GFMIS, increased monitoring of SOEs and AGAs, improved accounting and auditing standards, better internal and external oversight, and a more efficient public procurement system.

26. *Subcomponent 1.1: Enhancing Transparency and Reporting on Public Resources (US\$2.10 million)*. This subcomponent will support the enhanced functionality, upgrading, and further integration of the various GFMIS in Mauritania to improve monitoring, control, and reporting on budget execution and to facilitate access to more accurate and up-to-date fiscal data. It will be guided by an integrated diagnostic of information technology (IT) system needs given the ongoing PFM reforms and the opportunities for greater functionality and interconnectivity, including sharing of electronic platforms and storage/backup capabilities. It will also support increased transparency and public access to information through improved public sector web presence. It will finance the following activities:

- Technical assistance for an in-depth assessment/functional audit of the current GFMIS and development of a GFMIS integration plan
- Assessment of security weaknesses of GFMIS in the Ministry of Finance; purchase and installation of security features including software and hardware
- Technical support for the integration/interconnection of the remaining GFMIS
- Technical assistance and training for public investment management and monitoring and evaluation (M&E) modules as well as purchase of software for the Development Assistance Database (DAD) managed by the Ministry of Economy and Finance (*Ministere de l'Economie et des Finances*, MEF)
- Training/upgrading of IT engineers and staff skills for maintenance of new systems
- Creation of a Ministry of Finance portal to improve web presence, including features that enable the facilitation of online public debates around budget monitoring
- Support to the MEF for the development of a Transparency and Anticorruption Strategy

27. *Subcomponent 1.2: Increasing Monitoring of SOEs and Autonomous Agencies (US\$1.18 million)*. This subcomponent will support the improved performance and accountability of SOEs and AGAs through stronger monitoring, oversight, and results monitoring by the authorities. It will focus mainly on strengthening the state's capacity to become a more informed and active owner of its portfolio of SOEs and AGAs by setting clear strategic targets and expectations and then actively holding them to account through performance monitoring and competent technical inputs and views on company business plans, performance contracts, and so on. The project will also provide some limited support to selected SOEs for improved reporting and board evaluation. The project will finance the following activities:

- Development of a national policy/strategy for the parastatal sector—SOEs and public administrative bodies (*Etablissements Publiques Administratives*, EPAs)
- Support to the Ministry of Finance for the production of annual reports on parastatal agencies and SOEs, including operational and financial performance
- Review of the parastatal sector in collaboration with the internal auditor
- Training for DTF and SOE board members on business analysis, understanding balance sheets, business planning, use of standard business analysis tools, and so on
- Elaboration of Performance Agreements with ten SOEs

28. *Subcomponent 1.3: Improving Accounting and Auditing Standards and Internal and External Oversight (US\$1.25 million)*. This subcomponent will support two main objectives. First, it will support the improvement of accounting and auditing standards to bring them in line with international norms, building on the findings of the 2014 ROSC. Second, it will support some of the core internal and external oversight entities to help them exercise their mandate to ensure public resources are spent for the intended purposes in a manner consistent with prevailing national laws. The project will finance the following activities:

- *Subcomponent 1.3(i): Improving Accounting and Auditing Standards (US\$0.70 million)*
  - Review and update the Mauritanian Accounting and Auditing System for small and medium enterprises (SMEs); support to the national accounting body to adopt International Standards on Auditing (ISA) and the Code of Ethics of the International Federation of Accountants (IFAC) and move toward IFAC compliance; dissemination and promotion of the ISA and IFRS
  - Establishment of audit quality review schemes
  - Creation of a single registry of company accounts that includes audited financial statements for private and public enterprises and that is accessible by relevant authorities
- *Subcomponent 1.3(ii): Internal and External Oversight (US\$0.55 million)*



- Diagnostic studies on the internal audit units in the Ministries of Health and Education
- Provision of equipment and logistical support for internal audit units in the Ministries of Health and Education for inspection purposes
- Training, capacity building, and technical support for internal audit units (IGE, IGF, Ministry of Education, and Ministry of Health), including the development of operational manuals for auditors and inspectors
- Short-term technical assistance for the Supreme Audit Institution on the auditing of SOEs

29. *Subcomponent 1.4: Enhancing the Public Procurement System (US\$0.67 million).* This subcomponent will support reforms to address the main areas of weakness outlined in the recent Country Procurement Performance Review, such as completing the legal framework, guidelines and standard bidding documents, adjusting/adapting the current institutional setup for public procurement, improving the quality of procurement input in budget preparation and budget execution, and strengthening the capacity of procurement authorities through, among others, the establishment of a certification program in the public service. The piloting of framework contracts for some standard high volume items will demonstrate options for improved efficiency and savings. Improved transparency and control will be supported through targeted training for CSO stakeholders, publication of the ARMP's annual report, and the setting up of mechanisms for reporting of fraud and corruption. The subcomponent will finance the following activities:

- Technical support and capacity building for the design and implementation of (a) a national public procurement professionalization and certification scheme at the National School of Administration and Magistracy of Journalism (Ecole Nationale d'Administration de Journalisme et de Magistrature/ENAJM) and (b) a university course on procurement
- Technical and legal advice for the harmonization and alignment of all procurement legal documentation
- Technical and legal advice to align procurement planning, procurement processing, and contract execution with the budget cycle
- Technical support for adjusting/adapting the current institutional setup of the public procurement system
- Piloting of framework contracts for high volume products (vehicles, fuel, medicines, uniforms, food items, common IT items, paper, printing of school books and manuals, and other common and repetitive items)
- Training/workshops for public procurement stakeholders including public sector procurement practitioners, the private sector, internal auditors, and other actors like CSOs to address current shortcomings of procurement and contract management practices, respectively

- Technical advice for design and implementation of anonymous whistleblower mechanisms for reporting of suspicions of procurement fraud

**Component 2: Strengthening the Administration of Property Registration and Taxation and Mining Taxation (US\$4.70 million)**

30. This component will help the GoM to broaden the tax base and modernize tax administration to create a more predictable and stable source of revenue for the state. It involves support to the tax department to improve their communication and service to taxpayers; an update and expansion of the fiscal census; and support to increase fiscal revenues from property taxes and fees through the development of a modern national cadastre. It will support improved mining sector taxation by using a tax model and a risk-based methodology for mining sector tax audits to combat BEPS. It will also contribute to updating/modernizing the mining registry as well as strengthening the capacity of the Ministry of Mining (*Ministere du Petrole, de l'Energie et des Mines*, MPEM) for geoscientific analysis of existing data.

31. *Subcomponent 2.1: Strengthening Tax Administration and Compliance (US\$0.9 million).* This subcomponent will support ongoing tax reforms which aim to strengthen domestic revenue mobilization and widen the tax base through improving services, payment channels, and information to taxpayers; training for tax administration staff on international tax issues related to BEPS, such as transfer pricing; updating the taxpayer census for Nouakchott and expanding it to six other cities; and improving property taxation. The following activities will be supported under the project:

- Training/capacity building for tax directorate personnel and mining ministry technicians with particular focus on (a) BEPS, including technical assistance for a Transfer Pricing Risk Assessment and (b) mining taxation
- Update of taxpayer census for Nouakchott and expansion to other main cities, to evaluate the tax potential by identifying and mapping taxpayers
- Development of communication material and forms to implement ongoing tax reform once a new law is passed (from 2016)
- Training on tax software (SIGTAX) with a focus on users (training for engineers for systems maintenance is included in GFMIS subcomponent)
- Review of the property taxation and valuation system and processes

32. *Subcomponent 2.2: Supporting the Authorities' Efforts to Develop a National Cadastre (US\$1.25 million).* This subcomponent will provide targeted support to the authorities' ongoing efforts to elaborate a broad national land policy. This will be done through the development of an integrated cadaster (including the land registry) and through a pilot to increase the share of formally registered properties in Mauritania, as a way to secure land rights and increase access to credit and tax revenues. The pilot will include mechanisms to ensure proper consultation with and support to vulnerable groups as a way to increase their opportunities to obtain secure land titles and to make their voices heard in the land reform process. It complements and supports the ongoing

efforts of the authorities to elaborate a broader national land policy to reinforce land tenure security for vulnerable groups including women, building on the findings of the Land Governance Assessment Framework (LGAF) study and Action Plan. It will finance the following activities:

- Legal and institutional review that will be divided in three parts: (a) Policy, Legal and Institutional Review; (b) Land Registration Processes Review; and (c) Property Valuation and Taxation. The review would also provide information for a Bank policy note on inclusive land reform, as an input into the government's broader land reform efforts
- Preparation of a draft operational plan on land registration covering both private and public land which will include a small but representative pilot project (one in south, another one in north and third in urban area) for systematic registration to test different approaches to feed into the National Land Policy and the Draft National Strategy under development by the authorities
- Setting up and organizing community consultations for an effective inclusion of vulnerable groups in the land registration process and as an input into the wider land reform dialogue
- Purchase of new equipment (GNSS software and equipment) for use by surveying and legal staff involved in property measurement, registration and preparation of land titles
- Training for personnel working on land reform, land registration, land surveying, land title preparation, and others, including study tours to other African countries where successful experiences in systematic registration were realized

33. *Subcomponent 2.3: Strengthening Fiscal Management in the Mining Sector (US\$1.25 million)*. This subcomponent will support the Directorate of Mines and Geology (*Direction des Mines et de la Géologie*, DMG) and the DGI in the areas of mineral tax policy formulation and tax administration of the industry. Support will be provided to facilitate the adoption of consolidated modeling of cash flows and tax receipts, including formalization of mandates and work plans of interministerial coordination, capacity building in principles of fiscal policy making, and contract negotiations. Support will target interministerial collaboration to achieve standardized terms and conditions for new investors and preparation of modalities for interministerial coordination and development of a database of tax payers in the extractive industry in collaboration with the EITI. Activities will include the following:

- Preparation of a tax administration manual and procedures, including hardware and software and public outreach and awareness campaigns
- Support to planning and execution of tax audits, regular controls, and verification of tax returns
- Modeling of the mineral tax regime, including hardware and software
- Training and legal support in the area of fiscal and financial terms of the mineral regulation and revision of standard contracts and agreements

34. *Subcomponent 2.4: Enhancing Management of the Mineral Registry and Geoscientific Data (US\$1.30 million).* The objective is to enhance the management of operators' performance and sector data and increase investor interest in the sector. The project will modernize the mining registry to improve tracking of operators and build capacity in geoscientific data analysis to serve the mining industry as well as the general public in areas such as hydrological surveys, erosion control, zoning, and so on. A second objective is to increase publicly available geoscientific data. In addition, the project will support systematic data recording and storage of the expanding body of geoscientific knowledge with the intention of making the information available to potential investors through web portals and by means of sector promotion at international investor conferences. This support will contribute to increased investor interest and eventually an expansion of the tax base. Activities to be supported include the following:

- Registry redesign, development, installation of software, related equipment, and training
- Publication and dissemination of data from the existing Geoscience Database which is currently only accessible at the MPEM office and promotion of the mining sector through organization/participation in relevant events in Mauritania and abroad
- Training of staff at the MPEM and the Mauritanian geological agency (*Office Mauritanien de Recherches Géologiques*, OMRG) in geological data analysis and modeling

### **Component 3: Project Management (US\$1.70 million)**

35. This component will support the recipient to hire and maintain a Project Implementation Unit (PIU), including personnel and equipment to ensure technical support for the implementation of the planned activities. The component will also finance operating costs and some equipment including a vehicle, office rental, office equipment, travel, operating expenditures, and external audits of project accounts (PAs).

36. **Lending instrument.** The Bank and the GoM have agreed to adopt the Investment Project Financing instrument for this project as it is the most appropriate instrument mechanism to respond to the specific PFM needs of the government at this time.

### **B. Project Financing**

37. **Project Cost and Financing:** The total project cost is estimated at US\$11.6 million equivalent. This will be financed by an IDA grant of US\$10.3 million and Government counterpart funds estimated at US\$1.3 million. Table 2 shows the proposed allocations across components:

**Table 2. Project Cost and Financing**

<b>Project Component</b>	<b>Project Costs (US\$, thousands)</b>	<b>IDA Financing (US\$, thousands)</b>	<b>Counterpart Financing (US\$, thousands)</b>
<b>1. Improving Transparency and Control in Public Resource Management</b>	5,200	4,500	700
1.1 Enhancing Transparency and Reporting on Public Resources	2,100	1,700	400
1.2 Increasing Monitoring of SOEs and Autonomous Public Agencies	1,180	1,080	100
1.3 Improving Accounting and Auditing Standards and Internal and External Oversight	1,250	1,150	100
1.4 Enhancing the Public Procurement System	670	570	100
<b>2. Strengthen the Administration of Property Registration and Taxation and Mining Taxation</b>	4,700	4,400	300
2.1 Strengthening Tax Administration and Compliance	900	850	50
2.2 Supporting the Authorities' Efforts to Develop a National Cadastre	1,250	1,150	100
2.3 Enhancing Fiscal Management in the Mining Sector	1,250	1,200	50
2.4 Enhancing Management of the Mining Registry and Geoscientific Data	1,300	1,200	100
<b>3. Project Management</b>	1,700	1,400	300
<b>TOTAL</b>	<b>11,600</b>	<b>10,300</b>	<b>1,300</b>

### **C. Lessons Learned and Reflected in the Project Design**

38. The Implementation Completion and Results Report of the recently closed Public Sector Capacity Building Project (*Projet de Renforcement des Capacités du Secteur Public*, PRECASP, P082888) offers some valuable lessons for designing and implementing similar projects in Mauritania. First, the initial design of PRECASP was too complex for a low-capacity environment such as Mauritania (five components and five ministries). The current project has two main components and a third to support project implementation; and the reforms supported involve two main ministries, although at least three other ministries/institutions will be involved to a lesser extent (the MEF, Ministry of Education, and Ministry of Health). Second, a strong focus on M&E should be established from the beginning. This is being assured through a full-time M&E officer and a clear, yet realistic, data collection protocol. Third, robust supervision arrangements should be included and allow for frequent in-country support missions. In addition to the standard biannual supervision missions of the task team leader (TTL) and other project team members, a full-time public sector staff based in Nouakchott will ensure regular supervision and support. Fourth, the government needs to be genuinely engaged and assume a high level of responsibility and ownership during the design and implementation. This has been the case for this project. Finally, the Bank should actively coordinate with other donors working on similar topics in Mauritania. The Bank is an active member of the donor coordination groups in Mauritania and has consulted widely with donors during the preparation phase of the project to avoid overlaps and ensure complementarity.

## IV. IMPLEMENTATION

### A. Institutional and Implementation Arrangements

39. **The MEF will take overall technical responsibility for the project<sup>7</sup>.** The ministry has a multisectoral mandate and is responsible for economic planning, investment planning, and monitoring (including externally financed projects). It is also the main contact point for most development partners, including the Bank, and has extensive experience with managing development projects.

40. **A PIU will be set up in** the MEF to ensure overall fiduciary responsibility and technical coordination of the activities. The PIU will, at all times, report directly to the Minister of Economy and Finance on operational matters and will also support the project Steering Committee in ensuring oversight and monitoring of progress. Its core staffing will include (a) a project coordinator (with either a PFM or mining technical profile/expertise); (b) a senior technical specialist (with either a PFM or mining profile/expertise), which will complement the project coordinator in terms of technical skills and also function as a deputy coordinator; (c) an accountant; (d) a senior procurement officer; (e) an M&E specialist; and (f) an assistant to the project coordinator, as well as support staff (driver, guards, maintenance personnel, and so on) all with qualifications and experience acceptable to the Association.

41. **A Project Steering Committee will be established to provide strategic oversight of all the project activities.** The committee will meet on a quarterly basis and will be chaired by the Director General of Investment Project Management (*Direction Générale des Projets et Programmes d'Investissements*, [DGPPPI]) in the MEF with technical support from the PIU and the focal points of the institutions in charge of executing the project's technical work, namely, the Tax Department, Land and Property Registry, Mining Taxation Unit, Mining Conventions Commission (*Commission des Conventions Minières*, CCM), IGE, and heads of internal control units in the Ministries of Health and Education, Investment Planning (in the MEF), IT (in the Ministry of Finance), the ARMP, and the Court of Accounts (in the Chamber for SOEs). The focal points will be directly involved in the project activities and will facilitate their day-to-day management and monitoring by establishing a regular channel of communications and exchanges between the PIU and the beneficiary institutions.

42. **The Project Implementation Manual (PIM) will define the roles and responsibilities of each stakeholder** in the project, including the relationship between institutions. It shall include, among others, detailed administrative, procurement, FM, and M&E procedures and arrangements for the project. It defines rules and procedures as well as processing times to react to specific requests from the Bank or the government. The PIM is currently under preparation and will be finalized by the PIU—in close collaboration with the beneficiaries—before project effectiveness. A national consultant will be hired to finalize the draft PIM in consultation with the project's implementing agencies as well as facilitate its validation by promoting full ownership of its content by all the stakeholders involved.

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<sup>7</sup> Previously Ministry of Economic Affairs and Development/MAED (Ministère des Affaires Economiques et du Développement), following the Government reorganization and new composition after the February 2016 merger.

43. **FM and disbursement arrangements.** FM and disbursement will be managed by the PIU. The unit will be created before effectiveness and will be staffed by technicians with skills and experience satisfactory to the Bank. The implementation unit is expected to meet the Bank's requirements stipulated in OP/BP 10.00 before effectiveness.

44. **The PIU will prepare an annual budget based on an agreed annual work program and annual procurement plan.** Annual budgets will be submitted to the Bank for 'no objection' before adoption and implementation. The current accounting standards in use in Mauritania for ongoing IDA-financed projects will be applicable. PAs will be maintained on an accrual basis, supported with appropriate records and procedures to track commitments and to safeguard assets. Annual financial statements will be prepared by the MEF. The Administrative and Accounting Procedures Manual will provide a clear description of the approval and authorization processes with respect to the rule of segregation of duties. An in-depth review of the legal and technical organization of the MEF's internal audit department to design a Capacity Reinforcement Action Plan will be undertaken.

45. **The following disbursement methods may be used under the project: reimbursement, advance, direct payment, and special commitment** as specified in the Disbursement Letter and in accordance with the World Bank Disbursement Guidelines for Projects, dated May 1, 2006. Disbursements will be transactions based, whereby withdrawal applications will be supported with statements of expenditures. All replenishments or reimbursement applications will be fully documented. Documentation will be retained at the MEF for review by Bank staff and auditors.

46. **A designated account (DA) for the project will be opened in the Central Bank of Mauritania and a PA will be opened in a commercial Bank in Nouakchott on terms and conditions acceptable to the World Bank.** Disbursements will be made in accordance with the *World Bank Disbursement Guidelines for Projects*, dated May 1, 2006. The DA, with a fixed ceiling amount of US\$1 million, will be used for all eligible payments financed by the grant, as indicated in the specific terms and conditions of the Financing Agreement. Withdrawal applications will be supported by Statements of Expenditures. MEF will prepare quarterly Interim Financial Report (IFRs) for the project in form and content satisfactory to the World Bank.

## **B. Monitoring and Evaluation**

47. **Progress toward achieving the PDO-level and intermediate results indicators will be measured and monitored through the intermediate results described in annex 1 under the leadership of the PIU with support from technical assistance.** Annex 1 provides details of the reference data, targets and frequency of data collection, source, and methodology.

48. **The PIU will include an M&E specialist responsible for monitoring and reporting on project results** as defined in annex 1 (Results Framework). The M&E specialist will compile evidence on progress toward the indicators on a regular basis and prepare a report for Steering Committee meetings and other review meetings as well as in response to specific requests from the GoM or the Bank. In addition, the M&E specialist will support relevant ministries in their own efforts to collect data on performance indicators of relevance to the project.

49. **The annual joint reviews of program implementation will complement the M&E system to identify issues that could interfere with achieving the development objectives.** Finally, the Steering Committee will meet on a quarterly basis to review progress.

### C. Sustainability

50. **The reforms supported by the project will contribute to** (a) achieving more transparency and accountability of SOEs and public agencies, including a greater results focus and stronger fiduciary and quality controls for better public sector management and service delivery; and (b) the broadening of the tax base and modernization of the tax administration systems for more predictable and sustainable domestic resource mobilization. There are several factors which can increase the chances of sustainable results that have been taken into account in project design. First, the project will, as far as possible, use local technical expertise and training centers. Second, where international expertise is required, an effort will be made to ensure a transfer of knowledge through close collaboration with counterparts. Third, the selection of activities for which there is strong government commitment and ownership should ensure a continuation of activities beyond the life of the project. Fourth, the activities which hold the potential to generate more stable fiscal revenues should increase the overall fiscal sustainability.

## V. KEY RISKS

### A. Overall Risk Rating and Explanation of Key Risks

**Table 3. Risks Ratings Summary**

<b>Risk Category</b>	<b>Rating</b>
1. Political and Governance	Substantial
2. Macroeconomic	Moderate
3. Sector Strategies and Policies	Substantial
4. Technical Design of Project or Program	Moderate
5. Institutional Capacity for Implementation and Sustainability	High
6. Fiduciary	Substantial
7. Environment and Social	Low
8. Stakeholders	Moderate
9. Other	N/A
<b>Overall</b>	Substantial

51. **Political and Governance.** The political and governance risk is assessed as Substantial. The political economy of PFM reforms in Mauritania is complex, dominated by a landscape of strong and powerful interest groups blocking important reforms to protect their interests, as evidenced by the mixed track record on PFM reforms. There are positive signals of government commitment to reforms in the areas identified and supported by the project and the demand for support to these reforms is clear. However, the strength of this commitment and the ability of the authorities to counter those who will resist such reforms, both within and outside of the public sector, are subject to fluctuations.<sup>8</sup>

52. **Mitigation measures for Political and Governance risks.** Project activities have been selected on the basis of demonstrated commitment to reforms in these areas. There is thus some

<sup>8</sup> See annex 9 for a short political economy assessment of the reforms supported by the project.



evidence indicating genuine commitment and ability to carry through these reforms despite changes to personnel in the institutions leading such reforms. In addition, the project will use multistakeholder fora to build reform coalitions around key reforms.

53. **Macroeconomic.** Macroeconomic risk is assessed as Moderate. These risks relate mainly to changes in demand for iron ore and changes in imports/exports, changing terms of trade, and inflation. A significant rebound in prices and increase in demand for iron ore and gold could diminish the authorities' commitment to broadening the tax base and to improve mining sector transparency, but this is unlikely to happen in the duration of the project. To mitigate this risk, the project will move rapidly on the activities related to these reforms to secure early buy-in from the authorities.

54. **Sector Strategies and Policies.** The risk of sector strategies and policies having a negative impact on project outcomes is Substantial. The risks are not so much related to changes in strategies and policies but more related to a lack of willingness to collaborate around a common objective. Mitigating measures include support to existing multistakeholder structures to steer and oversee reforms.

55. **Technical Design.** Experience from other Bank projects in general and the previous PRECASP, in particular, have shown that complex project design with a large number of implementing institutions should be avoided in Mauritania, given the low capacity and an institutional culture of noncollaboration. As a result, the current project has fewer implementing institutions than PRECASP. The risk of technical design having a negative impact on project outcomes is Moderate.

56. **Mitigation measures for Technical Design risks.** The current project design is relatively simple and the number of contracts and activities is more manageable and relates mainly to procurement of consultants for technical assistance and some equipment. Limited government capacity to manage projects is mitigated by putting in place a PIU staffed with technical experts in relevant areas and fiduciary personnel familiar with Bank procedures.

57. **Institutional Capacity for Implementation and Sustainability.** There is a high likelihood that weak institutional capacity for implementing and sustaining the project may adversely impact the PDO. The PIU in charge of execution of the project will be created during project preparation and will therefore, neither have experience in implementing projects with external or internal funds nor the necessary technical, fiduciary, and disbursement arrangements in place, from the outset. There is also a risk that the technical assistance and training programs do not succeed in transferring knowledge to the national civil servants. If this risk materializes, the PDO's results indicators may be met, but the results will not be sustainable.

58. **Mitigation measures for Institutional Capacity risks.** During project preparation the Bank team will make sure that (a) all institutional arrangements are in place; (b) a PIM is drafted; (c) the PIU team is hired and adequately trained before effectiveness; and (d) the terms of reference for the consultants are adequately drafted to include capacity building, not substitution and their performance will be assessed accordingly. Employment confirmation, extension, and salary increases will be dependent upon their performance in this regard.

59. **Fiduciary.** Fiduciary risks have a substantial probability of impacting the PDO in an adverse way. The 2014 PEFA showed that the GoM has made progress in improving the PFM fiduciary risks associated with poor budget formulation and budget preparation processes have been reduced. However, several risks remain in terms of (a) comprehensiveness of information included in budget documentation, (b) effectiveness in collection of tax payments and custom duties, (c) effectiveness of internal audits, (d) quality and timeliness of in-year budget reports and annual financial statements, and (e) effectiveness of external audits and legislative scrutiny of the Annual Budget Law.

60. **Mitigation measures for Fiduciary risks.** During project preparation and the first months of implementation, the Bank team will make sure that (a) the PIU will not use the public administration's weak procedures; (b) the PIM will include specific fiduciary arrangements for project implementation; (c) the PIU team will include at least one procurement and one FM specialist, with experience in Bank projects and adequately trained before effectiveness; and (d) a satisfactory financial IT system and the project chart of accounts will be in place to complement or upgrade the country financial IT system, before effectiveness. The project itself will contribute to strengthening the internal control environment and performance of the PFM system as a whole.

61. **Environment and Social.** There is a low likelihood that the achievement of the project objective could be affected by exogenous environmental and social risk factors (including those related to climate change and natural disasters) because they are not present or are not relevant to the project. There is a slight risk of disputes over property ownership related to the land registration and titling process, but this is being mitigated through putting in place proper consultation and grievance redress mechanisms to accompany the process. The project will finance training and technical support for conducting sufficient consultations during the pilot land registration and titling process.

62. **Stakeholders.** Opposition from stakeholders could have a negative impact on the achievement of the PDO, but the likelihood and/or degree of impact of this opposition is moderate. The project and objectives have already been widely discussed and well understood by all project stakeholders. Most key stakeholders indicated active support for the project, while donor interventions are well-coordinated and complementary. There might be resistance to some of the changes required by reforms of revenue and expenditure management, in particular those related to greater scrutiny of SOEs and AGAs as well as efforts to clean up and clarify the procedures related to property registration and taxation.

63. **Mitigation measures for Stakeholder risks** include the establishment of multistakeholder structures, involving donors and international partners as well as national institutions, to oversee clear and agreed targets. This will align with and leverage significant external resources behind important structural reforms that could otherwise get blocked.

64. **Despite these mitigation measures, the overall risk is rated as Substantial.**

## VI. APPRAISAL SUMMARY

### A. Economic and Financial Analysis

65. **Quantifying the direct and indirect economic and financial benefits of PFM interventions with any accuracy is very difficult.** Financial and cost-benefit analyses can only capture the most direct and quantifiable benefits, such as those emanating from a stronger tax system and increased revenues. Yet, other interventions such as an improved budgeting process and procurement reforms can increase the efficiency of public spending, not only leading to savings but also to more targeted and relevant activities and investments that, in turn, have higher rates of return.

66. **Direct quantifiable benefits from this project include the expected 20 percent real increase in property tax revenues and fees from an improved property tax system.** This translates into approximately MRO 696 million, (US\$2.2 million) in nominal terms, assuming 5 percent inflation and 5 percent annual increase in taxes and fees collected. It is also expected that the investment in modernizing the mineral registry and building a more responsive service for prospective investors will lead to increased foreign direct investment and additional fees and taxes. Support to the piloting of framework contracts with targeted ministries will also lead to savings in public procurement with the exact amounts depending on the size of the contracts.

67. **Indirect benefits include more efficient and effective delivery of public services through better fiduciary and quality controls in the education and health sectors.** Performance agreements with SOEs and public agencies will include targets for reduced costs and/or increased quality or reach of services. Setting up a central registry of company financial statements is expected to increase the reliability of financial information, which could help small enterprises with access to credit. An improved property registry system and secure property titles could also increase the value of property and the ability of property owners to use such property as collateral for loans.

68. **While GoM does not define a minimum rate of return for project viability, the average economy wide rate of return (EWRR) of its public investment program (PIP) is estimated at 12 percent for Mauritania<sup>9</sup>.** Twelve percent EWRR of a US\$10.3 million investment is equal to US\$1,236,000 in nominal value. In order to reach that rate of return, these indirect benefits would need to equal US\$11,536,000 in nominal terms or just over US\$8 million in net present value terms, or a 3.85 percent improvement in the efficiency in use of public expenditure in the education and health sectors (which combined equal US\$300 million or around 6 percent of GDP). Such a modest increase in efficiency seems very likely.

69. **Rationale for public sector financing.** There is no alternative to public sector financing for strengthening core institutions and building the capacity of government agencies for improve PFM and resource mobilization. In the mining sector, investment in institutional and organizational structures and skills development of staff is indispensable if national authorities are

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<sup>9</sup> The EWRR of 12 percent comes from an ongoing Bank study on the economic growth impact of the 2014-16 Public Investment Program in Mauritania. In the absence of existing cost benefit analyses for investment projects, the rates of return are based on conservative regional averages and the concessional nature of available financing. The Financial Internal Rate of Return (FIRR) is estimated at 6 percent and the Economic Internal Rate of Return is an estimated 14 percent.

to compensate for the asymmetric information between investors and public regulators. The proposed project design aims at strengthening core PFM systems that are required to improve public sector efficiency, value for money and increased returns to public investments. It also aims at improving the GoM's bargaining power with mining investors in negotiations, oversight, and enforcement.

70. **Bank value added.** As one of the few development partners present in Mauritania, the bank is uniquely placed to provide support and knowledge on public financial management. The proposed areas of intervention and activities were designed through active dialogue with development partners and the authorities during project implementation, and are thus a reflection of where these partners see the greatest value added for bank involvement, given the bank's knowledge of the topics in question and the absence of coverage by other development partners. In 2004, the Bank completed a multi-stakeholder review<sup>10</sup> of the Bank Group's support to the extractives industry (EI) sector. This review concluded that the Bank Group can play an important role in the oil, gas, and mining sectors if it allows and designs its interventions for the EI to contribute to poverty reduction. In response, the Bank developed a holistic approach which takes into account the entire 'life-span' of EI project development, from the first discovery of resources through development and exploitation through decommissioning.

71. The comparative advantage of the Bank compared to other development partners (and the private sector) is its ability to accompany all stages of the value chain. Accordingly, the Bank is in possession of the instruments to support (a) an enabling environment which will attract investors; (b) enhancement of capacities for oversight and enforcement of operators' obligations, including tax payments. Consequently, the value addition of the Bank's engagement is found in the balanced and multidimensional sector support, which targets all aspects of sector governance in the interest of promoting poverty reduction and shared prosperity.

## **B. Technical**

72. **The design of the current project builds on lessons from several operations in Mauritania.** The most relevant of these are PRECASP (PFM/public sector operation) and PRISM (mining sector operation). Both operations supported reforms that are continued under the new project. In addition, a series of Economic and Sector Work (ESW) and Advisory Services and Analytics have informed the project activities (see annex 2).

73. **Overall, most reforms supported by the project aim to bring public sector performance in line with regional and/or international standards and good practice.** This is the case for support to improve the auditing and accounting standards. Improving reporting on SOEs clearly links with the Organisation for Economic Cooperation and Development (OECD) standards on corporate governance of SOEs. Likewise, the tax reforms currently underway are aimed at modernizing the Mauritanian tax administration and bringing national practices in line with international standards, including on mining taxation. The limited support to improved land taxation also aims to support the development of a national cadastre that corresponds to international good practice, including practice related to social safeguards and consultation

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<sup>10</sup> Striking a Better Balance: The Extractive Industries Review, World Bank, 2004.

mechanisms, and an emphasis on protecting and promoting the property rights of women and vulnerable groups.

74. **Ongoing and planned support by other partners have been taken into account in the project design.** The European Union (EU), France, and the German Agency for International Cooperation (*Deutsche Gesellschaft für Internationale Zusammenarbeit*, GIZ) have all been consulted on support relative to internal and external controls, GFIMIS, and the tax and customs department including mining taxation—areas in which these donors are actively involved. An overview of donor support relevant to the project is outlined in annex 10.

### C. Financial Management

75. **An FM assessment was conducted on the FM arrangements for the MEF.** The objective of the assessment was to determine whether the MEF has acceptable FM arrangements in place that satisfy the Bank's OP/BP 10.00. These arrangements will ensure that the implementing entity (a) uses project funds only for the intended purposes in an efficient and economical way; (b) prepares accurate and reliable accounts as well as timely periodic financial reports; (c) safeguards assets of the project; and (d) has acceptable auditing arrangements. The FM assessment was carried out in accordance with the Financial Management Manual issued by the Financial Management Sector Board on March 1, 2010.

76. **The FM capacity of the MEF to implement Bank-financed projects is inadequate.** The FM system has the following capacity constraints: (a) lack of adequate FM staff; (b) weak internal control environment; and (c) lack of accounting software. As a result of the FM capacity constraints, the MEF should do the following:

- (a) Before effectiveness, (i) set up a Manual of Administrative and Accounting Procedures to strengthen the internal control environment, maintain an appropriate safeguard of the assets and funds, and clarify roles; and (ii) recruit an FM officer.
- (b) Within six months after effectiveness, the MEF should (i) recruit an accountant and external auditors with skills and experience satisfactory to the Bank; (ii) install an accounting software; and (iii) reinforce the MEF internal inspectorate to carry out the internal auditing activities for the MEF, including for the project.

77. **The conclusion of the FM assessment is that the FM arrangements of the MEF have to be strengthened to meet the requirements of OP/BP 10.00.** The overall residual risk rating is Moderate given that the Project Coordination Unit (PCU)/PRISM will assist the MEF for the implementation of the project until the MEF FM team and the FM system become fully operational.

### D. Procurement

78. Procurement under the project will be carried out in accordance with the Bank's (a) 'Guidelines: Procurement of Goods, Works, and Non-consulting Services under IBRD Loans and IDA Credits & Grants by World Bank Borrowers' dated January 2011, revised in July 2014; (b) 'Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits & Grants by World Bank Borrowers' dated January 2011, revised in July 2014; and (c) 'Guidelines

on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants’, dated October 15, 2006, revised in January 2011, as well as the provisions stipulated in the Financing Agreement.

79. A procurement assessment was carried out for the MEF that will be charged with the procurement activities of the project. The assessment reviewed the organizational structure for implementing the project and the interaction between staff responsible for procurement and other relevant technical units of ministries and agencies that are beneficiaries of project activities. While the MEF has no experience in IDA-specific procurement procedures, it set in place a PIU which has staff including a coordinator, a procurement specialist, and an accountant who have gained extensive experience in Bank procedures through the implementation of previous IDA-funded projects (PRISM 1 and 2). The assessment indicated gaps and weaknesses at the MEF level.

80. A Procurement Plan, covering the first 18 months of project implementation, has been prepared by the authorities, reviewed by the Bank during project appraisal and formally confirmed during negotiations. The final version of the Procurement Plan will be disclosed (without cost estimates) and posted on the Bank’s website. More details are provided in annex 3.

81. The overall procurement risk is rated High. The key risks for procurement are: (a) inadequate capacity of staff in procurement practice and knowledge of Bank procurement policies and procedures and the ministry’s Tender Committee to handle the volume of procurement for their respective activities under the project; (b) possible delays in the procurement process and poor quality of contract deliverables; and (c) absence of clear procedure for contracts with amounts below the threshold of the law (US\$33,000).

82. **Fraud and corruption.** All procurement entities as well as bidders and service providers (that is, suppliers, service providers, and consultants) shall observe the highest standards of ethics during the procurement and execution of contracts financed under the project in accordance with paragraphs 1.16 and 1.17 (Fraud and Corruption) of the Procurement Guidelines and paragraphs 1.23 and 1.24 (Fraud and Corruption) of the Consultant Guidelines and the ‘Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants’, dated October 15, 2006 and revised in January 2011, in addition to the relevant Articles of the Sierra Leone Public Procurement Act 2004.

#### **E. Social (including Safeguards)**

83. The project does not trigger any social safeguards policies. The social impacts of the project are expected to be positive as it will improve access to both information on public sector budgets and expenses and provide opportunities for engaging with the authorities in the budget process. It also aims to improve public services through strengthened internal controls and through performance agreements with parastatal agencies, as measured by a public service perceptions survey.

84. To mitigate social risks during the preparation of the national cadastre, the project will emphasize participatory decision-making, beneficiary feedback mechanisms, and entry points for citizen engagement. The beneficiary feedback will include specific grievance redress mechanisms, designed to support a pilot to increase property registration. A specialist agency will be contracted

to help the GoM manage stakeholder consultations and gather feedback from citizens during the preparation of the national cadastre. The agency/nongovernmental organizations will also work with women and vulnerable groups to increase their understanding of their rights and assist them in the process of obtaining land titles and/or registering their properties.

#### **F. Environment (including Safeguards)**

85. The project has been classified as environmental Category C. The project consists of technical assistance activities as well as the provision and installation of IT equipment. It will not finance civil works and there will be no design or feasibility studies of future infrastructure. There are, therefore, no foreseen negative impacts on the physical environment and no environmental work is required. However, under Component 2, Subcomponent 2.4, the following activities will take into consideration national environmental laws (for example, sectoral guidelines) as well as the principles of environmental sustainability promoted by the Bank: (a) training of staff at the MPEM and the OMRG in geological data analysis and modeling and (b) promotion of the mining sector. The overall environmental and social safeguards risk rating is Low.

#### **G. Other Safeguard Policies Triggered**

86. No additional safeguard policies are triggered by this operation.

#### **H. World Bank Grievance Redress**

87. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit [www.inspectionpanel.org](http://www.inspectionpanel.org).

## Annex 1: Results Framework and Monitoring

**Country: Mauritania**

**Project Name: Mauritania Public Sector Governance Project (P146804)**

### Project Development Objectives

PDO Statement

The Project Development Objective (PDO) is to improve monitoring and transparency of selected government entities and the administration of property and mining taxation.

<b>These results are at</b>	Project Level
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### Project Development Objective Indicators

Indicator Name	Baseline	Cumulative Target Values			
		YR1	YR2	YR3	End Target
Timely public disclosure of reports on SOE/AGA performance issued by the Directorate in charge of monitoring SOEs/AGAs (DTF)(Number)	0.00	1.00	3.00	5.00	5.00
Coverage of internal audits in Ministry of Education.(Text - Sub-Type: Breakdown)	10%	+2%	+2%	+2%	+2%
Number of properties on which fees and taxes are being levied (Percentage)	3202	+5%	+5%	+5%	+20%
Mine companies subjected to tax audits (Text)	61%		+5%		+10%

### Intermediate Results Indicators

Indicator Name	Baseline	Cumulative Target Values			
		YR1	YR2	YR3	End Target
User satisfaction regarding public sector data availability (Percentage)	NA	Design and launch of first survey	+5%	+5%	+15%
Number of GFMS systems interphases in place and operational,	1	1	2	2	3



including regular electronic data sharing (Number)					
Number of performance agreements elaborated, signed between the State and SOEs and independently monitored (Number)	0.00	2.00	5.0	8.0	10.00
Share of auditors certified according to new certification scheme (Percentage)	0.00	0.00	15.00	30.00	50.00
Share of Procurement Committee members certified through procurement certification scheme (Percentage)	0.00	0.00	15.00	30.00	50.00
Audits related to Base Erosion and Profit Shifting by DGI (Text)	None	Transfer pricing risk assessment	Transfer pricing audit/verification	Transfer pricing audit/verification	Transfer pricing audit/verification
Tax census in 3 largest cities (properties and businesses) (Text)	None	Prepare methodology	Nouakchott	Nouadhibou	Rosso
Formal properties titled/registered in pilot areas (Number)	N/A	+1000.00	+2000.00	+3000.00	+4000.00
Percentage of Mineral Exploration Permits which are submitted for approval to the Council of Ministers within 75 days (Text)	0.00	+20%	+20%	+20%	80%
Geological database system accessible to the public on-site and on-line (Text)	No	No	Registry is on-line	Registry and geo-data are on-line	Registry and geo-data are on-line

### Indicator Description

#### Project Development Objective Indicators

Indicator Name	Description (indicator definition etc.)	Frequency	Data Source / Methodology	Responsibility for Data Collection
Timely public disclosure of reports on SOE/AGA performance issued by the Directorate in charge of monitoring SOEs/AGAs (DTF)	Measured by the number of annual reports on SOEs and AGAs. Salient features of the SOE Annual reports include a complete overview of SOE net performance during the previous year, include net profit/loss, dividends paid, subsidies received, taxes paid, arrears and outstanding debt including contingent liabilities. Reports should be issued no later than one year after the period reported on.	Annually	MEF Website	MEF/Dir of Public Enterprises
Coverage of internal audits in Ministry of Education	Measured by the increased number of budget units (Primary Schools, Secondary Schools, etc.) audited by the internal audit	Annually	MoE	MoE

	units in Ministry of Education as percentage of the total (number and budget).			
Number of properties on which fees and taxes are being levied	Indicator verifies increase in number of properties subject to taxation ( <i>impots sur revenue foncier and droit de bail</i> ) and fees resulting from an increase in properties registered in pilot areas and an increase in property taxes from an improved property taxation system linked to the national property cadaster.	Annually	DGI Report	DGI
Mine companies subjected to tax audits	Measured by the percentage of mining companies (operators and their exclusive sub-contractors) which are subjected to tax audits during the year as a share of active mining companies covered by the department of large taxpayers in the same year)..	Annually	Direction des Grandes Entreprises (DGE)	DGE

#### Intermediate Results Indicators

Indicator Name	Description (indicator definition etc.)	Frequency	Data Source / Methodology	Responsibility for Data Collection
User satisfaction regarding public sector data availability	The survey would be sent to researchers, students and CSOs and would include questions on the comprehensiveness, availability and user-friendliness of fiscal data, as well as the opportunities for civil society to provide opinions and feedback to the authorities. Annual targets would be an increase from previous year.	Annually	MEF Website	MEF
Number of GFMS systems interphases in place and operational, including regular electronic data sharing	Measured by the number of operational electronic interphases between GFMS systems. Operational interphases imply actual use for data sharing and timely updating/reporting and use of such data. Evidence includes the use of reports for decision making (i.e. budget execution reports including updated tax or customs income). Currently, only one such connection is in place (Treasury-Tax)	Annually	MEF/IT department	MEF
Number of performance agreements elaborated, signed between the State and SOEs and independently monitored.	Features of the performance agreements would include targets on operational performance, financial sustainability, enhanced autonomy, levels of competitiveness, transparency, accountability and efficiency, management and board remuneration – in line with good international practice and standard corporate indicators. Satisfaction of indicator will require both a signed agreement and delivery of a monitoring report.	Annually	MEF/ Directorate for Public Enterprises	MEF
Share of auditors certified according to new certification scheme	Measured by the creation of a transparent auditing and accounting certification program which aligns with/embeds	Annually	MEF/ONEC	MEF/ONEC

	international standards such as ISA and IFAC code of ethics and by the share of auditors being trained and certified under the new system.			
Share of Procurement Committee members certified through procurement certification scheme	Procurement capacity will be measured by the percentage of tender committee members certified under the training and certification program	Annually	<i>Commission de Controle ARMP</i>	Sr. M&E Specialist
Audits related to Base Erosion and Profit Shifting by DGI	Measuring the number of assessments and audits carried out by the tax department on BEPS related issues (i.e transfer pricing). An expected outcome of strengthened capacity in this area is an increasing number of adjustments to payable taxes by companies	Annually	DGI	DGI
Tax census in 3 largest cities (properties and businesses)	Measuring the increased amount of fiscal data on businesses (turnover, staff, plants/equipment etc.) and properties (size, value, use) in the three main cities through tax census. The first year will be used to prepare the methodology	Annually	DGI	DGI
Formal properties titled and registered in pilot areas	This indicator measures the number of land parcels or properties with official deeds recorded in the cadaster as a result of the project.	Annually	MinFin/Dir de la Domaine	Sr. M&E Specialist
Percentage of Mineral Exploration Permits which are submitted for approval to the Council of Ministers within 75 days	Measured by the percentage of applications for Exploration Permits which are submitted to the Ministerial Council within 75 days from the original registration at the Mineral Registry Office.	Semi-annually	Mining Cadastre progress reports	<i>Service Cadastre du Minier</i>
Geological database system accessible to the public on-site and on-line	This indicator verifies if (i) a modernized mining registry system is consistent with the updated legislation; (ii) basic license information is accessible to the public; (iii) geo-science data is clearly recorded and accessible in electronic format	Annually	MPEM website	MPEM

## Annex 2: Detailed Project Description

### Mauritania Public Sector Governance Project

1. **The PDO is to** improve monitoring and transparency of selected government entities and the administration of property and mining taxation.
2. **Project description.** The project has three components, focusing on (a) Improving Transparency and Control in Public Resource Management; (b) Strengthening the Administration of Property Registration and Taxation and Mining Taxation and (c) Project Management. The project duration is four years (2016–2020).
3. **Analytical underpinnings of the project.** In addition to several framework documents, such as the Bank’s CAS (2014–16), the Implementation and Completion Results Report of the recently closed PRECASP, and the government’s own strategic documents (PRSP3, *Schéma Directeur Pour la Reforme du Système de Gestion des Finances Publiques*), the following recent analytical work listed in table 2.1 has formed the analytical basis for the project:

**Table 2.1. Analytical Work Underpinning the Project**

Component	Related Analytical Work
Component 1: Improving Transparency and Control in Public Resource Management	Governance of State-owned Enterprises and Public Agencies in the Islamic Republic of Mauritania (World Bank 2013); ROSC: Auditing and Accounting Standards (2014) PEFA (2014); GFMIS Rapid Assessment Report ( <i>Cem Dener</i> Aug 2014); IMF Sixth Review Under the Three Year Extended Credit Facility Arrangement (May 2013)
Component 2: Strengthening the Administration of Property Registration and Taxation and Mining Taxation	<i>Contribution à l’Amélioration de la politique foncière en Mauritanie à travers l’usage du Cadre d’Analyse de la Gouvernance Foncière</i> (CAGF) (2014); EITI reports; <i>Politique de Fiscalité Minière en Mauritanie</i> (IMF 2012).

#### **Component 1: Improving Transparency and Control in Public Resource Management (US\$5.20 million)**

4. The objective of this component is to support the authorities’ efforts to increase the transparency of, and control over, the use of public resources through an updated and more integrated GFMIS, increased monitoring of SOEs and agencies, improved audit and accounting Standards, better internal and external controls, and a more efficient public procurement system.
5. *Subcomponent 1.1: Enhancing Transparency and Reporting on Public Resource Management (US\$2.10 million).* The GoM has developed several electronic PFM systems (GFMIS) to increase control and transparency over public revenues and expenditures. Some of the notable results achieved within the scope of PRECASP (P082888) project include (a) development of the Tax Administration System (JIBAYA) and the introduction of tax ID numbers (*Numéro d’Identifiant Fiscal*, NIF); (b) NOVA portal (HRMIS, Payroll, Pensions) to replace existing systems (*Système Informatique de Gestion du Personnel de l’Etat* [SIGPE], *Réseau Automatisée du Traitement et Salaires des Employés Payés sur Bul* [RATEB], Pension Management System

[EL MAACH]) in January 2015; (c) Land Title Management System (TEHLIL); and (d) development of a link between the Treasury and BCM systems for sending payment instructions. Other systems introduced within the last two years (with government and other donor support) include the DAD for monitoring all donor-funded projects, Customs system upgrade (migration to *Système Douanier Automatisé* [SYDONIA] World), selection of i-World platform for internal audit needs (IGE), and the launch of the National (Digital) ID System in 2012. It is expected that these reforms will translate into sustainable improvements in revenue mobilization and management, institutional performance, and delivery of public services in the near future.

6. **Existing PFM information systems mainly support budget execution, accounting, and reporting functions for the central government, but additional capabilities should be developed to address the remaining PFM reform challenges** identified in the 2014 PEFA Assessment and other recently completed diagnostic studies. The PFM reforms are guided by *the Schéma Directeur de la Reforme du Système des Finances Publiques* (February 2012) and overseen by a technical unit in the Ministry of Finance. IT systems development are guided by the e-Government Strategy and Action Plan (2012–16) <http://www.emploi.gov.mr/SETN/StrategieTICSSPOFR.pdf>. However, there are a number of parallel reform and system modernization activities initiated without adequate coordination and communication.

7. **The development of electronic systems for PFM management—and PFM Reforms—must be sequenced.** Electronic systems only serve to automate existing processes, so proceeding with the uncoordinated development of systems disconnected from the wider PFM reform process risks automating processes that are being changed, with the risk that expensive electronic solutions need frequent reprogramming.

8. **A Bank GFMIS team visited Nouakchott in August 2014** to (a) carry out a rapid diagnostic of the current PFM practices and systems, with a view to identifying future needs and opportunities for synergies and to avoid incompatibilities and overlapping investments; (b) identify key challenges in deploying and integrating PFM information systems and discuss possible improvements for effective use of these platforms; and (c) share relevant country experiences with government officials and suggest possible options to ensure effective use of integrated systems and their sustainability.

9. **The diagnostic found the following:**

- Strategic PFM reform and ICT modernization targets are not clear. Action plans are missing.
- Existing PFM information systems are fragmented and not effectively used (multiple data sources, redundancies, lack of interfaces, questionable reliability, and quality of information).
- Line ministries and the directorates within the same ministry continue investing on parallel information systems, without a focus on benefiting from available shared platforms.

- Core budget preparation; execution (commitment control, procurement, cash management); accounting; and reporting functions are not fully automated and integrated yet.
- Performance of budget execution can be substantially improved with the introduction of a fully automated Treasury Single Account (TSA), electronic payments, and digital signature (together with necessary changes in Legal/Regulatory Framework and institutional arrangements).
- Transactional and historical public finance data sets are not readily (online) accessible to relevant units for decision support, budget forecasting/planning, and internal/external audit.
- Existing information and communication technologies (ICT) infrastructure is not fully exploited (web-based applications are not widely used to support basic automation needs and decentralized operations).
- Possible ICT infrastructure/operational improvements through shared data centers and disaster recovery/business continuity solutions.
- Online access to data and exchange between various modules need to be improved substantially.

**10. To address these shortcomings, the Bank team proposed the following approach for the improvement of PFM practices and systems over the short and medium term.**

**Table 2.2. Proposed Improvements to PFM Information Systems**

<b>Short Term (next 9–12 months)</b>	<b>Medium Term (next 2–4 years)</b>
Create a PFM system integration working group	Integrate PFM systems after possible business process reengineering and reporting simplifications
Initiate optimization of Budget Classification and Chart of Accounts	Focus on the Financial Management Information System (FMIS) prerequisites: <ul style="list-style-type: none"> <li>- Complete Budget Classification and Chart of Accounts optimization</li> <li>- Introduce centralized TSA operations and electronic payments</li> <li>- Establish shared ICT infrastructure and introduce digital signature</li> <li>- Modernize data centers and improve information security</li> <li>- Change management activities and strategic communication</li> </ul>
Complete system interfaces (RACHAD, BEM, Tax, Customs, TEHLIL, NOVA+ and so on)	Introduce new modules for budget preparation (for example, MTBF); public investment management (for example, DAD)
Avoid fragmented development and management of ICT solutions. Focus on shared ICT platforms for cost-effective automation.	Improve cash management, commitment control, and audit functions.
Try open source platforms for rapid results (e-Procurement, data warehouse/business intelligence, records management, and so on)	Strengthen the capacity of government entities for PFM reforms. Establish a dedicated IT unit for key system admin and support roles.

Short Term (next 9–12 months)	Medium Term (next 2–4 years)
Improve web presence (visibility) and publish open budget data	
Develop PFM system integration plan and requirements (shared platforms) and change management program.	–

*Note:* MTBF = Medium-term Budget Framework; NOVA = Human resources management information system/pension/payroll systems

11. **Some of these activities have already advanced since August 2014.** The PFM system integration working group has been established and has started work. The authorities are receiving support through a project preparation advance (PPA) for technical assistance to carry out a comprehensive process analysis and assessment of software and systems needs for the integrated national electronic PFM system. The GoM is also improving web presence through the recent publication of fiscal data using the BOOST analytical tool.

12. **This subcomponent will support the enhanced functionality, upgrading, and further integration of selected GFMS in Mauritania for increased control and reporting on budget execution.** It will be guided by an integrated diagnostic of electronic system needs and opportunities for greater functionality and interconnectivity, including the sharing of electronic platforms and storage/backup capabilities to save costs and avoid adjustments to parallel systems. It will also support training and capacity building and upgrading of technical skills for IT personnel in the public sector as well as increased transparency and public access to information on finances through greater public sector web presence and the development of a national strategy on transparency and anticorruption. It will finance the following activities:

- Technical assistance for an in-depth assessment/functional audit of current GFMS and development of a GFMS Integration Action Plan. The in-depth assessment will help the authorities match PFM reforms with GFMS developments with a view to properly sequencing systems development and upgrades. An Action Plan will be elaborated. An interministerial committee will coordinate the system integration effort.
- Assessment of security weaknesses of the current system and purchase and installation of equipment and upgrading of existing systems, including backup servers for the Ministry of Finance.
- Technical support for the integration/interconnection of the remaining GFMS. Several systems need to be connected to avoid manual reentry of information and many institutions do not have the necessary access to existing systems. Priority will be given to linking up Treasury-Customs and Treasury-Cadastre.
- Technical assistance and training for the PIM and M&E modules as well as purchase of software for the DAD managed by the MEF. Technical assistance includes a diagnostic of the public investment management system. The software modules will be added to the existing DAD in place and managed by the MEF for improved investment project budgeting and monitoring. Training for DGPPI staff and users will also be financed.

- Training/upgrading of IT staff skills (for maintenance of new systems). This activity will finance targeted training for public IT personnel on the latest upgrades to Oracle (and Oracle ADF), Sun, Windows 8 and Linux, Java, and J2EE.
- Improve web presence and fiscal transparency by setting up the Ministry of Finance portal. The portal will be more user-friendly than the current webpage. Notably, it will be easier to update and populate and will have the possibility to provide linkages to other ministries' webpages. In addition, training and workshops will be organized for students, researchers, and CSOs to build their capacity to use this data for research. Independent surveys on civil society views regarding the availability of fiscal data will also be supported.
- Support to the MEF for the development of a Transparency and Anticorruption Strategy. This activity will support the government in elaborating a broader Anticorruption and Transparency Strategy, which is under development.

13. *Subcomponent 1.2: Increasing Monitoring of SOEs and Autonomous Public Agencies (US\$1.18 million).* SOEs and public agencies are critical to Mauritania's economic development and service delivery, with over 150 entities contributing to 14 percent of GDP. There are around 50 SOEs of different kinds operating in the commercial sector, with engagement in a wide range of sectors including energy, network utilities, mining, telecommunications, transportation, commerce, and fisheries, including the SNIM, by far the largest Mauritanian enterprise and the second employer in the country after the public administration. The parastatal sector also includes 108 administrative public agencies which are active in noncommercial sectors, including social services, health, and education.

14. **The parastatal sector represents a growing fiscal risk for the country and there is considerable scope to improve the service delivery performance of parastatal companies.** First, available financial information on the sector is partial and outdated and there is no evidence of recent consolidated financial information, except regarding the transfers from the budget. Consequently, there is no available analysis of the consolidated trends and risks of the portfolio of parastatal organizations in Mauritania. Second, there has been an increase of fiscal transfers in recent years from the range of MRO 17 billion during 2009–11 to above MRO 70 billion in the last two years. Third, with the exception of a few entities, including the SNIM, the SOEs are reportedly experiencing significant business and financial problems, with high short-term levels of debt, operational losses, payment arrears, cross debts, and social conditions imposed upon SOEs by the state. Fourth, easy access to commercial bank credit and the tendency of SOEs to rely on short-term debt aggravate the fiscal risk, with aggregate short-term debt for the parastatal sector increasing from MRO 4 billion to MRO 9 billion between 2007 and 2009. Fifth, the lack of standardized control mechanisms in public agencies, particularly about human resource management, combined with the size of the workforce and the increasing trend of state subsidies, could signal potential fiscal risks associated with the size of the wage bill in public agencies. Finally, the rising number of public operators whose legal status is defined on a case-by-case basis impedes the state's ability to effectively oversee and monitor fiscal risks in the sector. In terms of service delivery by parastatal organizations, according to surveys taken in 2008, users appear not to be satisfied with the high cost and the poor quality of services, particularly for electricity and drinkable water.



**Table 2.3. Subsidies and Transfers to the Parastatal Sector (MRO, billions)**

	2009	2010	2011	2012	2013
<b>Subsidies and transfers to the parastatal sector (1)</b>	<b>20.3</b>	<b>27.0</b>	<b>65.4</b>	<b>105.84</b>	<b>70.3</b>
EMEL (Emergency Program)	0.0	0.0	8.4	33.3	0.0
Energy	6.4	0.0	19.1	30.7	15.0
Arrears	0.0	0.0	9.8	13.6	10.8
Transfers to EPICs, SCPs, EPAs	13.9	27.0	28.1	28.2	44.6
Loans, advances, and participations (2)	10.65	23.35	0.05	2.35	0.01
Subtotal (1) + (2)	<b>30.95</b>	<b>50.35</b>	<b>65.45</b>	<b>108.19</b>	<b>70.47</b>
Total national budget	245.88	265.28	269.15	388.05	394.89
Share of parastatal sector in state budget (%)	<b>13</b>	<b>19</b>	<b>24</b>	<b>28</b>	<b>18</b>
Share of transfers to EPs in state budget (%)	<b>6</b>	<b>10</b>	<b>10</b>	<b>7</b>	<b>11</b>

Source: World Bank 2013. *Governance of State-owned Enterprises and Public Agencies in the Islamic Republic of Mauritania*. Washington, D.C. World Bank Group.

15. **State oversight of public agencies and SOEs is limited by fragmentation and lack of coordination.** Oversight of the parastatal sector in Mauritania is conducted jointly by the sector ministries and the Ministry of Finance’s General Directorate of Domains and State Assets, through the DTF. Following the recommendations of the Bank’s ESW, the DTF has recently been upgraded to a General Directorate, reporting directly to the minister of Finance. Despite this upgrade, the challenges remain. The DTF lacks work procedures and its workforce of only nine staff (many of whom are new to the directorate and have limited experience) is responsible for covering the financial oversight of over 150 entities, which face diverse and complex issues and which represent a significant proportion of public expenditure in the country.

16. **The suboptimal performance of the DTF in ensuring financial oversight of the parastatal sector in Mauritania underscores the need for reform.** The DTF appears to do little more than process board of directors’ decisions by reviewing the minutes of board meetings. Other critical oversight tasks are barely performed. The DTF does not receive timely financial statements for all parastatal entities nor is there evidence that the DTF has conducted an exhaustive review of the existing audit reports. The directorate does not possess comprehensive and updated financial information on parastatal entities and its archives are incomplete and paper based. There is no evidence of regular fiscal risk analysis or portfolio reporting nor of the DTF carrying out monitoring visits to entities under its oversight. The DTF’s communication and interactions with the board of directors of entities, sector ministries, and the Chamber of SOEs of the Court of Accounts are limited. All of these factors combined severely restrict the effectiveness of financial oversight of SOEs and public agencies by the DTF.

17. **The objective of this subcomponent is to help the GoM become a more active and informed owner** through the setting of clear and measurable objectives and the regular monitoring of the portfolio of national companies and agencies, making them accountable for their performance. It builds on the 2013 ESW on SOE governance in Mauritania and the Action Plan adopted by the GoM in January 2014. This will be done through the following activities:

- Support to the GoM led by the Ministry of Finance for the elaboration and definition of a State Ownership Policy. This policy should outline the objectives for state

ownership, the vision for the various sectors in which SOEs operate, the specific role for the SOEs operating in these sectors, and how the state intends to monitor performance and fiscal risks.

- Support to the Ministry of Finance for the production of annual reports on parastatal agencies and SOEs, including operational and financial performance. This support will be in the form of a consultant or firm with prior experience in preparing such reports. The reports should be comprehensive, covering the entire parastatal sector, and should include a clear overview of key financial data at the company level, including profit/loss, subsidies, debts (including all debt guaranteed by the state), dividends, share owned by the government and its value, and an overview of the key operational aspects (including staffing levels) and actions taken during the year, including investments. Finally, it should include information on board composition, including a breakdown by gender and remuneration policies for board members.
- **Functional review of public agencies in collaboration with the internal auditor.** The review will examine the rationale for autonomous agencies and will look at institutional and operational performance, including service delivery results, staffing levels, governance structure, the control environment, and so on. The functional review will be supported by a consultant/consultancy and will be carried out in collaboration with the IGE internal audit institution where possible, given their mandate for carrying out performance audits, with a view to strengthen their capacities and knowledge of such reviews.
- Training for the DTF and SOE board members on business analysis, understanding balance sheets, business planning, and so on. This subcomponent will provide a series of short-term training courses on topics such as how to read balance sheets; how to read audit reports; and how to understand and analyze business strategies, projections, and so on. It will also help the DTF staff to develop or use standard business analysis tools to better monitor SOE performance by benchmarking against other firms, industry averages, and so on. The objective is to build their capacity for independent analysis so as to increase their contribution to company accountability and performance.
- **Elaboration of Performance Agreements with 10 SOEs.** In the absence of clear business plans, Performance Agreements can be important tools for improving company performance, by outlining clear and measurable targets—both financial and in terms of service delivery—and then by ensuring regular monitoring of these targets, including independent verification. There are currently no Performance Agreements in place between the GoM and SOEs. This activity will support the elaboration of Performance Agreements with 10 SOEs and the M&E of these agreements. The work will be carried out by independent consultants. Sector-specific expertise and prior experience with Performance Agreements will be necessary.

18. *Subcomponent 1.3: Improving Accounting and Auditing Standards and Internal and External Oversight (US\$1.25 million).* This subcomponent will support two main objectives:

- (a) The improvement of accounting and auditing standards of Mauritania to bring them in-line with international norms, building on the findings of the 2014 ROSC and the Action Plan agreed with the authorities. It will strengthen the capacity of the ONEC to ensure compliance with accounting and auditing standards. It will also help set up a central registry for company accounts.
- (b) Strengthen some of the core internal and external control organs of the state to help them exercise their mandate to ensure that public resources are accounted for and spent for the intended purposes and in a manner consistent with prevailing national laws.

19. *Subcomponent 1.3(i): Improving Accounting and Auditing Standards (US\$0.70 million).* The Mauritanian Accounting System has not been amended since 1999 and presents significant departures from the IFRS for companies and the International Organization of Supreme Audit Institutions (INTOSAI) standards for public sector audits. The significant differences between the Mauritanian Accounting System and the IFRS relate to the architecture, the conceptual framework, the presentation of financial statements, and specific rules of reporting and assessment. As a result of these differences, financial statements prepared in accordance with the provisions of the Mauritanian Accounting System provide the users with information that is of substantially lower quality and considerably less useful in comparison to information presented with the IFRS. The project aims to improve the accounting standards by adopting the IFRS for public interest entities and updating the Mauritanian Accounting System for SMEs. In addition, it will support the requirement for public and private companies to file annual audited financial statements with the Registrar General. The project will address this challenge by developing a registry of company accounts (*centrale des bilans*), thus making financial information, including audited reports of private and public enterprises, available for the authorities and other businesses as well as potential partners and investors. The activities include the following:

- Reviewing and updating the Mauritanian Accounting and Auditing System for SMEs through technical/legal support for updating the legal framework, including the introduction of chartered management centers (*Centres de Gestion Agrées*) to support auditing and accounting needs and a tax incentive scheme to increase the formalization of SMEs; providing support to the ONEC, to adopt INTOSAI's international standards on public sector audits and IFAC's Code of Ethics, including technical support for the drafting of the necessary legal documents and support for training and dissemination of the new standards to relevant public sector control organs; and disseminating and promoting the standards and capacity building of the ONEC members on ISA and IFRS for private sector companies, including technical support for drafting of the necessary legal documents and support for training and dissemination of the new standards to relevant private sector institutions.
- **Establishment of audit quality review schemes.** A professional practice control system will be designed to ensure the quality of accounts and audits through rigorous checks and appropriate sanctions for noncompliance through random sampling and in-depth reviews of certified audits.

- Set up a single registry of company accounts which will contain audited financial statements for private and public enterprises and accessed by relevant authorities. The single registry will be set up in the tax department and will be accessible by the tax authorities in a first stage, with the possibility of extending access to other relevant institutions in subsequent phases. Activities include the support to a Steering Committee that will decide on the scope of the company registry, technical assistance for legal reform if necessary, and technical assistance for the design of the IT platform, including testing and roll-out of the new system.

20. *Subcomponent 1.3(ii): Internal and External Oversight (US\$0.55 million).* Activities related to this sub-objective aim to strengthen the main control organs of the state for improved management of public resources and service delivery. The main control organs of the Mauritanian state are the following: (a) the IGE which reports to the prime minister; (b) the IGF which reports to the minister of Finance; (c) the internal auditor of the Treasury (DACI); and (iv) the Supreme Audit Institution. In addition, ministries have financial controllers and/or small audit units for more specific and targeted controls (tax audits, customs audits, and so on.). These units are generally weak, underfunded, and ineffective, with grave implications for the effectiveness of the internal control framework.

21. **The IGE** is tasked with the following objectives: (a) promote good public management and combat corruption and economic crimes, (b) support improvements in the performance of public institutions in delivering public services, (c) evaluate/assess public policy and programs and improve their efficiency and results focus, and (d) ensure accountability in public affairs—through research, inspections, and sanctions for noncompliance. The IGE’s mandate covers financial, organizational, and functional audits for all public institutions, including local government, SOEs, and private companies receiving state support.

22. **The IGF’s** mandate is very similar to that of the IGE. Coordination between the two control organs is very limited despite their obvious need for good coordination, given their overlapping mandates and each institution’s limited resources and coverage. The capacity of the IGF is generally acceptable (28 inspectors and auditors). Yet, only two of their general inspectors have PFM qualifications, and none of the controllers have any training at all on public finances or on verification/control methodology. The IGF does not have an operational manual nor a standard format for their reports. Instead, terms of references (TORs) are usually elaborated before each verification mission. The IGF prepares an annual work program of controls, which is submitted to the minister of Finance for approval. The work plan can also be discussed with the Supreme Audit Institution. The IGF does not consult with the IGE in this process. In addition, the IGF is required to obtain ministerial approval for each one of its missions and is often required to respond to ad hoc requests from the minister of Finance for specific investigations on suspected fraud and corruption, which takes up around 40 percent of its work program. The budget for 2014 was only around US\$15,000, which severely restricts its ability to undertake audit visits.

23. **The IGE is generally a stronger institution, with better qualified personnel and tools.** It has 16 inspectors, all qualified. The IGE also lacks an operational manual and instead relies on TORs prepared in advance of each inspection mission. The estimated coverage of central administrative structures by the IGE was 57 percent in 2012. The IGE establishes its work program and identifies priority institutions for inspections on the basis of the size of their budgets. Some of

its inspections are also carried out on the request of the authorities, mostly in response to suspected fraud and corruption, as opposed to functional and/or operational audits. The government has a program in place to restructure the growing AGA sector and is relying on the IGE to support this process through functional and organizational audits. A mapping of staff has taken place in the first phase, which should be followed by functional audits. The IGE shares a preliminary report with the institutions being audited and the final report is only shared with the presidency and the prime minister. Neither the auditor general nor the minister of Finance have access to these reports. There is no systematic coordination or relationship between the IGE and the IGF, and neither institution share their work program with the other. Coordination happens on a case-by-case basis—in the course of planning for audit missions—and through informal contact between staff.

**24. Implementation of the recommendations issued by the internal oversight bodies is not uniform and dependent on ministerial initiative rather than on the sanctioning power of the control organs themselves.** Follow-up on the recommendation by the control organs themselves is also sporadic although the IGE is currently in the process of setting up an electronic system to help them better manage their workflow, including a more systematic follow-up and verification of whether institutions are implementing their recommendations.

**25. The Ministry of Health has a small team of internal auditors and inspectors who report directly to the minister.** The General Inspectorate of Health is responsible for administrative and financial audits, as well as controlling compliance with health service standards in the public and private sector, including hospitals, health centers, and pharmacies. There is currently a priority on controlling the presence of counterfeited or smuggled drugs and verifying pharmacies' compliance. The unit is severely underfunded, lacking practical tools and training and, as a result, are not able to provide a minimum level of control. For example, only approximately 1 percent of verifications of health sector personnel is being carried out at the moment (qualifications of personnel, presence in health centers, hospitals, and so on). A lack of logistical means prevent the inspectors from leaving Nouakchott on a regular basis to carry out controls. Budget execution has been decentralized to local health centers; however, none of them have been audited yet. Most of the controls being carried out are focused on private health centers and hospitals since these are dominant in Nouakchott (100 private structures versus 40 public), while the larger public health sector is spread throughout the country. The unit is eager to coordinate with other control organs such as the IGE and the IGF and would like to undertake joint control missions again (last one was in 2010). To provide some control of health service standards, the unit urgently needs support for the development of procedural manuals and standard reporting documents, as well as training and logistical support for staff.

**26. The General Inspectorate of Education is in a similar situation as that of the health sector.** The inspectorate is considerably larger, with approximately 170 staff responsible for more than 4,000 establishments spread across 246 departments. The Inspectorate's goal is to achieve 25 percent coverage (1,000 establishments), although no inspections had been carried out as of March 2015 for the year. Due to a reduction in the budget, there have been fewer inspections in recent years and educational outcomes have worsened, as evidenced by results on national tests. The department has a draft inspection manual that needs to be finalized. All school masters have a management reference guide, which has recently been issued. The unit has recently been tasked with administrative and financial controls, and few inspectors have any knowledge of accounting

or financial audits. The department is not systematically tasked with controlling or verifying the qualifications of teachers being hired although the law gives them this responsibility.

27. **The *Cour des Comptes* is Mauritania's Supreme Audit Institution.** It is hampered by heavy legal and administrative procedures, which severely constrain its efficiency and productivity. Despite a relatively large number of auditors, it carries out just around 20 audits per year, but none of these are made public. The Court has recently finalized the 2005–06 report on the state budget and is currently working on the 2007 report. Delays are partly due to the late submission by government of its budget accounts. The website is currently down. The Court has a specialized chamber responsible for SOEs and AGAs, staffed with five magistrates. They give their opinion on the audited accounts submitted by these SOEs/AGAs, but they do not currently carry out any audits themselves. The coverage is extremely limited. As an example, the Court reviewed and issued opinions on five audited statements in 2013 (there are approximately 150 parastatal agencies in Mauritania).

28. **The coordination between the Supreme Audit Institution and other oversight bodies is nonexistent.** Despite a requirement for internal control organs to systematically submit their work programs to the Supreme Audit Institution, none of them comply. The reports of the auditor general are not shared with the ministries or other control organs unless their specific action is needed on an issue. Neither the IGF nor the IGE submit their reports to the auditor general or share their reports among themselves.

29. **Support will focus on strengthening internal audit units in the Ministries of Health and Education,** with a focus on improving service delivery through increased quality and fiduciary controls and the application of public service standards. Extending the reach and impact of internal financial and functional audits will be achieved by strengthening the internal auditor (IGE) through targeted training and access to key electronic PFM systems for better planning and targeting of audits and support to functional audits of AGAs. Improved coordination among internal control institutions will be achieved through joint supervision and audit missions. The external auditor will receive support to carry out audits of SOEs and AGAs. Activities include the following:

- Diagnostic studies on the internal audit system in the Ministries of Health and Education. These studies will help determine the main areas of weakness in the internal audits for the Ministries of Education and Health and propose solutions.
- Support to basic equipment and logistics to allow internal audit units in Ministries of Health and Education to expand their audits and inspections. This will allow inspectors to expand their coverage of units and entities to be verified.
- Technical assistance, joint training, and capacity building for internal audit organs (the IGE, IGF, Ministry of Health and Education Internal Audit), including the development of operational manuals for inspectors. Training will focus on investigation and audit techniques, given the generally low level of technical competence of some inspectors. The development of operational manuals will help provide guidance to inspectors regarding the methodology to be used for inspections, evidence to be collected and so on.

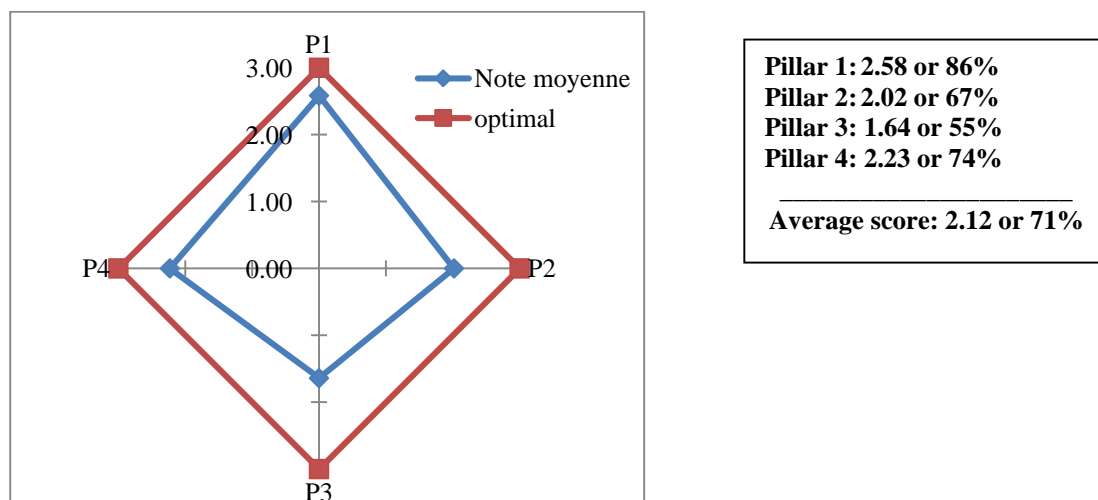
- Short-term technical assistance for the Supreme Audit Institution on auditing of SOEs. This involves training and technical advice for the SOE chamber staff on audit techniques, audit planning, and report preparation.

30. *Subcomponent 1.4: Enhancing the Public Procurement System (US\$0.67 million).* An assessment of the Mauritanian procurement system was carried out in 2014 as part of the public expenditure review, using the OECD/Development Assistance Committee (OECD/DAC) methodology for assessing procurement systems, which uses a set of baseline indicators and compliance/performance indicators to assess the legal and regulatory framework, the institutional arrangements, and the operational practices of public procurement systems, including transparency and integrity measures. The baseline indicators are organized as follows:

- Pillar 1: Legislative and Regulatory Framework
- Pillar 2: Existence of Implementing Regulations and Documentation
- Pillar 3: Procurement Operations and Market Practices
- Pillar 4: Integrity and Transparency in the Public Procurement System

31. The findings indicate weaknesses across all the dimensions/pillars, with Pillar 3 receiving the lowest score (Procurement Operations and Market Practices), followed by Pillars 2 and 4. The scores are summarized in figure 2.1.

**Figure 2.1. Summary of Baseline Indicator Scores**



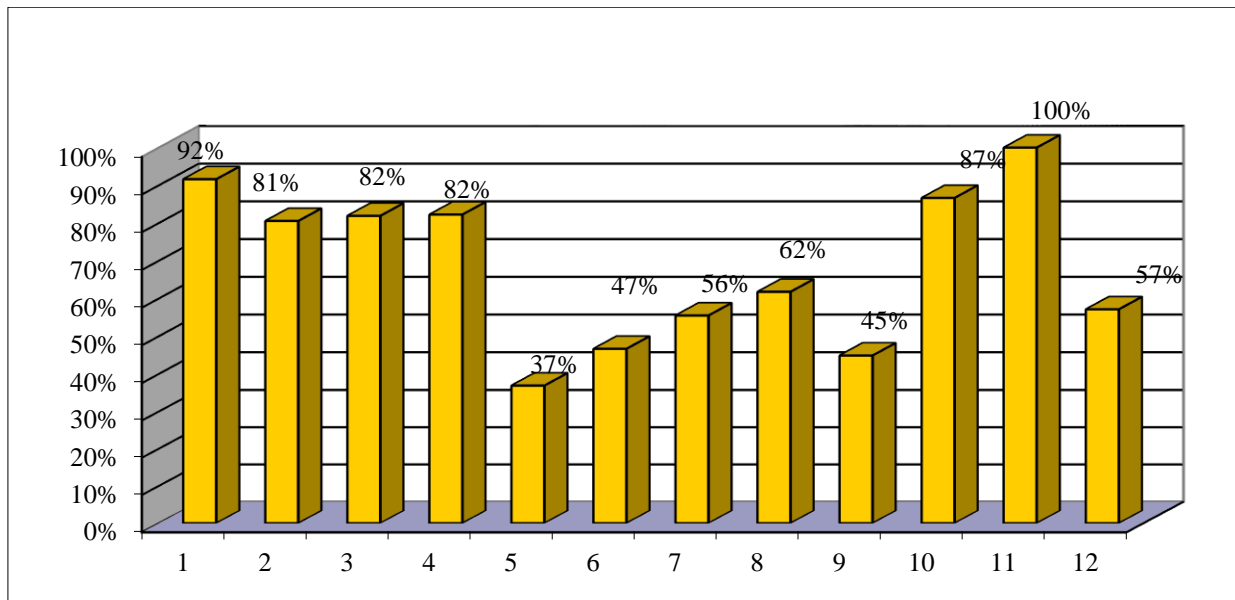
Source: Public Expenditure Review (PER) Procurement Assessment.

32. **The four pillars are further broken down into 12 indicators (and additional sub-indicators):**

- Indicator 1: Public procurement legislative and regulatory framework achieves the agreed standards and complies with applicable obligations.
- Indicator 2: Existence of implementing regulations and documentation.

- Indicator 3: The public procurement system is mainstreamed and well integrated into the public sector governance system.
- Indicator 4: The country has a functional normative/regulatory body.
- Indicator 5: Existence of institutional development capacity.
- Indicator 6: The country's procurement operations and practices are efficient.
- Indicator 7: Functionality of the public procurement market.
- Indicator 8: Existence of contract administration and dispute resolution provisions.
- Indicator 9: The country has effective control and audit systems.
- Indicator 10: Efficiency of appeals mechanism.
- Indicator 11: Degree of access to information.
- Indicator 12: The country has ethics and anticorruption measures in place.

**Figure 2.2. Mauritania - Scores on 12 Indicators**



Source: PER Procurement Assessment.

33. **As indicated in figure 2.2 above, the most significant weaknesses are to be found in** (a) institutional development capacity (Indicator 5) which measures the extent to which the country has systems to support and monitor the performance of the entire procurement system; (b) control and audit system (Indicator 9), which measures the legal framework, institutions, and practices related to the prevention and uncovering of corruption and fraud in public procurement; and (c) the efficiency of the country's procurement operations and practices (Indicator 6), which looks at how well the implementing entities are putting the procurement principles and laws into practice.



34. **In summary, the assessment highlights some progress made on the legal and institutional level, while also finding significant weaknesses in their implementation.** The focus now needs to be on (a) consolidating the public procurement code and adopting a comprehensive set of implementing regulations and standard documents; (b) increasing the level of efficiency and transparency of new independent procurement bodies; (c) developing the capacity of public and private stakeholders at the operational level; and (d) installing control and surveillance mechanisms to measure quality and ensure system integrity.

35. **The following summarizes the main weaknesses of the three main public procurement organs:**

- **ARMP**
  - Weak coordination and interaction with the government during the process of verifying compliance by the regulator, which requires regular and formal exchange with various government institutions
  - Lack of minimum qualification standards for the members of the council
  - Lack of procurement expertise within the authority and of the board
- **Control Commission**
  - Slow and heavy ex ante controls, leading to significant delays in procurement processes
  - Overlapping and double controls for donor-funded projects
- **Sectoral Procurement Commissions (CSM)**
  - Unclear institutional linkages and accountabilities, with procurement commissions reporting to several ministries, leading to weak supervision and oversight.
  - In many CSMs, the presiding chair cumulates representative functions, thereby, representing several contracting institutions, which are expressly forbidden under the procurement code and which specify that if several ACs use the same commission then the commission chairmanship should rotate among them.
  - Composition of the CSMs. The law states that each commission should be composed of one permanent staff from the contracting agency and temporary technical specialists contracted or mobilized from the public sector. Currently, all CSMs have recruited permanent staff without consulting with contracting entities, leading to a lack of engagement and ownership on the part of the contracting agency and a very costly institutional structure.
  - There is an urgent need to reduce the number of staff in CSMs and/or reorganize these. Standard cost per CSM is currently around US\$170,000 per year although

this varies greatly, while the workload varies between 150 procurement contracts for the busiest commission and just 30 for others.

36. **This subcomponent will support reforms to address some of the above weaknesses,** including completing the legal framework, guidelines, and standard bidding documents; adjusting/adapting the current institutional setup for public procurement; and strengthening capacity of procurement authorities through the establishment of a procurement certification program targeted at procurement commission personnel and public service personnel. Improved savings in public procurement will be supported through the piloting of framework contracts for some standard items (vehicles, medicines, uniforms) in institutions with large procurement budgets. Improved transparency and control will be supported through the setting up of mechanisms for reporting of fraud and corruption. It will finance the following activities:

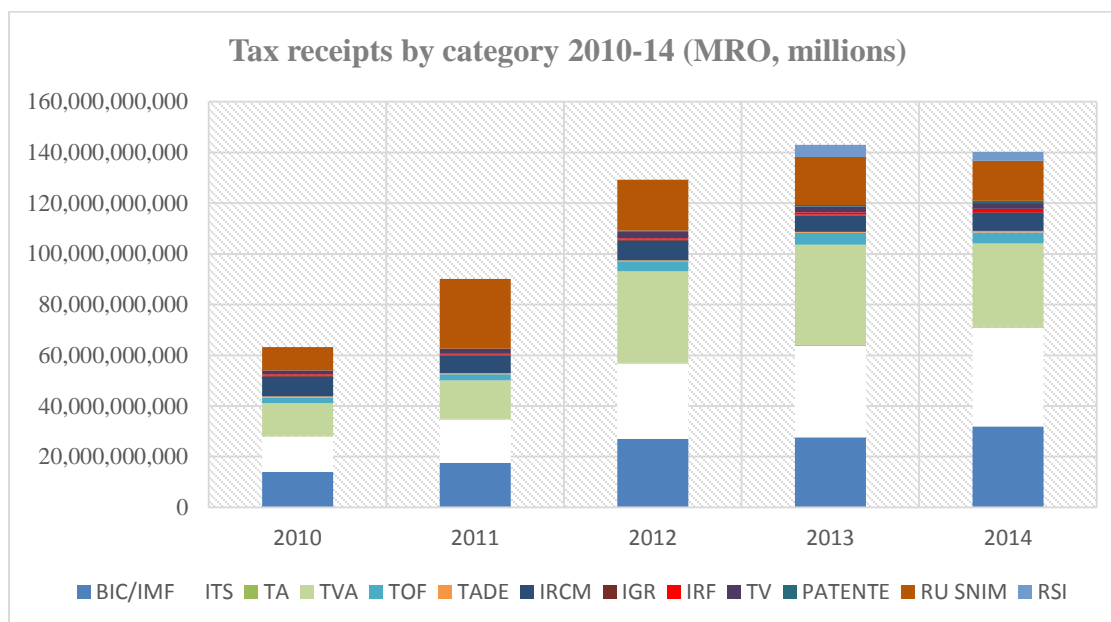
- Technical support and capacity building for the design and implementation of a national public procurement professionalization and certification scheme at the ENAJM and university course module. This will include a feasibility study of what such a scheme would entail in terms of resources and which institutions could provide support (university, business schools, and so on) and support to the design of a curriculum.
- Technical and legal advice for harmonization and alignment of all procurement legal documentation (law, decrees, acts, and others relevant texts). Procurement-related legislation is currently scattered across many laws, decrees, and circulars. This activity would support the contracting of a legal specialist to bring all of the related legislation together in one package and eliminate overlaps and contradictions.
- Technical support for adjusting/adapting the current institutional setup for public procurement. This activity would finance a recognized expert in the field of procurement to redesign the current institutional setup to resolve bottlenecks caused by the present design.
- Piloting of framework contracts for seven high-volume products (vehicles, medicines, uniforms, food items). This would involve the financing of a procurement expert with prior experience in the preparation of framework contracts to support the development of procurement packages and Request for Expressions of Interest (REOIs) for products and institutions to be identified with the authorities based on an analysis of high-volume purchases, with potential for cost reductions.
- Training/workshops for stakeholders, including existing public procurement practitioners, the private sector, internal auditors, and other actors like CSOs to address current shortcomings of procurement practice.
- Technical advice for the design and implementation of a whistleblower mechanism for anonymous reporting of suspicions of procurement fraud. This could be in the form of a telephone hotline, SMS service, website, or a combination of several such channels.

## **Component 2: Strengthening the Administration of Property Registration and Taxation and Mining Taxation (US\$4.70 million)**

37. **Improvement of tax collection is one of the most successful areas in PFM reform in recent years.** Total revenues more than doubled in absolute terms, from MRO 64 billion (US\$198 million) in 2010 to MRO 143 billion (US\$450 million) in 2013, decreasing slightly to MRO 140 billion (US\$441 million) in 2014. However, the momentum for further improvement should not be lost. The development of a new tax administration system will further ease the administrative burden on the tax administration and allow them to focus their scarce capacities on remaining areas of weakness. The DGI suffers from a lack of competent and skilled tax experts and controllers. The legal texts including the Tax Code (1974) are outdated and require revisions to adapt to the modern economy. The communication to taxpayers appears insufficient and existing facilities including the tax declaration window and systems are not user-friendly. The 2015 Doing Business survey notes that the process for paying taxes is cumbersome and unclear. In its effort to expand the tax base, the government has begun to increase collection of property taxes in tandem with a more modern property registry. This effort has brought increased property taxes in recent years, but significant challenges remain, mainly related to property valuation and the lack of a modern cadastre. Property taxes increased threefold between 2010 and 2014 (from MRO 450 million to MRO 1.4 million—US\$1.2 to US\$4 million equivalent) due in large part to the fiscal census financed by PRECASP, which greatly expanded the number of properties in the tax department's database. However, the proportion of property taxes remains very low at just over 1 percent of total taxes raised (OECD average is 5.5 percent and U.S. average is nearly 12 percent), and fees and taxes are being levied on just over 3,000 properties. The tax department currently relies on an address list from the national electricity company in the absence of a proper fiscal registry.

38. **This component aims to support both (a) broadening the revenue base and (b) improving tax administration, including property extractives taxation.** This will involve support to the tax department to improve their communication and service to taxpayers; the update and expansion of the fiscal census; and support to increased fiscal revenues from property taxes and fees through the development of a national cadastre. It will also support improved mining sector taxation through using the fiscal model and the use of a risk-based methodology for mining sector tax assessments to increase tax compliance and combat BEPS. Increased transparency in mining sector taxation will be supported through public access to the mining registry and geoscientific analysis.

**Figure 2.3. Tax Receipts by Category (2010–14)**



Source: Ministry of Finance.

Note: BIC: L'impôt sur les bénéfices industriels et commerciaux;

ITS: L'impôt sur les traitements et salaires;

IMF: Impôt Minimum Forfaitaire;

TA: Taxe D'apprentissage/Taxe Annexes;

TVA: Taxe sur la valeur ajoutée;

TOF: Taxe sur les opérations financières;

TADE: Taxe d'Aéroport sur les Destinations Etrangères;

IRCM: Impôts sur les Revenus de Capitaux Mobiliers;

IGR: Impôt General sur le Revenu; IRF: Impôts sur les Revenus Fonciers;

TV: Taxe sur les véhicules a moteur;

PATENTE: Impôt sur la patente commerciale;

RU SNIM: Taxe unique sur la SNIM;

RSI: Régime Simplifié d'Imposition.

39. *Subcomponent 2.1: Strengthening Tax Administration and Compliance (US\$0.90 million).*

This subcomponent will support ongoing tax reforms which aim at increasing domestic revenue mobilization and widening the tax base through improving services, payment channels, and information to taxpayers; training and support to tax administration staff on international tax issues related to BEPS, including a transfer pricing risk assessment and support to tax audits; updating the taxpayer census for Nouakchott and expanding it to two other cities; and improving property taxation. The following activities will be supported under the project:

- Training/capacity building for tax directorate personnel with particular focus on BEPS, including technical assistance for a Transfer Pricing Risk Assessment Training, which will focus on specific challenges related to the taxation of multinational enterprises, including common methods used by companies for aggressive tax planning, including abusive transfer pricing and other methods. The transfer pricing risk assessment will be carried out using the methodology developed by the OECD Tax and Development Program, with a view to assessing the risk of

abusive transfer pricing by multinational companies that have a presence in Mauritania.

- Hiring of a consultancy company to carry out the update of the 2011 taxpayer census for Nouakchott and expansion to two other main cities (Nouadhibou, Rosso), to evaluate the tax potential by identifying and mapping taxpayers (mainly businesses) and properties subject to taxation.
- Development of communication material and forms to implement ongoing tax reform once the new law is approved (from 2016). This involves the printing of all forms and brochures and the development of information campaigns through the print and television media.
- Training on tax software (SIGTAX) with a focus on users (training for engineers for systems maintenance is included in the GFMIS subcomponent).
- Review of property taxation system. This activity will provide technical assistance to the tax authorities for improving property tax collection through a review of the current system for property valuation and taxation, including a linkage with the national cadastre for all relevant information on land use, boundaries, ownership, and sale/purchase/transfers.

40. *Subcomponent 2.2. Supporting the Authorities' Efforts to Develop a National Cadastre (US\$1.25 million).* Only around 1 percent of the estimated 2 million properties in Mauritania have official title documents and are registered. Many property owners rely on temporary (*titres provisoires*) or traditional titles (up to 300,000 of these exist) due to the costs and complexities associated with formalizing their land titles (22 steps are involved, sometimes including the need for a ministerial decree). These categories of titles are still precariously stored in paper copy and with little security and protection, compromising their integrity. The situation is particularly dire for women and marginalized groups. Despite legally having equal access to land, women hold only about 8 percent of the formal deeds. Due to institutional overlaps (in the past several ministries were allowed to issue temporary titles) and the lack of security, many properties have multiple titles (temporary and traditional titles), leading to a significant number of property disputes. The government would like to regularize the situation by formalizing the land titles and establishing a modern national cadastre.

**Table 2.4. Categories of Tenure and Approximate Coverage**

<b>Mode</b>	<b>Forme</b>	<b>Condition</b>	<b>Coverage and population</b>
Customary/traditional	Community land	Active use/investment	85% of national territory and 90% of population
	Individual parcels	Active use/investment	5% of national territory and 2% of population
		Property is part of communal lands	
		No objection/not contested/claimed by others	

Mode	Forme	Condition	Coverage and population
Modern tenure in urban zone	Individual	Allotment letter	2% of national territory and 35% of population
	Individual	Occupancy permit	
	Individual	Certificate of ownership	Not available
	Individual	Land title	Not available
Modern tenure in rural areas	Individual	Temporary concession	1% of national territory and 0.2% of population
	Individual	Concession	1% of national territory and 0.1% of population
	Individual or collective	Certificate of ownership	0% of population
Precarious tenure	Loan	The lender must be right-holder	Not available
	Lease	The lessor must be right-holder	Not available
	Métayage (sharecropping)	Regulated by Charia Law	3% of the population
	Irregular/undocumented occupation/squatting	Presence of occupant	4% of national territory
	Private occupation/squatting on public land	Authorization	Not available

Source: LGAF Report 2014.

41. **There is no land policy or strategy in Mauritania, but in 2013 and 2014, the Bank, the GoM, and donors carried out an LGAF diagnostic.** The consensus ranking of the various LGAF dimensions reveals that land governance in Mauritania is inadequate in most of the thematic areas. The assessment outlines a set of priority reforms and actions, including (a) developing a national forum for the formulation of land policy; (b) drafting government legislation that guarantees availability and access of vulnerable social groups to land and other related resources; (c) identifying government structures in charge of land management and working with them to clearly define their roles and responsibilities; (d) mapping, recording, and facilitating registration of the parent land title; and (e) setting up a national registry for land transactions particularly in the urban areas (Nouakchott and Nouadhibou).

42. **The LGAF highlights issues specific to inadequacies in developing and implementing land policies,** the number of contending decision-making bodies with differing policies regarding land issues, the prevalence of centralization in decision making, and the lack of public participation. The diagnostic has also shown that there is a deficit of valid public information on land issues, including geospatial data, and a need to strategically address related environmental, social, and cultural issues. Land transactions have increased exponentially in recent years and have tended to overlook the rights of customary owners and vulnerable social groups.

43. This subcomponent will support the authorities' efforts to develop a modern national cadastre (including land registry) to increase the share of formally registered properties in

Mauritania as a way to secure land rights and increase access to credit and revenues from taxes and fees. It will finance the following activities:

- Review of the legal and institutional framework (land registration processes and property taxation and valuation and workshops). This review will involve an international land expert to detail the current process for the registration and taxation of land with a view to identify the main obstacles and solutions for increased land registration, including short-term operational fixes and wider medium-term legal reforms.
- Develop an operational plan on land registration covering both private and public land, which will include a small pilot project for systematic registration to test different approaches to feed into the National Land Policy and the national strategy developed by the authorities. The pilot project will involve the setting up of decentralized land registration offices and technical support for proper public consultation to avoid competing ownership claims and subsequent conflict or litigation. A nongovernmental organization or consultancy company will be hired to accompany and train the land registration personnel in the consultation process and in how to properly handle conflicting claims. Technical support will also include targeted support to improve access to land registration by women and vulnerable groups by reaching out to them, training them, and accompanying them in the land registration process.
- Purchase of new equipment (GNSS software and equipment) for use by surveying and legal staff involved in property measurement and registration preparation of land titles. New equipment will include high definition maps and modern software to allow for initial parceling by using new technologies to complement traditional field-based measurements.
- Training personnel working on property registration, land surveying, land title preparation, and community consultations. Training will focus on building the necessary capacity of cadastral staff in the Department of Land (*Departement de la Domaine*) to use new IT technologies for carrying out desk-based/map-based parceling. It will also train staff on how to conduct public consultations in the land registration process and how to properly inform vulnerable groups and communities of their rights and how to assist them in meeting the requirements for land titling. As part of the training, study tours will be organized to other African countries that have successful experiences in systematic registration (for example, Rwanda, Senegal, and so on).

44. *Subcomponent 2.3: Strengthening Fiscal Management in the Mining Sector (US\$1.25 million)*. The extractive industries are, and will continue to be, important levers of economic growth in Mauritania. Mineral (that is, iron ore, gold, and copper) and petroleum exports combined represent around two-thirds of total national exports and approximately 25 percent of government revenues. Despite inherent price and production uncertainties, the mining sector is expected to see modest short-term increases due to committed investment plans even in the current context of low commodity prices. In case of improving commodity prices, Mauritania has a strong potential for

expansion as identified reserves can be readily developed. Importantly, these developments will diversify into new commodities such as gas, and possibly phosphates, thus reducing dependency on just a few commodities.

45. **The Mauritanian mining sector has enjoyed both growth and transformation since the late 1990s.** Over the past decade, the value of export of minerals has increased tenfold and investment in exploration of minerals increased six times. 2011 saw a record year for mining sector sales with more than US\$2 billion while sales figures dropped around 15 percent in 2012. In 2013 and 2014, they were hovering around US\$1.8 billion and US\$1.3 billion, respectively, despite higher production volumes. In terms of market structure, the SNIM's virtual monopoly of mine operations was disbanded in the late 1990s when foreign private investors entered the country. The Tasiast and MCM gold and copper operations commenced in 2005. Other large-scale iron investments are considered by Glencore and others, although these developments have stalled due to the present low commodity prices.

**Table 2.5. Mineral Exports in US\$ million**

Year	SNIM	Tasiast	MCM	Total Exports	Exploration investment
2008	379,700	111,000	112,000	602,700	19.1
2009	775,000	153,000	198,000	1,126,000	19.1
2010	1,021,000	229,000	267,000	1,517,000	36.5
2011	1,440,000	343,000	346,000	2,129,000	78.4
2012	1,565,000	297,000	334,000	2,196,000	104.0
2013	1,231,000	345,000	295,000	1,871,000	–
2014	771,000	320,000	206,200	1,297,200	–

Source: DMG.

46. The number of operators in the mining sector has significantly increased from a virtual monopoly held by the SNIM until the 1990s to currently 150 exploration licenses and 13 exploitation licenses.

**Table 2.6. Mineral Licenses**

As of November 2014	Exploration activities	Exploitation activities
Active licenses	213	12
Number of companies	150	10

Source: DMG.

47. Government revenues surged from less than US\$10 million in 2005 to US\$541 million in 2012, before dropping to US\$368 million in 2013. The start of production from the Chinguitti oil field in 2006 contributed to the significant rise in revenues but mining operations account for the bulk of the increase in revenue, as illustrated in table 2.7.

**Table 2.7. Fiscal Receipts**

Year	Mining US\$, millions	Hydrocarbons US\$, millions	Total fiscal receipts US\$, millions
2005	8.73	0.46	9.19
2006	69.63	197.38	276.01



2007	88.28	91.78	180.06
2008	142.54	88.87	231.41
2009	130.28	62.18	192.46
2010	129.25	62.18	191.43
2011	304.52	68.43	372.95
2012	442.28	98.85	541.13
2013	283.87	85.33	368.20

Source: DMG.

48. **Despite the remarkable increase in government revenue, various comparative financial models show that Mauritania’s effective tax rate of around 30 percent of mining profits ranks among the lowest on the continent.** The lack of a unified fiscal code for mining operations represents an additional challenge to effective revenue collection by government agencies. Currently, operators are subjected to a variety of fiscal terms, incentives, and exemptions, which were introduced over time and which are at times contradictory or even detrimental to economic growth in Mauritania. The principal reason for these unintended policies is the asymmetric information by which authorities suffer from incomplete information about the mineral resource potential as well as the economics of mining operations.

49. **Mauritania’s economy, as a highly dependent commodity exporter, is vulnerable to exogenous market factors related to commodity prices.** This dependency is somewhat mitigated by the growing diversification of production away from iron ore alone. Even after the financial crisis starting in 2008 and the drop in commodity prices over the past few years, Mauritania has sustained an increasing level of exploration activities, thus contrasting the tightening of costs seen in other parts of the continent. The ability to outperform a contracting market is a positive sign for the further development of the Mauritanian mining sector. However, current indications are that the expansion plans cannot offset the decline in commodity prices.

50. **Despite the surge in export sales, the government has failed to realize the expected revenue gains through its set of tax instruments.** As mentioned above, Mauritania offers some of the most generous fiscal terms for mine operators in Africa. Additionally, low levels of capacity and weak interministerial collaboration represent important constraints to more effective tax collection. The de facto monopoly exercised by the state-owned SNIM until around 2000 meant that very little independent audit or controls took place. The early years of private operations saw limited revenue flows due to tax holidays and for this reason, mineral tax administration only gained importance after 2010. As a consequence, limited experience and skills have been built within the sector regulators and tax authorities.

51. **Support will target the two departments directly responsible for mineral taxation and fiscal management:** (a) the DGI and (b) the DMG. The DGI is responsible for all tax assessments of existing operators (except custom duties and royalties, the latter being collected by the DMG). The Ministry of Petroleum, Energy, and Mining, through the DMG, is in charge of negotiations with prospective investors and has the mandate to propose revisions to the legal and fiscal regime. As such, the two structures hold the most prominent influence on current and future tax and nontax revenue collection from mining operations. The project will support skills development in mineral tax administration through the drafting of manuals and procedures for control and audits of mining operators to facilitate closer collaboration among the DGI, the *Direction Générale des Douanes* (DGD), and the DMG. It is the objective that the suite of institutional support and capacity building

will lead to formalized practices and procedures and in turn, improve verification and management of tax and nontax revenues. IT support will also be acquired to the participating agencies. The project will provide the following:

- Support the DGI, DMG, and DGD in addressing the institutional bottlenecks in terms of development and implementation of procedures for collaboration, delegation of authority, modes of communication, and so on. The project will strengthen management and administrative practices through the development of guidelines and procedures for tax assessment, verification, and audits of corporate tax payers. The project will also strengthen qualifications and experience of staff at the DGI, DGD, and DGM through advisory services and training in areas which are particular to the mining sector. Topics to be covered will include (a) fundamentals of mine operations, mineral processing and sector-specific accounting practices, (b) principles and practices of transfer pricing, (c) administration of value-added tax refund mechanisms, (d) stabilization and exemption clauses, and (e) regional and international comparison of fiscal terms and incentives for investors.
- Consultation and outreach to taxpayers in particular and public in general are important determinants of successful tax reforms. The DGI and DMG will engage corporate taxpayers through prior consultations of proposed fiscal or legal amendments. Development and distribution of taxpayer manuals are also crucial for effective roll-out of new procedures and efficient application of the prevailing fiscal regime. Given the importance of the mining sector in government revenue collection, strong public scrutiny surrounds the industry. The EITI process has proven an effective instrument in the publication of revenue flows from the extractive industries. The project will explore synergies of dissemination once strengthening measures have been defined.
- Support the implementation of tax audits and revenue reporting and flow of funds, subject to recommendations from the EITI, to verify that tax collection is executed as intended. Staffing arrangements (including twinning and new recruitments) will be recommended to mobilize adequate personnel to undertake the various roles related to tax assessments and tax audits.

52. **The MPEM is responsible for fiscal policy design and negotiation of mining agreements** by means of analysis from the DMG or interministerial consultation in the CCM which is presided by the MPEM but comprising representatives from the concerned ministries, including the MEF. The MPEM will receive dedicated support in financial modeling of mineral investment proposals and overall sector planning, to facilitate more informed policy decisions about the fiscal regime. The support will focus on existing tools such as the Financial Analysis of Resource Industries (FARI) model and previous advisory services from KPMG, Beicip, and other previous consultants. Notwithstanding, the use of these tools and models is sporadic—as is the frequency of meetings within the CCM.

- Support will be provided for the facilitation of meetings and training in the use of consolidated modeling and planning. This will include formalization of mandates and work plans of the CCM, capacity building in principles of fiscal policymaking, and

negotiations of mining agreements. Topics listed above would also be relevant for the MPEM and the CCM but other areas of policy objectives, investment incentive structures, tax progressivity, and tax competitiveness would also be included. It is expected that this support will lead to improved harmonization of fiscal terms and, to the extent possible, consolidation of the current differences in terms and conditions for existing operators. This would be reflected in modified fiscal terms of the model investment agreements. Moreover, differences between the current Mining Law and the Tax Law will be harmonized through drafting of implementing regulation.

- Legal expertise will be sourced to support the drafting and modification of legal texts and mining agreement documents as required by the proposed modifications to the fiscal regime and also to review needed amendments with the current mining law. This expertise will also review consistency across existing legal instruments and with the overall legal framework of the country (including Tax Law, Enterprise Law, and so on.) insofar as it relates to FM, reporting, and fiscal terms. The objective is to minimize the number and scope of individually negotiated terms and conditions of mining contracts and investment agreements.

53. *Subcomponent 2.4: Enhancing Management of the Mineral Registry and Geoscientific Data (US\$1.30 million).* The mining registry is an important tool for the effective management and development of a country's mining sector. The mineral registry management system awards and monitors mining permits from initial prospection of resources to extraction and eventual mine closure activities. The current registry IT system in Mauritania was designed and installed before 2000. Despite consecutive upgrades, the system has come to the end of its term because of technological innovations and changes introduced in the national mining legislation and regulations with regard to procedures for decision making and revised obligations imposed on permit holders. Moreover, the mineral registry system must be programmed to accommodate new data reporting demands of the EITI in terms of public access to licensing data and, possibly, the declaration of beneficial ownership data and others. The project will support a comprehensive reassessment of procedures and decision-making roles as well as system redesign, installation of software, and procurement of hardware. New features such as real-time online access to the system are also envisaged by the authorities. Such online access is in line with current best practices in Chile, Canada, Greenland, and other countries. Moreover, shared access to registry information and automatic data transfer between departments within the MPEM will be introduced so as to ensure seamless transition from license award to compliance monitoring and enforcement. This will require system connectivity between the Mineral Registry Division and the *Direction de Suivi et de Contrôle*. Staff will receive comprehensive training in light of the projected installation of new software with markedly different and more advanced features than the current system.

54. **In addition to the Mineral Registry, the DMG is in possession of a *Système Informatique Géographique Minéral (SIGM)*, which hosts geological and geophysical data compiled over the years as well as data acquired under PRISM 1 and 2. New provisions in the Mining Law require that operators transfer geoscientific data to the DMG on a regular basis (rather than at the end of the permit period, which can last for 50 years). The project will support systematic data recording and storage of the expanding body of knowledge, with the intent to make the information available to potential investors (for a nominal fee) as well as national authorities with needs for geological or hydrological information such as urban planning and land**

management, agricultural extension services, and others. The project will also support sector promotion through participation in international investor conferences.

55. **The SIGM works in close collaboration with the OMRG.** The OMRG is the research agency charged with national surveying and data interpretation. As a part of the upgrade of the SIGM, targeted resource assessments will be conducted on the basis of existing data and limited field surveys. It is in the interest of the state to ensure efficient exploitation and analysis of available geological data with due consideration to infrastructure and water requirements. For this reason, the project will accompany the OMRG and the DMG in a detailed interpretation of existing geo-data. The activities will be coordinated with the German BGR, which is currently mobilizing a parallel support program with the OMRG in areas of capacity building of core skills as well as data management.

### Component 3: Project Management (US\$1.70 million)

56. This component will support the recipient to hire and maintain a PIU, including personnel and equipment to ensure technical support to the implementation of the planned activities. The component will also finance operating costs and some equipment, including office rental, office equipment, travel, operating expenditures, and external audits of PAs. The estimated costs are outlined in table 2.8.

**Table 2.8. PIU Support**

	Monthly	Annual	Total
	US\$	US\$	US\$
<b>Minor Works</b>	–	–	–
Office refurbishment	–	6,250	25,000
Installation of networks and IT equipment	–	3,000	12,000
<b>Subtotal</b>	–	<b>9,250</b>	<b>37,000</b>
	–	–	–
<b>Equipment</b>	–	–	–
Office equipment	–	4,000	16,000
Vehicles (2)	–	–	80,000
IT equipment	–	4,000	16,000
Air-conditioners	–	2,000	8,000
<b>Subtotal</b>	–	<b>10,000</b>	<b>120,000</b>
<b>Staff and Technical Assistance</b>	–	–	–
Project Coordinator	6,570	78,843	315,372
Senior PFM Advisor	3,000	36,000	144,000
Procurement Advisor	2,733	32,800	132,200
M&E Expert	2,733	32,800	131,200
Accountant	2,733	32,800	131,200
Administrative Personnel	900	10,800	43,200
Annual audit fees	–	10,000	40,000

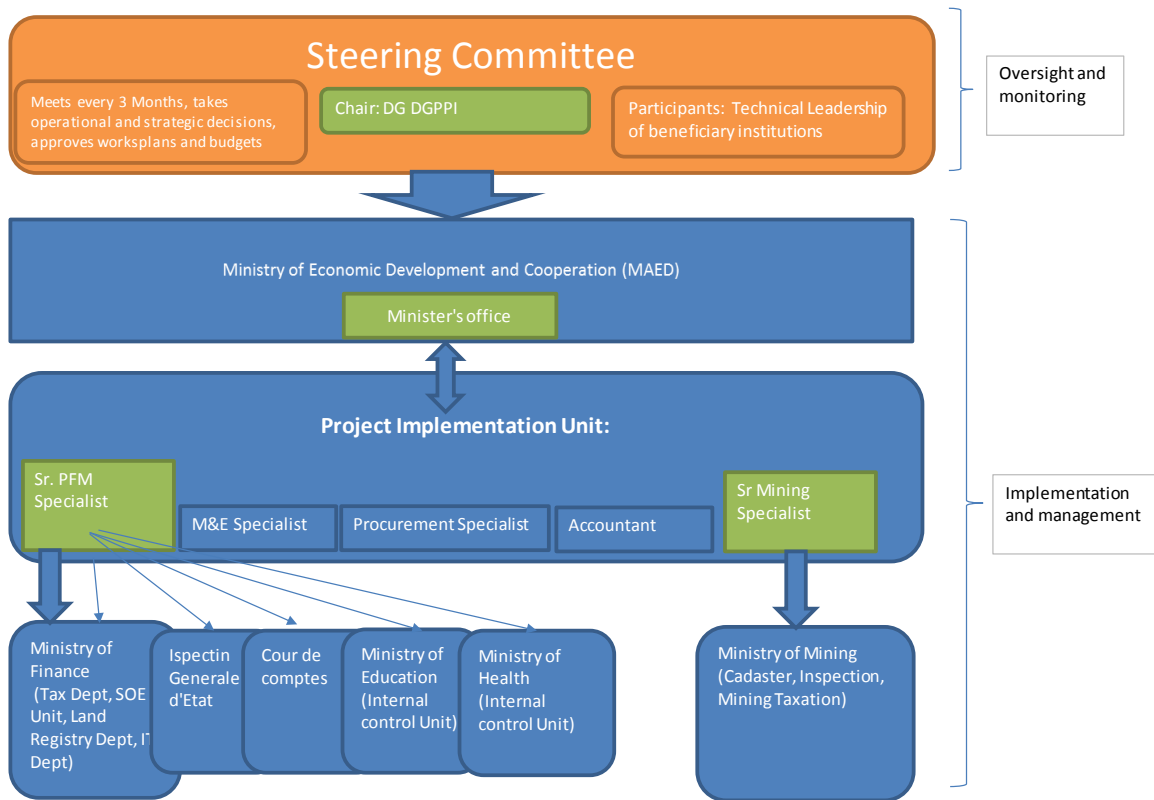
	<b>Monthly</b>	<b>Annual</b>	<b>Total</b>
Technical assistance	–	10,000	20,000
<b>Subtotal</b>	–	<b>234,043</b>	<b>956,172</b>
<b>Training</b>	–	–	–
Training, participation in seminars, workshops	–	50,000	200,000
<b>Subtotal</b>	–	<b>50,000</b>	<b>200,000</b>
<b>Running costs</b>	–	–	–
Water and electricity	500	6,000	24,000
Office consumables	500	6,000	24,000
IT equipment	900	10,800	43,200
Gasoline	170	2,040	8,160
Vehicle insurance	50	600	2,400
Office rental	1,300	15,600	62,400
Entertainment costs	300	3,600	14,400
Publication costs	250	3,000	12,000
Small repair costs	250	3,000	12,000
Vehicle repair costs	250	3,000	12,000
Telephone and express mail costs	700	8,400	33,600
IT equipment maintenance	400	4,800	19,200
Support staff (guards, cleaners)	1,900	22,800	91,200
Airconditioner maintenance	300	3,600	14,400
Miscellaneous expenses	250	3,000	12,000
<b>Subtotal</b>	–	<b>96,240</b>	<b>384,960</b>
<b>GRAND TOTAL</b>	–	<b>425,000</b>	<b>1,700,000</b>

## Annex 3: Implementation Arrangements

### Mauritania Public Sector Governance Project

- 1. The MEF will have overall technical responsibility for the project.** The ministry has a multisectoral mandate and is responsible for economic planning, investment planning, and monitoring (including externally financed projects) and statistics. It is also the main contact point for most development partners, including the Bank, and has extensive experience with managing development projects.
- 2. A PIU will be set up in the MEF** to ensure overall fiduciary responsibility and technical coordination of the activities. It will report directly to the minister. Its core staffing will include (a) a project coordinator (with either a PFM or mining technical background); (b) a senior technical specialist (with either a PFM or mining background), who will complement the project coordinator in terms of technical skills and also function as a deputy coordinator; (c) an accountant; (d) a procurement officer; (e) an M&E specialist; and (f) an administrative and finance officer as well as two to three support staff (driver, guards, maintenance personnel). The PIU will report to the minister on operational matters and will also support the project Steering Committee in ensuring oversight and monitoring of progress.
- 3. A Steering Committee will be established to provide strategic oversight of all the project activities.** The Committee will be chaired by the Director General of the DGPPI with the technical support of the PIU and will consist of the respective technical leadership of all the implementing agencies in charge of executing the project's activities, namely the directors of the Tax Department, Land and Property Registry, and the IGE and the heads of internal control units in the Ministries of Health and Primary Education, Investment Planning in the MEF, IT in the Ministry of Finance as well as the president of the ARMP, and the president of the Court of Accounts. The Steering Committee will be supported by 'focal points' designated by their respective institutions. The focal points will be directly involved in the project activities and will facilitate their day-to-day management and monitoring by establishing regular channel of communications and exchanges between the PIU and the beneficiary institutions. All focal points have been already officially designated and are currently supporting implementation of project activities under the Project Preparation Fund (PPF).
- 4. The PIM will define the roles and responsibilities of each stakeholder** in the project, including the relationship between institutions, rules, and procedures, as well as processing times to react to specific requests from the Bank or the government. The PIM is currently under preparation and will be finalized by the PIU—in close collaboration with the beneficiaries—before project effectiveness. A national consultant will be hired to finalize the draft PIM in consultation with the project's implementing agencies as well as facilitate its validation by promoting full ownership of its content by all the stakeholders involved. The figure 3.1 shows an overview of the project's implementation and institutional arrangements.

**Figure 3.1. Overview of Project Implementation and Institutional Arrangements**



### Financial Management and Disbursement Arrangements

5. The MEF will have overall responsibility for the project. A project implementation team will be set up within the MEF to ensure overall fiduciary responsibility.

6. An FM assessment was conducted on the FM arrangements for the MEF. The objective of the assessment was to determine whether the MEF has acceptable FM arrangements in place that satisfy the Bank's Operation Policy/Bank Procedure (OP/BP) 10.00. These arrangements would ensure that the implementing entity (a) uses project funds only for the intended purposes in an efficient and economical way; (b) prepares accurate and reliable accounts as well as timely periodic financial reports; (c) safeguards assets of the project; and (d) has acceptable auditing arrangements. The FM assessment was carried out in accordance with the Financial Management Manual issued by the Financial Management Sector Board on March 1, 2010.

7. The fiduciary capacity of the MEF to implement Bank-financed projects is inadequate. The FM system has the following capacity constraints: (a) lack of adequate FM staff; (b) weak internal control environment; and (c) lack of accounting software. However, the Association and the borrower agreed that the PCU of the mining sector capacity building project (PRISM 2) funded by the Bank will assist with the initial implementation of the PPA and will support the establishment of the new fiduciary team and FM system in the MEF. The PCU/PRISM will continue to assist with the implementation of the project until the MEF FM team and FM system become fully operational.

8. As a result of the FM capacity constraints, the MEF should do the following:
- (a) Before effectiveness, (i) have set up a Manual of Administrative and Accounting Procedures to strengthen the internal control environment and maintain an appropriate safeguard of the assets and funds and clarify roles and (ii) recruit an FM officer.
  - (b) Within six months after effectiveness, the MEF should (i) recruit an accountant and external auditors with skills and experience satisfactory to the Bank; (b) install an accounting software; and (c) reinforce the MEF internal Inspectorate to carry out the internal auditing activities for the MEF, including the project.

9. **Budgeting arrangements.** The MEF will prepare an annual budget based on the agreed annual work program and the annual Procurement Plan. The budget will be adopted by the Program Steering Committee before the beginning of the year and its execution will be monitored on a quarterly basis. The budgeting process and monitoring will be clearly defined in the Administrative and Accounting Manual of Procedures. Annual draft budgets will be submitted for the Bank's 'no objection' before adoption and implementation no later than November 15 of every year. Periodic reports of budget monitoring and recommendations will be done by the FM team.

10. **Accounting arrangements.** The current accounting standards in use in Mauritania for ongoing Bank-financed projects will be applicable. PAs will be maintained on an accrual basis, supported with appropriate records and procedures to track commitments and to safeguard assets. Annual financial statements will be prepared by the MEF.

### **Internal Control and Internal Auditing Arrangements**

11. **Internal control arrangements.** The Administrative and Accounting Procedures Manual will provide a clear description of the approval and authorization processes with respect to the rule of segregation of duties.

12. **Internal auditing arrangements.** An in-depth review of the legal and technical organization of the MEF internal inspectorate to design a Capacity Strengthening Action Plan will be undertaken. This Action Plan will be closely monitored until the MEF internal inspectorate becomes able to carry out the internal auditing activities of the MEF by itself.

13. **Financial reporting arrangements.** The MEF will prepare quarterly IFRs for the project in form and content satisfactory to the Bank. These IFRs will be submitted to the Bank within 45 days after the end of the quarter to which they relate. The MEF has prepared and agreed with the Bank on the format of the IFRs at negotiations. The MEF will also prepare the project financial statements in compliance with the International Accounting Standards and the Bank requirements. These financial statements<sup>11</sup> will comprise

- (a) a balance sheet;

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<sup>11</sup> It should be noted that the project financial statements should be all-inclusive and cover all sources and uses of funds and not only those provided through IDA funding. It thus reflects all program activities, financing, and expenditures, including funds from other development partners.



- (b) a statement of sources and uses of funds;
- (c) a statement of commitments;
- (d) the Accounting Policies adopted with appropriate note and disclosures; and
- (e) management assertion that program funds have been expended for the intended purposes as specified in the relevant Grant Agreement.

14. **Auditing arrangements.** The Financing Agreement will require the submission of audited financial statements for the project to IDA, within six months after the end of each fiscal year. The audit report should reflect all the activities of the project. An external auditor with qualification and experience satisfactory to the Bank will be appointed to conduct annual audits of the project financial statement.

**Table 3.1. Audited Financial Statements Format**

<b>Audit Report</b>	<b>Entity</b>	<b>Due Date</b>
Annual audited financial statements and management letter	MEF	June 30 N+1

### **Action Plan**

15. The following actions need to be taken to enhance the FM arrangements for the project.

**Table 3.2. Actions to Be Taken to Enhance FM Arrangements for Project**

<b>No.</b>	<b>Action</b>	<b>Due Date</b>	<b>Responsible Entity</b>
1.	Prepare and agree with the Bank on the format of the IFRs.	By negotiation	MEF
2.	Set up an Administrative and Accounting Manual of Procedures.	By effectiveness	MEF
3.	Recruit an FM officer.	By effectiveness	MEF
4.	Set up an accounting information system; recruit an accountant with competence and experience satisfactory to the Bank.	Not later than six months after effectiveness	MEF
5.	<ul style="list-style-type: none"> <li>• Undertake an in-depth review of the legal and technical organizational of the internal Inspectorate of the MEF audit.</li> <li>• Recruit consultants with competence and experience satisfactory to the Bank for close monitoring of the Action Plan for technical assistance to strengthen the internal control environment.</li> </ul>	<ul style="list-style-type: none"> <li>• Not later than six months after effectiveness</li> <li>• Not later than ten months after effectiveness</li> </ul>	MEF
6.	Select an external auditor with competence and experience satisfactory to the Bank.	Not later than six months after effectiveness	MEF

16. **Conclusion of the assessment.** The conclusion of the FM assessment is that the FM arrangements of the MEF have to be strengthened to meet the requirements of OP/BP 10.00. The Association and the borrower agreed that the PIU of PRISM 2 will assist with the initial implementation of the PPA and will continue to assist with the implementation of the project until the MEF FM team and FM system is fully operational.

17. The overall residual risk rating is Moderate given that the PCU/PRISM will assist the MEF with the implementation of the project until the MEF FM team and FM system become fully operational.

### **Flow of Funds and Disbursement Arrangements**

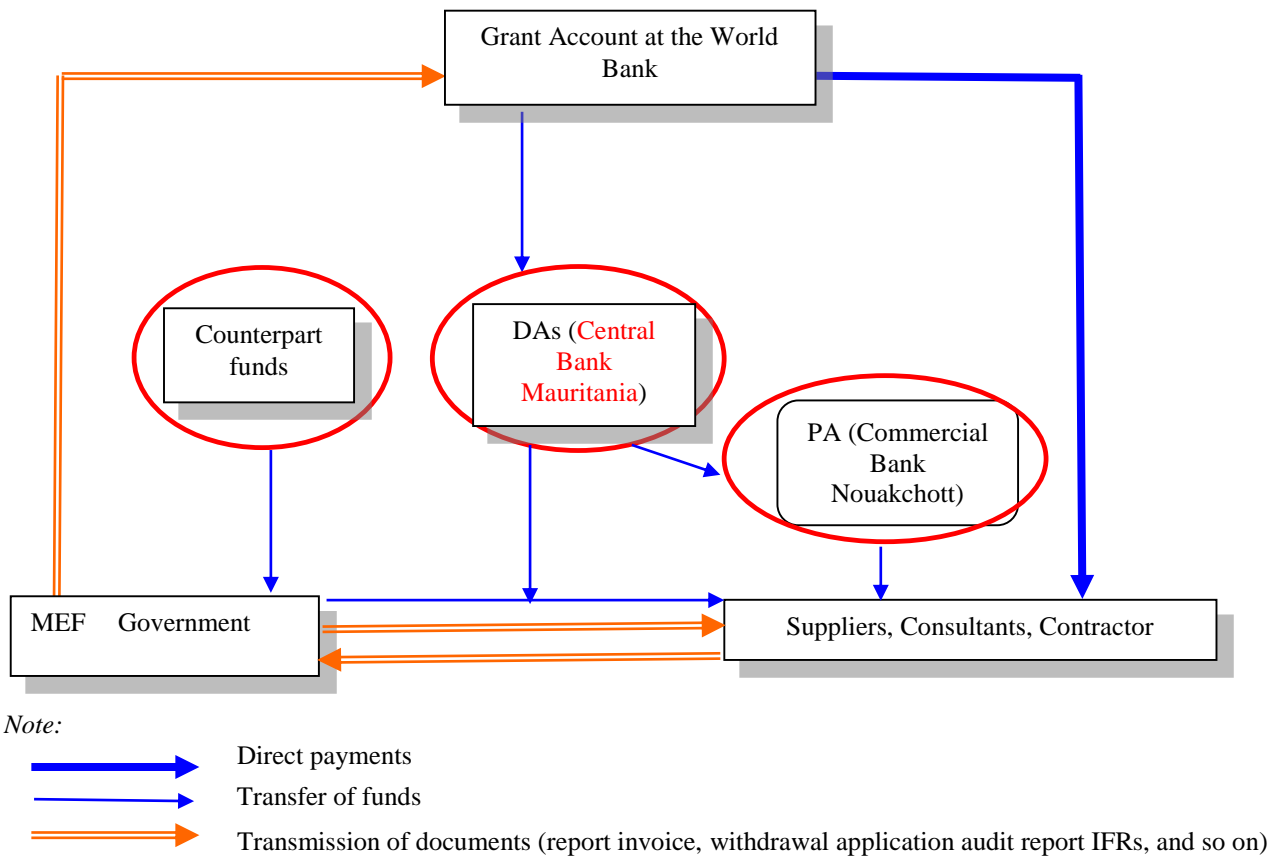
18. **Disbursement arrangements:** Disbursements will be made in accordance with the *World Bank Disbursement Guidelines for Projects*, dated May 1, 2006. The financing proceeds will be disbursed using one or more of the four disbursement methods available to the project: reimbursement, advance, direct payment and special commitment as specified in the Disbursement Letter. Withdrawal applications will be supported with Statement of Expenditures (SOE). Documentation will be retained at MEF for review by Bank staffs and auditors. The Disbursement Letter will provide details of the disbursement methods, required documentation, DA ceiling and minimum application size. On project closure, a period of four months (grace period) after the closing date will be allowed to complete processing of disbursement for eligible expenditures incurred up to the closing date of the grant.

19. **Banking arrangements.** A DA for the project will be opened at the Central Bank of Mauritania and a PA will be opened in a commercial Bank in Nouakchott on terms and conditions acceptable to the Bank. The DA will be used for all eligible payments financed by the grant as indicated in the specific terms and conditions of the Financing Agreement. The MEF will submit initially a withdrawal application to the Bank to withdraw an initial advance up to the DA ceiling amount which has been set to US\$1 million, equivalent to a four-month's forecast of expenditures expected to be made through the DA. The Bank will process the withdrawal application and deposit funds into the DA. Subsequent withdrawals will be supported with Statement of Expenditures, which report on the use of advance for eligible project expenditures. The DA and the PA will be used to pay for most eligible expenditures except for those exceeding 20 percent of the DA ceiling. Such payments should be made through the direct payment method or a special commitment letter issued by the Bank. The DA should be replenished on a monthly basis.

20. **Counterpart Funds.** Counterpart funds in the aggregate amount of US\$1.3 million equivalent will be provided by the GoM to the project, as parallel funding of specific activities not financed by the IDA Grant. Counterpart funds will be disbursed to the project account in an initial installment of US\$325,000, no later than two months after the effectiveness date; thereafter, in equal annual installments of US\$325,000 by each September 1 of the remaining three years of project implementation. The project account will remain open not less than eight months after the end of project implementation, for the sole of purpose of depositing funds provided by the GoM for the financing of the project.

21. **Flow of Funds Arrangements.** The arrangements for the project are as depicted in figure 3.2.

**Figure 3.2. Flow of Funds Arrangements**



22. **Disbursements by Category:** The table below sets out the expenditure categories and percentage of eligible expenditures to be financed out of the Financing proceeds taking into account the prevailing Country Financing Parameter for Mauritania:

**Table 3.3. Disbursements by Category**

<b>Category</b>	<b>Amount of the Financing Allocated (expressed in US\$)</b>	<b>Percentage of Expenditures to be Financed (inclusive of taxes)</b>
(1) Goods, non-consulting services, consultants' services, Operating Costs and Training for the Project	8,300,000	100%
(2) Goods, non-consulting services, consultants' services, Operating Costs and Training for Part 1(3)(i) of the Project	700,000	100%

(3) Refund of Preparation Advance	1,300,000	Amount payable pursuant to Section 2.07 of the General Conditions
<b>TOTAL IDA AMOUNT</b>	10,300,000	

23. **Financial covenants.** The borrower shall establish and maintain an FM system, including records, accounts, and preparation of related financial statements in accordance with accounting standards acceptable to the Bank. The financial statements will be audited in accordance with international auditing standards. The audited financial statements for each period shall be furnished to the Association not later than six months after the end of the project fiscal year. The borrower shall prepare and furnish to the Association—not later than 45 days after the end of each calendar quarter—unaudited IFRs for the project, in form and substance satisfactory to the Association. The borrower will comply with all the rules and procedures required for withdrawals from the DAs of the project.

### Procurement Arrangements

#### General: Procurement rules to be applied

24. Procurement under the project will be carried out in accordance with the Bank’s (a) ‘Guidelines: Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers’, dated January 2011, revised in July 2014; (b) ‘Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers’, dated January 2011, revised in July 2014; and (c) ‘Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants’, dated October 15, 2006, revised in January 2011, as well as the provisions stipulated in the Financing Agreement.

25. The general description of various items under different expenditure categories is presented under Procurement Arrangements. For each contract, the different procurement methods or consultant selection methods, the need for prequalification, estimated costs, prior review requirements, and time frame are agreed between the borrower and the Bank in the Procurement Plan. The Procurement Plan will be updated at least once annually, or as required, to reflect the actual project implementation needs and improvements in institutional capacity of institutions executing activities financed by the project.

26. In addition to prior review of contracts by the Bank, as indicated in the Procurement Plan, the procurement capacity assessment recommends at least one supervision mission per year to carry out an ex post review of procurement actions that have not been submitted to the Bank for prior review.

27. **Advertising procedures.** To get the broadest attention from eligible bidders and consultants, a General Procurement Notice will be prepared by the implementing entity and published in the United Nations Development Business online, on the Bank’s external website, and in at least one newspaper of national circulation in the borrower’s country, or in the official

gazette, or in a widely used website or electronic portal with free national and international access. The borrower will keep a record of the responses received from potential bidders/consultants interested in the contracts and send them the Specific Procurement Notices.

28. Specific Procurement Notices for all goods and non-consulting services to be procured under International Competitive Bidding (ICB) and Expressions of Interest for all consulting services with a cost equal to, or above US\$200,000 will be published in the United Nations Development Business online, on the Bank's external website, and in at least one newspaper of national circulation in the borrower's country, or in the official gazette, or in a widely used website or electronic portal with free national and international access. Specific Procurement Notices for goods and nonconsulting services to be procured using National Competitive Bidding (NCB) will be published in at least one newspaper of national circulation in the borrower's country.

29. **NCB.** The procurement procedure to be followed for NCB shall be the open competitive bidding procedure set forth in the Public Procurement Code 2010-044 of July 22, 2010, of Mauritania (the 'Code'), provided that such procedure shall be subject to the provisions of section I and paragraphs 3.3 and 3.4 of the Procurement Guidelines and the following additional provisions:

- (a) Bidding documents acceptable to the Bank shall be used.
- (b) Eligibility to participate in a procurement process and to be awarded a Bank-financed contract shall be as defined under section I of the Procurement Guidelines; therefore, no bidder or potential bidder shall be declared ineligible for contracts financed by the Association for reasons other than those provided in section I of the Procurement Guidelines. Foreign bidders shall be allowed to participate in NCB procedures, and foreign bidders shall not be obligated to partner with local bidders to participate in a procurement process.
- (c) Bidding shall not be restricted to preregistered firms, and foreign bidders shall not be required to be registered with local authorities as a prerequisite for submitting bids.
- (d) No margins of preference of any sort (for example, on the basis of bidder nationality, origin of goods, services or labor, and/or preferential programs) shall be applied in the bid evaluation.
- (e) Joint venture or consortium partners shall be jointly and severally liable for their obligations. Bidders shall be given at least (30) days from the date of publication of the invitation to bid or the date of availability of the bidding documents, whichever is later, to prepare and submit bids. Bids shall be submitted in a single envelope.
- (f) An extension of bid validity, if justified by exceptional circumstances, may be requested in writing from all bidders before the original bid validity expiration date, provided that such extension shall cover only the minimum period required to complete the evaluation and award a contract but not exceeding 30 days. No further extensions shall be requested without the prior written concurrence of the Bank.

- (g) All bids (or the sole bid if only one bid is received) shall not be rejected, the procurement process shall not be cancelled, and new bids shall not be solicited without the Bank's prior written concurrence.
- (h) Qualification criteria shall be applied on a pass or fail basis.
- (i) Bidders shall be given at least 28 days from the receipt of notification of award to submit performance securities.
- (j) In accordance with the Procurement Guidelines, each bidding document and contract shall include provisions stating the Bank's policy to sanction firms or individuals found to have engaged in fraud and corruption as set forth in the Procurement Guidelines.
- (k) In accordance with the Procurement Guidelines, each bidding document and contract shall include provisions stating the Bank's policy on inspection and audit of accounts, records and other documents relating to the submission of bids and contract performance.
- (l) Evaluation committee should include two specialists in the matter at least and should never include any tender committee members.

30. **Fraud and corruption.** All procurement entities as well as bidders and service providers (that is, suppliers, service providers, and consultants) shall observe the highest standards of ethics during the procurement and execution of contracts financed under the project in accordance with paragraphs 1.16 and 1.17 (Fraud and Corruption) of the Procurement Guidelines and paragraphs 1.23 and 1.24 (Fraud and Corruption) of the Consultant Guidelines and the 'Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants', dated October 15, 2006 and revised in January 2011, in addition to the relevant Articles of the Sierra Leone Public Procurement Act 2004.

### **Procurement Arrangements**

31. **Procurement of works.** No civil works contracts are foreseen under the project.

32. **Procurement of goods.** Goods to be procured under the project will include vehicles, computers and accessories, printers, photocopiers and other IT equipment, software and licenses, and furniture. Contracts with an amount equal or above US\$500,000 equivalent shall be procured through ICB. Goods orders shall be grouped into larger contracts wherever possible to achieve greater economies of scale. Contracts with an amount lower than US\$500,000, but equal to or above US\$50,000 may be procured through NCB. Contracts with an amount below US\$50,000 may be procured using shopping procedures in accordance with paragraph 3.5 of the Procurement Guidelines and based on a model request for quotations satisfactory to the Bank. Shopping consists of the comparison of at least three price quotations in response to a written request. Direct contracting may be used in exceptional circumstances only with the prior approval of the Bank and regardless of the amount, in accordance with paragraphs 3.7 and 3.8 of the Procurement Guidelines.

33. **Procurement of non-consulting services.** Procurement of non-consulting services, such as services for organizing workshops, training, data collection, transport services, and maintenance of office equipment, will follow procurement procedures similar to those stipulated for the procurement of goods, depending on their nature. The applicable methods shall include ICB, NCB, shopping, and direct contracting.

34. **Selection of consultants.** Services of both national and international consultants will be required under the project for GFMIS integration, SOE monitoring and oversight, internal audits, procurement reform, tax reforms, cadastre development, and mining registry as well as for the financial audits. The selection of consultants will be carried out in compliance with the Consultant Guidelines. The provisions vary for consulting services provided by firms and individual consultants (ICs), as follows:

- (a) **Firm.** Selection of consulting firms will include launching a Request for Expressions of Interest, preparing short lists and issuing a Request for Proposal using the Bank's standard formats, when and as required by the Bank's guidelines. The selection method shall be chosen among the following: Quality- and Cost-Based Selection (QCBS) whenever possible; Quality-Based Selection (QBS); Selection under a Fixed Budget (FBS); Least-Cost Selection (LCS); and Single-Source Selection (SSS), as appropriate. Consultant's Qualifications for all consultancy services are estimated to cost less than US\$300,000 equivalent. The short list of firms for assignments estimated to cost less than US\$100,000 equivalent per contract may be composed entirely of national firms in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines, provided that a sufficient number of qualified national firms are available and no foreign consultant desiring to participate is barred.
- (b) **ICs.** ICs will be selected by comparing qualifications of at least three candidates and hired in accordance with the provisions of section V of the Consultant Guidelines.

35. SSS may be used for consulting assignments that meet the requirements of paragraphs 3.8–3.11 of the Consultant Guidelines and will always require the Bank's prior review regardless of the amount. Procedures for selection of ICs will apply to assignments which meet the requirements of paragraphs 5.1 and 5.6 of the Consultant Guidelines.

36. All TORs for the selection of firms and ICs, regardless of the estimated value of the assignment, will be subject to Bank review and clearance.

37. The recruitment of civil servants as ICs or as part of the team of consulting firms will strictly abide by the provisions of paragraphs 1.9 to 1.13 of the Consultant Guidelines.

38. **Workshops, seminars, and conferences.** Training activities would comprise workshops and training, based on individual needs, as well as group requirements, on-the-job training, and hiring consultants for developing training materials and conducting training. Selection of consultants for training services follows the requirements for selection of consultants above. All training and workshop activities (other than consulting services) would be carried out on the basis of approved annual work plans/training plans that would identify the general framework of training activities for the year, including (a) the type of training or workshop; (b) the personnel to be

trained; (c) the institutions which would conduct the training and reason for selection of this particular institution; (d) the justification for the training and how it would lead to effective performance and implementation of the project and or sector; (e) the duration of the proposed training; and (f) the cost estimate of the training. Report by the trainee(s), including completion certificate/diploma upon completion of training, shall be provided to the project coordinator and will be kept as part of the records and will be shared with the Bank if required.

39. **Operating costs.** These are incremental expenses arising under the project and based on annual work plans and budgets approved by the Bank pursuant to the Financing Agreements. They are incurred based on eligible expenses as defined in the Financing Agreement and cannot include salaries of the borrower's civil and public servants. The procedures for managing these expenditures will be governed by the recipient's own administrative procedures, acceptable to the Bank.

40. **Procurement documents.** Procurement of works and goods under ICB and recruitment of consultants will be carried out using the Bank's latest Standard Bidding Documents (SBDs) and standard Request for Proposal. For NCB, the borrower shall submit a sample format of bidding documents to the Bank for prior review. Bidding documents shall incorporate the exceptions listed under paragraph 6 and shall be used throughout the project once the format has been agreed. The Forms of Evaluation Reports developed by the Bank will be used. SBDs for NCB will be updated to include clauses related to fraud and corruption, conflict of interest, eligibility, and the Bank's inspection and auditing rights requirements consistent with the Bank's Procurement Guidelines dated January 2011.

#### **Assessment of Procurement Capacity of the Implementing Agency and Risks**

41. The Mauritanian Procurement Code is regulated by Law No 2010-044 of July 22, 2010 and its regulation (several decrees and bylaws issued by the prime minister and the MEF). This code was developed and reviewed with IDA assistance. In general, the country's procurement procedures do not conflict with the Bank's guidelines. However, procurement practices allow IDA procedures to take precedence over any contrary local regulation or practice.

42. A procurement assessment was carried out for the MEF and other institutions that will be in charge of the procurement related to activities financed by the project and for which they are beneficiaries. The assessment reviewed the organizational structure for implementation of the project and the interaction between staff responsible for procurement and other relevant technical units of ministries that will be beneficiaries of project activities. While the MEF and other beneficiary/executing institutions have no experience in IDA-specific procurement procedures, a PIU has been put in place in the MEF, staffed with personnel having extensive experience in Bank procedures and IDA-financed projects (PRISM 1 and 2).

43. **The overall procurement risk is rated High.** The key risks for procurement are (a) inadequate capacity of staff in procurement practice and knowledge of Bank procurement policies and procedures and the ministry's Tender Committee to handle the volume of procurement for their respective activities under the project; (b) possible delays in the procurement process and poor quality of contract deliverables; and (c) absence of clear procedure for contracts with amounts below the threshold of the law (US\$33,000).



44. To address the above risks, the following mitigation measures should be put in place: (a) development of a procurement procedural manual, approved by the Bank; (b) retention of the procurement specialist recruited to manage the PPA or the recruitment of a procurement consultant with experience in IDA-specific procurement procedures which should provide technical assistance in procurement for the first two years of the project and training for staff involved in procurement under the project; and (c) implementation of the Capacity-building Action Plan prepared by the project and approved by the Bank for departments/ministries involved in project implementation with a focus on procurement and contract management capacities.

**Table 3.4. Action Plan**

	<b>Recommended Actions</b>	<b>Due Date</b>
1	Manual for procurement procedures for all goods, works, nonconsultant services, and consultant services approved by the Bank	Before the project effectiveness or PPA approved
2	Appointment of one employee of every beneficiary institution as procurement specialist for the project and training for that employee on the Bank's procurement procedures	Before the project effectiveness or PPA approved
3	Train staff of the MEF and staff from all ministries involved in the implementation of the project on procurement procedures and contract management	During the 12 months following the project effectiveness or PPA period

**Table 3.5. Procurement and Selection Review Thresholds**

<b>Expenditure Category</b>	<b>Contract Value (threshold) US\$</b>	<b>Procurement Method</b>	<b>Contract Subject to Prior Review</b>
1. Works	≥ 10,000,000	ICB	All
	< 10,000,000	NCB	First contract
	< 100,000	Shopping	First contract
	No threshold	Direct contracting	All
2. Goods	≥ 500,000	ICB	All
	< 500,000	NCB	First contract
	< 50,000	Shopping	First contract
	No threshold	Direct contracting	All
3. Consultants			
Firms	≥ 200,000	QCBS, QBS, LCS, FBS	All contracts
	< 200,000	QCBS, QBS, LCS, FBS	First contract
Consultants Firms	< 100 000	CQS	Two contracts
Individuals	≥ 100,000	EOI	All contracts
	< 100,000	Comparison of 3 CVs	First contract (for others missions); Prior review for PIU staff
Selection of Firms and Individuals	No threshold	SSS	All

Note: CQS = Consultant's Qualifications.

45. **Procurement Plan.** For each contract, the Procurement Plan will define the appropriate procurement methods or consultant selection methods, the need for pre-qualification, estimated costs, the prior review requirements, and the time frame. The Procurement Plan was reviewed during project appraisal and formally confirmed during negotiations. The Procurement Plan will be updated at least annually, or as required, to reflect the actual project implementation needs and capacity improvements. All procurement activities will be carried out in accordance with approved original or updated procurement plans. All procurement plans should be published on the Bank's website according to the guidelines. Approval by the National Procurement Committees or National Procurement Control Commission is not required for procurement plans that have been approved by the Bank.

46. **Frequency of procurement reviews and supervision.** The Bank's pre and post procurement reviews will be carried out on the basis of thresholds indicated in the Procurement Plan. The Bank will conduct implementation support missions every six months and annual post procurement reviews, with the ratio of post review being at least one to five contracts. The Bank may also conduct an independent procurement review at any time up to two years after the closing date of the project.

## **Procurement Plan**

### **I. General**

#### **1. Information about the project**

- Country: Islamic Republic of Mauritania
- Borrower: Government of Mauritania
- Project Title: Public Sector Governance Project
- Project no: P146804
- Signature Date of the Grant Agreement:
- Grant Date entry into force :
- Initial Closing Date:
- Donors: World Bank:
- Amount of the PPA: US\$1,300,000
- Grand Amount: US\$10,300,000,00
- Implementing Agency: MEF
- Date of notification of the General Procurement Plan..... :.....

- Period covered by the Procurement Plan: July 2016–December 2017

## II. Equipment, works, and services (other than consulting services)

1. **Prior review threshold:** Procurement decisions are subject to the Bank's prior reviews, as indicated in annex 1 of the Procurement Directives.

**Table 3.6. Procurement Guidelines**

Expenditure Category	Contract Value (Threshold) in US\$	Procurement Method	Contract subject to prior review US\$
1. Works	≥ 10,000,000	ICB	All
	< 10,000,000	NCB	First contract
	< 100,000	Request for quotes	First contract
	Without threshold	Direct contracting	All
2. Supplies and services other than those of consultants	≥ 500,000	ICB	All
	< 500,000	NCB	First contract
	< 50,000	Request for quotes	First contract
	Without threshold	Direct contracting	All

2. **Prequalification.** Tenderers must be qualified under the provisions of paragraphs 2.9 and 2.10 of the Procurement Guidelines. **N/A**
3. **Applicable procedures for components on the development conducted by the communities (in relation to paragraph 3.17 of the Procurement Guidelines):** **N/A**
4. **Reference (if necessary) to the OM/procurement:** Under development
5. **Other specific arrangements for the procurement:** **N/A**

**Table 3.7. Transactions and Planning and Procurement Method**

1	2	3	4	5	6	7	8	9
Ref. No	Contract Description	Estimated Cost (US\$1 = MRO 300)	Selection Method	Pre-qualification Yes/No	National preference Yes/No	Bank review (Prior/Post)	Scheduled date for bid opening	Comments
<b>I – SUPPLIES</b>								
01	Purchase and installation of Public Investment Management and M&E modules for the DAD	320,000	Direct contracting	No	No	Prior	10/17/2016	Prior review because Direct Contracting

02	Purchase of HD maps for cadastre/GNSS system	100,000	NCB	No	No	Prior	07/03/2017	Satellite maps—from different providers than software
03	Purchase of software for cadastre/GNSS system	200,000	NCB	No	No	Prior	10/02/2017	Specialized cadastre/land parceling software
04	Hardware, software related to the modeling of the tax regime of mining and preparation of manual on tax administration and procedure	300,000	NCB	No	No	Post	02/20/2017	–

Note: PC = Consultation with providers; GNSS = .

### III. Selection of Consultants

Nature of Expenditures	Method of Procurement	Contract Threshold Value	Contract Subject to Prior Review
		US\$	
<b>Consultants Firms</b>	SFQC, SFQ, SCM, and SCBD	≥ 200,000	All contracts of US\$200,000 or more
	SFQC, SFQ, SCM, and SCBD	< 200,000	First contract
	QC	< 100,000	Two contracts
	Direct agreement	No threshold	All
<b>ICs</b>	IC with Expression of Interest	≥ 100,000	All contracts
	Comparison of 3 Curriculum Vitae	< 100,000	Only the first contract; Prior review for the selection of the staff of the PCU
	Direct contract	No Threshold	All

**All TORs, regardless of the amount of the contract, are subject to prior review.**

Note: QC = Selection based on qualifications of consultants; SFQC = Selection based on quality and cost; SFQ = Selection based on quality; SMC = Selection based on minimum cost; SCBD = Selection in the framework of a CI fixed budget; IC

**1. Short list entirely composed of national consultants:** The short list of consultants for services, for an estimated cost of less than US\$100,000 or equivalent per contract, may be composed entirely of national consultants in accordance with paragraph 2.7 of the Consultant Guidelines.

**2. Other specific arrangements for selection** (including prior procurement and retroactive financing, if applicable): N/A

**Table 3.8. Consultants' Contracts with Selection Method and Planning**

Consultants						
1	2	3	4	5	6	7
Ref. No.	Description of Missions	Estimated Cost (US\$1 = MRO 300)	Method of Selection	Bank Review (Prior/Post)	Scheduled Date for Submission of Proposals	Comments
01	Technical advice for the integration/interconnection of the remaining GFMS	200,000	SFQC	Prior	11/14/2016	–
02	Development of a national policy/strategy for the parastatal sector	100,000	SFQC	Post	03/27/2017	–
03	Technical advice to the Ministry of Finance for the production of annual reports on the operational and financial performance of parastatal agencies	50,000	IC	Post	04/17/2017	–
04	Technical advice for the functional audit of the EPA (Autonomous Public Institutions) in collaboration with the IGE	300,000	SFQC	Prior	05/15/2017	–
05	Development of Performance Contracts with two SOEs	96,000	QC	Post	05/29/2017	Should be a company since a mix of different skills will be required
06	Diagnostic studies on internal audit units in the Ministries of Health and Primary Education	60,000	IC	Post	07/25/2017	–
07	Short-term technical assistance for the Court of Auditors on the audit of public companies	100,000	IC	Prior	08/15/2017	–
08	Technical and legal advice to align the planning of procurement, the processing of procurement, and the execution of the contract	50,000	IC	Post	08/29/2017	–

	with the processing and execution of the budget					
09	Piloting of framework contracts for high-volume products in two institutions (vehicles, fuel, medicines, uniforms, food, common items of IT, paper, book printing and textbooks, and other common and repetitive elements)	40,000	IC	Post	09/12/2017	–
10	Updating of the taxpayer census for Nouakchott and Nouadhibou and its extending to Rosso, to evaluate the tax potential by identifying and mapping taxpayers	300,000	SFQC	Prior	12/05/2016	–
11	Review of the system and process of the assessment of property taxation	100,000	IC	Prior	09/26/2017	–
12	Modelling of the taxation regime of mines	150,000	IC	Prior	02/20/2017	–
13	Preparation of a manual on tax administration and procedures, including equipment and software	150,000	SFQC	Post	10/16/2017	–
14	Assessing and updating the mining registry	99,000	IC	Post	12/04/2017	
15	Consolidating the SIGM and staff training	350,000	SFQC	Prior	12/18/2016	
16	Installation of the mining operators monitoring system	75,000	IC	Post	10/01/2016	

Note: SFQC = Selection based on quality and cost

## Monitoring and Evaluation

47. Progress toward achieving the PDO-level and intermediate results indicators will be measured and monitored through the intermediate results described in annex 1, under the leadership of the PIU with support from technical assistance. Annex 1 provides details of the reference data, targets and frequency of data collection, source, and methodology.

48. The PIU will include an M&E specialist responsible for monitoring and reporting on project results as defined in annex 1 (Results Framework), including the method, data source and frequency of reporting for each project indicator. The project monitoring system will use administrative data from the responsible entities to be provided with support from the focal points that have been identified within each of the targeted entities. In this way, the project will help reinforce monitoring capacity within each of the targeted departments and agencies.

49. For accountability purposes, the Cellule is committed to provide regular reports to the GoM, as well as the World Bank. The World Bank will undertake regular supervision missions and ensure that key findings resulting from such visits are fully implemented to improve the

overall project performance. A mid-term review will be carried out and the findings and recommendations will be used to improve project performance, effectiveness and efficiency. The M&E expert will also produce semi-annual reports with the latest data for each indicator made available to project's beneficiaries and relevant stakeholders.

50. Annual joint review meetings will be organized to examine progress on program implementation. These will complement the M&E system to identify issues that could interfere with achieving the development objectives. The Steering Committee will meet on a quarterly basis to review progress and solve operational bottlenecks that may appear. As such, the Steering Committee will be chaired by a high level civil servant with power to take decisions and resolve disputes.

## Annex 4: Implementation Support Plan

### Mauritania Public Sector Governance Project

#### Strategy for Supporting Project Implementation

1. The strategy and activities for supporting project implementation are outlined in the Public Sector Governance Project’s activities description and implementation arrangements. Risks and mitigation measures outlined in the Systematic Operations Risk-Rating Tool have also been taken into account.

#### Implementation Support Plan

2. The Bank task team will support implementation through the following activities:
- (a) Creation of the PIU
  - (b) Hire an experienced project implementation team, including
    - the project director (PFM or mining specialist);
    - a senior PFM specialist or mining specialist;
    - M&E specialist;
    - procurement specialist; and
    - accountant
  - (c) **Technical support.** The Bank team will provide regular support to the PIU on technical matters, including reviews of TORs, work package descriptions, and so on.
  - (d) **Bank monitoring and review.** The Bank team will prepare regular monitoring reports and will conduct regular supervision missions to Mauritania to support the PIU and the authorities. The Bank team includes the following expertise:

**Table 4.1. World Bank Team Expertise**

Skills	Support	Comments (Location)
Public sector specialist (TTL)	TTL, overall project management support, review and clear 'no objection' requests, leading regular supervision missions	Washington, DC
FM specialist	FM training, review of financial reports audit reports	Dakar
Procurement specialist	Technical advice, clearance, training	Nouakchott
Mining specialist	Advice on mining component (2 missions per year)	Washington, DC
Land administration/cadastre specialist	Regular missions (2 per year)	Dakar and DC
Statistician	Regular missions (2 per year)	Washington, DC



Skills	Support	Comments (Location)
Economist	Advice on budget preparation issues, macro, and MTEF	Washington, DC
IT analyst	Advice on GFMIS	Dakar
Safeguards (Environmental/Social)		Dakar and DC

- (e) **Procurement and FM support.** Procurement supervision will consist of ex ante reviews of procurement activities as well as ex post reviews. All TORs for the selection of firms and ICs, regardless of the estimated value of the assignment, will be subject to Bank review and clearance.

**Table 4.2. Procurement Support**

	Recommended Actions	Due Date
1	Manual for procurement procedures for all goods, works, non-consultant services, and consultant services, as approved by the Bank	Before the project effectiveness or PPA approved
2	Appointment of one employee of the MEF as procurement specialist for the project and training him/her on Bank's procurement procedures	Before the project effectiveness or PPA approved
3	Select a specialized firm to assist the project for all procurement activities during the first year of project implementation	Before the project effectiveness or PPA approved
4	Train the MEF staff and staff of all ministries involved in project implementation on procurement procedures	During the 12 months following the project effectiveness or PPA period

**Table 4.3. FM Support**

FM Activity	Frequency
Based on the outcome of the FM risk assessment, the following implementation support plan is proposed. The objective of the implementation support plan is to ensure that the MEF maintains a satisfactory FM system throughout the project's life.	–
<b>Desk reviews</b>	–
IFR review	Quarterly
Audit report review of the program	Annually
Review of other relevant information such as interim internal control systems reports.	Continuous, as they become available
<b>On-site visits</b>	–
Review of overall operation of the FM system	Biannual for implementation support mission
Monitoring of actions taken on issues highlighted in audit reports, auditors' management letters, internal audit, and other reports	As needed
Transaction reviews (if needed)	As needed
<b>Capacity-building support</b>	–
FM training sessions	During implementation and as and when needed

## Annex 5: PEFA Scores 2008 and 2014

	2008	2014	Trend
<b>A. PFM OUTTURNS: Credibility of the budget</b>			
PI-1 Aggregate expenditure outturn compared to original approved budget	C	C	=
PI-2 Composition of expenditure outturn compared to original approved budget	B	D+	-
PI-3 Aggregate revenue outturn compared to original approved budget	A	D	-
PI-4 Stock and monitoring of expenditure payment arrears	B+	A	+
<b>B. KEY CROSS-CUTTING ISSUES: Comprehensiveness and transparency</b>			
PI-5 Classification of the budget	C	C	=
PI-6 Comprehensiveness of information included in budget documentation	C	D	-
PI-7 Extent of unreported government operations	C	D	-
PI-8 Transparency of intergovernmental fiscal relations	D+	B	+
PI-9 Oversight of aggregate fiscal risk from other public sector entities	D+	D+	=
PI-10 Public access to key fiscal information	B	C	-
<b>C. BUDGET CYCLE</b>			
<b>C(i) Policy-based budgeting</b>			
PI-11 Orderliness and participation in the annual budget process	A	D+	-
PI-12 Multiyear perspective in fiscal planning, expenditure policy, and budgeting	B	C+	-
<b>C(ii) Predictability and control in budget execution</b>			
PI-13 Transparency of taxpayer obligations and liabilities	B	B	=
PI-14 Effectiveness of measures for taxpayer registration and tax assessment	C+	C	=
PI-15 Effectiveness in collection of tax payments	D+	D+	=
PI-16 Predictability in the availability of funds for commitment of expenditures	C+	D+	-
PI-17 Recording and management of cash balances, debt, and guarantees	B	C	-
PI-18 Effectiveness of payroll controls	D+	D+	=
PI-19 Competition, value for money, and controls in procurement		B	
PI-20 Effectiveness of internal controls for non-salary expenditure	D+	C+	+
PI-21 Effectiveness of internal audit	D+	D+	=
<b>C(iii) Accounting, recording and reporting</b>			
PI-22 Timeliness and regularity of accounts reconciliation	C+	C+	=
PI-23 Availability of information on resources received by service delivery units	D	D	=
PI-24 Quality and timeliness of in-year budget reports	C+	B+	+
PI-25 Quality and timeliness of annual financial statements	D+	D+	=
<b>C(iv) External scrutiny and audit</b>			
PI-26 Scope, nature, and follow-up of external audit	D+	D+	=
PI-27 Legislative scrutiny of the annual Budget Law	C+	D+	-
PI-28 Legislative scrutiny of external audit reports	C+	NN	
<b>D. DONOR PRACTICES</b>			
D-1 Predictability of Direct Budget Support	NN	D	
D-2 Financial information provided by donors for budgeting and reporting on project and program aid	D+	D+	=
D-3 Proportion of aid that is managed by use of national procedures	D	D	=

## Annex 6: Procurement Assessment Scores by Pillar, Indicator and Sub-indicators

		0	1	2	3
<b>Pilier I: Cadre législatif et réglementaire</b>					
<b>Indicateur 1 - le cadre législatif et réglementaire est conforme aux normes de référence et exigences</b>					
1a	Champ d'application				
1b	Méthode de passation de marchés				
1c	Règles de publicité et délais				
1d	Règles sur la participation				
1e	Documents d'appels d'offres et spécifications techniques				
1f	Evaluation et critères d'attributions				
1g	Soumission et ouverture des offres				
1h	Procédures de recours				
<b>Indicateur 2 - Existence de la documentation et des textes d'application</b>					
2a	Existence et disponibilité des textes d'application de la réglementation				
2b	Existence et disponibilité des dossiers d'appel d'offres				
2c	Procédures pour la pré-qualification				
2d	Existence et disponibilité des dossiers de consultation pour prestations de services				
2e	Existence et disponibilité d'un manuel de procédures pour entités contractantes				
2f	Conditions générales pour marchés de fournitures, travaux et services.				
<b>Pilier II: Cadre institutionnel et capacité de gestion</b>					
<b>Indicateur 3 - Intégralité des marchés dans la chaîne de la Dépense Publique</b>					
3a	Planification des marchés intégrée à la programmation budgétaire				
3b	Loi de Finances supportant à temps la passation et les paiements des marchés				
3c	Pas d'initiation de marchés sans existence de budgets appropriés				
3d	Exécution des marchés assujettie aux contrôles budgétaires				
<b>Indicateur 4 - Existence d'une entité de régulation opérationnelle</b>					
4a	Statuts et conditions de fonctionnement de l'entité de régulation				
4b	Responsabilité de l'autorité de régulation définies et complètes				
4c	Régulation ayant une organisation, des moyens et du personnel qui lui assure son indépendance et son fonctionnement				
4d	Responsabilités de la régulation permettant d'éviter des conflits d'intérêts avec les décisions d'attribution des marchés				
<b>Indicateur 5 - Existence d'une capacité institutionnelle de développement</b>					
5a	Système de collecte et de diffusion de l'information sur les marchés publics				
5b	Système fiable de collecte et suivi des statistiques nationales sur la passation des marchés				
5c	Système de développement des capacités en matière de marchés publics				
5d	Standards et méthode d'évaluation de la performance du personnel				
<b>Pilier III: Niveau opérationnel et les pratiques sont efficaces</b>					
<b>Indicateur 6 - Le niveau opérationnel et les pratiques sont efficaces :</b>					
6a	Niveau de compétence des structures de passation des marchés				
6b	Programmes de formation et information pour les entités du gouvernement et du secteur privé en ligne avec la demande et les besoins				
6c	Existence d'un système d'archivage des informations pour permettre les contrôles externes				
6d	Existence de mécanismes d'accès aux informations pour permettre les contrôles internes.				
6e	Niveau de salaires des structures de passation de marchés en ligne avec la structure générale des salaires				
<b>Indicateur 7 - Réponse du secteur privé à la demande publique</b>					
7a	Existence de partenariat avec la société civile et le secteur privé				
7b	Secteur privé organisé pour optimiser l'accès à la commande publique				
7c	Inexistence de contraintes majeures pour le secteur privé d'avoir accès à la Commande Publique				
7d	Existence de règles claires pour décider la compétition au niveau international				

		0	1	2	3
<b>Indicateur 8 - Existence de disposition pour la gestion des marchés et résolution des conflits</b>					
8a	Procédures clairement définies pour la gestion des marchés, y compris le contrôle et la réception des prestations				
8b	Contrats contenant les clauses de résolution de litiges et d'arbitrage				
8c	Procédures existant pour l'application du processus de résolution des litiges.				
<b>Pilier IV: Intégrité et transparence du système de Marchés Publics</b>					
<b>Indicateur 9 - Le pays a un système de contrôle et audit</b>					
9a	Cadre législatif prévoyant l'organisation et les procédures pour les contrôles externes et internes				
9b	Application des conclusions des audits pour assurer la conformité				
9c	Système des contrôles internes fournit à temps les informations pour assurer la conformité des procédures				
9d	Système de contrôle interne suffisamment définis pour permettre des contrôles internes de conformité et performance				
9e	Auditeurs suffisamment informés des procédures et méthodes de contrôle pour conduire des audits de performance et de conformité				
<b>Indicateur 10 - Efficacité des mécanismes de traitement des recours</b>					
10a	Existence d'un mécanisme de traitement des recours qui donne l'accès au secteur privé de faire examiner leurs plaintes				
10b	Décisions prises en fonction des informations et système ayant la capacité à faire appliquer les décisions				
10c	Système opérant d'une manière transparente pour assurer l'application des décisions justifiées sur les informations recueillies				
10d	Système rendant des décisions <b>publiées et mises à la disposition des parties et du public</b>				
<b>Indicateur 11 - Degré d'accès à l'information</b>					
11a	Publication et diffusion de l'information				
<b>Indicateur 12 - Existence de mesures d'éthique de lutte contre la corruption</b>					
12a	Cadre législatif et documents d'appels d'offres comprenant des dispositions de lutte contre la fraude et la corruption, ainsi que les conflits d'intérêt				
12b	Cadre légal précisant les responsabilités et sanctions pour les individus et les firmes engagés des pratiques de fraude et corruption				
12c	Evidence de l'application des dispositions de répression de la fraude et de la corruption				
12d	Existence de mesures spéciales pour prévenir et lutter contre la corruption				
12e	Secteur privé et la société civile contribuent à la lutte contre la fraude et la corruption.				
12f	Mécanisme pour dénonciation des comportements frauduleux, de corruption ou contraires à l'éthique				
12g	Code de conduite/Code d'éthique pour les intervenants et dispositions de divulgation				

## Annex 7: Summary of LGAF Scores

<i>Tableau de Bord sur l'Etat des Lieux des Indicateurs et Dimensions</i>						
IGF	Dim	Libellé des Indicateurs et Dimensions	A	B	C	D
<b>CADRE JURIDIQUE ET INSTITUTIONNEL</b>						
<b>Reconnaissance des droits fonciers</b>						
1	I	Reconnaissance des droits de la propriété foncière (rurale) *			Orange	
1	II	Reconnaissance des droits de la propriété foncière (urbaine)	Vert			
1	III	Reconnaissance des droits de groupe rural			Orange	
1	IV	Reconnaissance des droits de groupe urbain dans le secteur informel				Rouge
1	V	Opportunités d'individualisation de la propriété	Vert			
<b>Respect des droits fonciers</b>						
2	I	Etude/cartographie et enregistrement des réclamations sur la terre communale ou indigène				Rouge
2	II	Enregistrement des propriétés individuelles des zones ruraux				Rouge
2	III	Enregistrement des propriétés individuelles des zones urbains	Vert			
2	IV	Les droits des femmes sont reconnus pratiquement par le système formel (urbain/rural)	Vert			
2	V	Régime de la copropriété qui prévoit la gestion appropriée de la propriété indivise				Rouge
2	VI	Compensation due en cas de changement d'utilisation des terres		Jaune		
<b>Mécanismes de reconnaissance des droits fonciers</b>						
3	I	Utilisation des preuves non écrites pour la reconnaissance des droits		Jaune		
3	II	Reconnaissance formelle de possession à long terme et incontestée	Vert			
3	III	La première demande d'enregistrement n'est pas limitée par l'incapacité de payer les frais administratifs		Jaune		
3	IV	Le premier enregistrement ne nécessite pas d'importants frais informels	Vert			
3	V	La formalisation du logement résidentiel est faisable et accessible		Jaune		
3	VI	Processus efficace et transparent pour établir formellement la possession incontestée de longue durée				Rouge
<b>Restrictions sur les droits</b>						
4	I	Restrictions concernant l'utilisation des terres en milieu urbain, l'appropriation et la transférabilité			Orange	
4	II	Restrictions concernant l'utilisation des terres en milieu rural, l'appropriation et la transférabilité				Rouge
<b>Clarté des mandats</b>						
5	I	Séparation des rôles institutionnels		Jaune		
5	II	Empiètement institutionnel			Orange	
5	III	Empiètement administratif	Vert			
5	IV	Partage d'informations				Rouge
<b>Equité et non-discrimination</b>						
6	I	Clarté de la politique foncière développée de façon participative				Rouge
6	II	Intégration significative des objectifs en matière d'équité			Orange	
6	III	La politique de mise en œuvre dont le coût inclus les bénéficiaires, est ressourcée en conséquence				Rouge
6	IV	Rapports réguliers et publics retraçant les progrès de la mise en œuvre de la politique				Rouge
<b>PLANIFICATION D'UTILISATION DES TERRES, GESTION ET PLANIFICATION</b>						
<b>Transparence sur l'utilisation des terres</b>						
7	I	Dans les zones urbaines, les plans et les changements planifiés de l'utilisation			Orange	

<b>Tableau de Bord sur l'Etat des Lieux des Indicateurs et Dimensions</b>						
<b>IGF</b>	<b>Dim</b>	<b>Libellé des Indicateurs et Dimensions</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>
		des terres se font sur la base d'apport public				
7	II	Dans les zones rurales, les plans et les changements planifiés de l'utilisation de la terre se feront sur la base d'apport public				
7	III	Saisie publique des avantages résultant des changements d'utilisation de la terre autorisée				
7	IV	Vitesse de changement d'utilisation de la terre				
<b>Efficacité de l'aménagement du territoire</b>						
8	I	Processus pour le développement urbain prévu dans la plus grande ville				
8	II	Processus pour le développement urbain prévu dans les 4 plus grandes villes (exceptée la plus grande)				
8	III	Capacité de l'aménagement urbaine de faire face à la croissance urbaine				
8	IV	Adhésion de taille de parcelle de terrain				
8	V	Utilisation de plans pour le classement de terres spécifiques (forêt, pâturages and so on.) conformément à son utilisation				
<b>Vitesse et prévisibilité</b>						
9	I	Les demandes de permis de construire pour les logements résidentiels sont accessibles et traitées de la même manière sans discrimination				
9	II	Temps requis pour obtenir un permis de construire pour un logement résidentiel				
<b>Transparence de l'évaluation</b>						
10	I	Processus clair dans l'évaluation de la propriété				
10	II	Mise à disposition du public des critères d'évaluation				
<b>Efficacité de la perception de l'impôt</b>						
11	I	Les exemptions aux impôts fonciers sont justifiées				
11	II	Les détenteurs des titres de propriété sont tenus de payer l'impôt foncier conformément au rôle d'imposition				
11	III	L'évaluation des impôts fonciers est perçue				
11	IV	Les impôts fonciers correspondent aux montants collectés				
<b>GESTION DU DOMAINE DE L'ETAT</b>						
<b>Identification des terrains domaniaux</b>						
12	I	L'appartenance au domaine public est justifiée et affecté au ministère correspondant du gouvernement				
12	II	Accomplir l'enregistrement du terrain dans le domaine public				
12	III	Attribution de la responsabilité de gestion du domaine public				
12	IV	Ressources disponibles pour se conformer aux responsabilités				
12	V	L'inventaire des terrains domaniaux accessible au public				
12	VI	Information principale sur les concessions foncières accessible au public				
<b>Incidence de l'expropriation</b>						
13	I	Transfert des terres expropriées aux intérêts privés				
13	II	Vitesse d'utilisation de terre expropriée				
<b>Transparent des procédures</b>						
14	I	Indemnisation pour l'expropriation de la propriété				
14	II	Indemnisation pour l'expropriation de tous les droits				
14	III	Rapidité de l'indemnisation				
14	IV	Droit et accès pour faire appel contre l'expropriation				
14	V	Appel contre l'expropriation limitée				
<b>Processus transparents</b>						
15	I	Transparence des transactions foncières publiques				
15	II	Recouvrement des loyers pour les baux publics				

<b>Tableau de Bord sur l'Etat des Lieux des Indicateurs et Dimensions</b>						
<b>IGF</b>	<b>Dim</b>	<b>Libellé des Indicateurs et Dimensions</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>
15	III	Modalités de bail ou vente de terrain public				
<b>Perfection d'enregistrement</b>						
16	I	Cartographie des états d'enregistrement				
16	II	Charges privées économiquement pertinentes				
16	III	Restrictions ou charges publiques économiquement pertinentes				
16	IV	Registre consultable (ou organisation des informations sur les droits fonciers)				
16	V	Accessibilité des dossiers dans le registre (ou organisation des informations sur les droits fonciers)				
16	VI	Réponse rapide à une demande d'accès au registre (ou organisation des informations sur les droits fonciers)				
<b>ACCES DU PUBLIC AUX INFORMATIONS FONCIERES</b>						
<b>Fiabilité des registres</b>						
17	I	Centrer sur la satisfaction des intéressés sur le registre				
17	II	Mise à jour des informations sur le registre/cadastre				
<b>Coût total et durable</b>						
18	I	Coût d'enregistrement de transfert de propriété				
18	II	Durabilité financière de l'enregistrement				
18	III	Investissement de capitaux				
<b>Transparence</b>						
19	I	Les tarifs des frais sont mis à la disposition du public				
19	II	Paiements frais non officiels découragés				
<b>RESOLUTION ET GESTION DES CONFLITS</b>						
<b>Attribution de la responsabilité</b>						
20	I	Accessibilité aux mécanismes de résolution de conflit				
20	II	Résolution informelle ou à l'amiable des conflits				
20	III	Lieu d'échange				
20	IV	Possibilité d'appels				
<b>Baisse taux des conflits en suspens</b>						
21	I	Résolution du conflit dans le système légal formel				
21	II	Vitesse de résolution du conflit dans le système formel				
21	III	Conflits de longue durée (cas non résolu de plus de 5 ans)				

## Annex 8: List of FMIS Systems in Mauritania

1. **RACHAD.** The RACHAD software is being used since 2006 by the Budget Directorate to manage the allocation of budget resources, commitments, and the preparation of payment orders. RACHAD is a commercial package developed by ST2I, Tunisia (<http://www.st2i.com.tn>), using the Oracle RDBMS. Initial deployment of the RACHAD has been funded by the PRECASP (about US\$146,000). This web-based system can be used by 250 concurrent users to manage current and capital budget expenditures. The interface between RACHAD and the Central Bank of Mauritania has been developed through another contract in 2011 (US\$99,000). Although the new interface has improved the speed of processing payments (check or cash), the total duration of payment processing is around 3–5 days. This is expected to be improved during the implementation of the new project with the introduction of electronic payment systems and TSA operations. The system is also linked to Beite El Male for processing of payment orders.

2. **Beite El Male Treasury Accounting System.** The Beite El Male software was developed by a local consultant/firm in 2002 to automate central government accounting and reporting functions. The Treasury Directorate is using this system to record all budget transactions by combining revenue/expenditure data received from tax/customs and other entities. The software has been developed using a commercial platform (WinDev) and is based on an MS SQL database. The team was informed that the dispute between the Ministry of Finance and the software developer regarding the ownership of the source code has been resolved, and the development of interfaces with other systems is in progress (*Système d'Information Trésor Public* [SITP], JIBAYA, SYDONIA, NOVA, TEHLIL, and so on).

3. **SITP - Système d'Information Trésor Public.** The SITP system was developed by a local firm in 2005, to support the monitoring of public expenditures with dynamic (daily) updates on the Treasury website. It also supports electronic filing of transaction documents (about 450,000) in the Treasury archive (as PDF files). Interfaces with other PFM systems are expected to be developed in Q4 2014. Other PFM entities will have read-only access to SITP records once these interfaces are completed. SITP is a web-based locally developed software (LDSW) platform based on open source solutions (Java, MySQL). Reports on budget revenues (including extractive industries) and expenditures are being published on the Treasury website regularly ([www.tresor.mr](http://www.tresor.mr)).

4. **JIBAYA - Tax Administration System + NIF.** The DGI has signed a contract with Arab Soft, Tunisia ([www.arabsoft.com.tn](http://www.arabsoft.com.tn)) in April 2011 (US\$648,000), for the development of the web-based Tax System (JIBAYA) application (LDSW based on Java, Oracle DB, and WebLogic). Three additional contracts have been signed in May 2013 for Oracle licenses, workstations, hardware, and network equipment (US\$590,000 in total). The development of system requirements, testing, and acceptance phases have been completed in three years, and the system was fully operational in 2014 (with a total cost of about US\$1.238 million). The team was informed that the longer than expected implementation of JIBAYA was due to extensive customization needs of the DGI to comply with new legislation and regulations as well as the introduction of new NIFs. The system includes a number of key modules to support tax assessment, filing, collections, case management, vehicle taxes, and more. Remaining challenges include the activation of the e-filing module, and the development of interfaces with the Treasury and other PFM systems. JIBAYA is hosted in a server room located in the DGI building (no disaster recovery solution yet)



and maintained by the IT team trained by Arab Soft. New government main data center can be used as the future hosting platform of JIBAYA to minimize the cost of system maintenance and support.

5. **SYDONIA++ Système Douanier Automatisé.** The DGD is using the SYDONIA system since 1999 as a customs management solution in 14 locations (customs offices/ports) countrywide. In 2012, the system was upgraded to SYDONIA++ running on Oracle DB. Servers are located in the DGD data center (no disaster recovery solution yet). The system has been originally developed by United Nations Conference on Trade and Development (UNCTAD) and is currently used in more than 80 countries (<http://unctad.org/en/Pages/DTL/TTL/ASYCUDA-Programme.aspx>). Customs administration has initiated the migration to the latest version, SYDONIA World (web-based) in 2014 and this was expected to be completed by May 2015, with support from UNCTAD experts. The DGD can benefit from the countrywide f/o backbone being established through West Africa Regional Communications Infrastructure Program to improve network connectivity, and the shared MDC and DRC platforms for daily data exchange and backup needs.

6. **Système Intégré de Gestion Automatisée de la Dette Externe (SIGADE).** The Ministry of Finance is using the SIGADE/Debt Management Financial Analysis System software developed by UNCTAD as their external debt management software since 1985 (<http://unctad.org/divs/gds/dmfas/Pages/default.aspx>). The system is running on Oracle DB and hosted in the DDE server room. Similar to other PFM systems, there seems to be an opportunity to use MDC and DRC as shared platforms and minimize maintenance and support costs. Also, the latest version of SIGADE could be used to benefit from new capabilities and expand the scope of the system to support domestic debt management. Development of an interface with the Treasury system could also help in automating the debt payments and reconciliation of debt data during the implementation of new project.

7. **BUDGET - Budget Preparation System.** The budget formulation and preparation is not automated through a database application yet. The Ministry of Finance Budget Directorate is currently working with the GIZ for the development of budget preparation system requirements. To avoid the development of an incompatible system or overlapping functionality, this activity needs to be well coordinated with the new project activities supporting the PFM systems.

8. **SYBSIM - Public Investment Budget Monitoring System.** The Ministry of Finance has developed another LDSW (most probably based on Oracle DB) with support from local consultants for programming and monitoring the consolidated public investment budget, and the system is being used since 2010. It would be useful if the Ministry of Finance's Budget Department can communicate with the MEF officials who are already using the DAD software and may be implementing the public investment management module of the same platform to perform similar tasks. There is a need to collaborate and coordinate closely during the preparation of new project to optimize the design of new components and avoid duplicate investments.

9. **DAD.** The DAD software is being used by the MEF for monitoring the donor-funded project activities and disbursements since 2013. DAD is a commercial off-the-shelf (COTS) software developed by Synergy Intl Systems ([www.synisys.com](http://www.synisys.com)) with support from the United Nations. The DAD Mauritania database (<http://dad.synisys.com/dadmauritanie/> based on MS SQL) is currently hosted in the Synergy cloud platforms in the United States. As of August 2014,

the DAD platform presents the details of 312 donor-funded projects in Mauritania, with a total commitment of US\$4.358 billion. Various graphical analysis tools, Geographic Information System module, and reporting options are available to create detailed outputs on all these projects. DAD also has a public investment management module supporting the full cycle of investment planning. Such a module can be used to extend the capabilities and link this platform with other PFM systems.

10. **SIGPE - *Système Informatique de Gestion du Personnel de l'Etat***. SIGPE is the current human resource management system of the government managed by the MoCS to support various functions for all civil employees since 1992. It was originally developed by the Tunisian Public Administration and later on adapted to the needs in Mauritania. SIGPE is and LDSW based on Oracle DB and will be replaced by NOVA in January 2015.

11. **RATEB - *Réseau Automatisée du Traitement et Salaires des Employés Payés sur Bul***. RATEB has been developed by the Ministry of Finance as a civil service registry and payroll calculation system in 2010. RATEB is an LDSW based on open source platforms (Java on NetBeans IDE) and using MS SQL database. The system is currently used by 20 Ministry of Finance users to update records and manage payments (maximum of 150 concurrent users) of about 37,000 employees. The system is expected to be replaced by NOVA in January 2015.

12. **EL MAACH - Pension Management System**. EL MAACH is an LDSW (based on Oracle DB) used by the Ministry of Finance for the payment of pensions since 2011. The system includes the records of 22,000 pensioners (9,500 civil + 12,500 non-civil). EL MAACH is linked with RATEB and Beite El Male to exchange data on pensioners and payment details. The system is expected to be replaced by NOVA in January 2015.

13. **NOVA - HRMIS and Payroll/Pension System**. The Ministry of Finance and the MoCS will be using the new NOVA portal starting from January 2015 for the human resources management information system, payroll, and pension payments, replacing existing solutions with an integrated platform. NOVA is based on a commercial package (using Oracle DB) developed by NOVATIVE, Switzerland (<http://www.novative.com>). The specifications of the system were prepared in three years (2008–2011) and the selection process was initiated in 2011 (the team was informed that this was the fourth attempt to develop an integrated human resources management information system/payroll since 1993). Initial contracts for the development of the human resources management information system application software were signed in January/February 2012 (US\$598,000 + US\$232,000). The system development, testing, and acceptance activities were completed in early 2014. In the meantime, three additional contracts were signed for licenses, workstations, and servers (US\$572,000 in total). Based on the information available, the total cost of NOVA implementation was around US\$1.4 million) since 2012. The system is designed for 1,000 concurrent users and there is a three-year warranty period (until 2017). NOVA supports a large number of human resource management functions and most of these are not actively used yet. The team noted that the NOVA database is designed to capture the National ID numbers of employees. However, there is no link between this platform and the National ID system to verify these numbers or exchange data. A number of interfaces were expected to be developed to link NOVA with other PFM systems in 2014.

14. **TEHLIL.** The authorities have developed a new platform for managing land titles. The ministry's team of experts and local consultants have developed a web-based platform using open source solutions (Java, MySQL) in a relatively short time and with modest investments (PRECASP funding for land titling system was US\$158,000 in 2013). The system is hosted in a server room located in the DGDPE (Domaines) building. Approximately 23,000 titles have been scanned and included in the database since the introduction of the system in early 2014 (before this new system, only about 7,000 titles were registered from 2010 to 2014). It is expected that additional 26,000 titles can be registered through the new system once it is fully deployed to cover all regions. The TEHLIL system has six modules, including the registration of titles, receipts, and permit authorization. The DGDPE management is in contact with the Association of Banks, the Tax Directorate, and other government entities to establish linkages with relevant systems and expand the capabilities of the system. They are also interested in using shared platforms and integration of their platform with other PFM systems, to maximize the benefits.

15. **i-World Audit and Risk Management Software.** i-World is the Audit and Risk Management System selected by the IGE to automate their core practices. The system has been selected during recently completed GIZ-funded activities, and the IGE is in the process of establishing proper ICT infrastructure and learning more about the capabilities of i-World to be able to use the system. i-World is a commercial application software developed by S-Consult AG, Switzerland ([www.sconsult.ch](http://www.sconsult.ch)) and is currently using MS SQL. The system is expected to be operational in 2016 once the IG ICT infrastructure and staff training are completed.

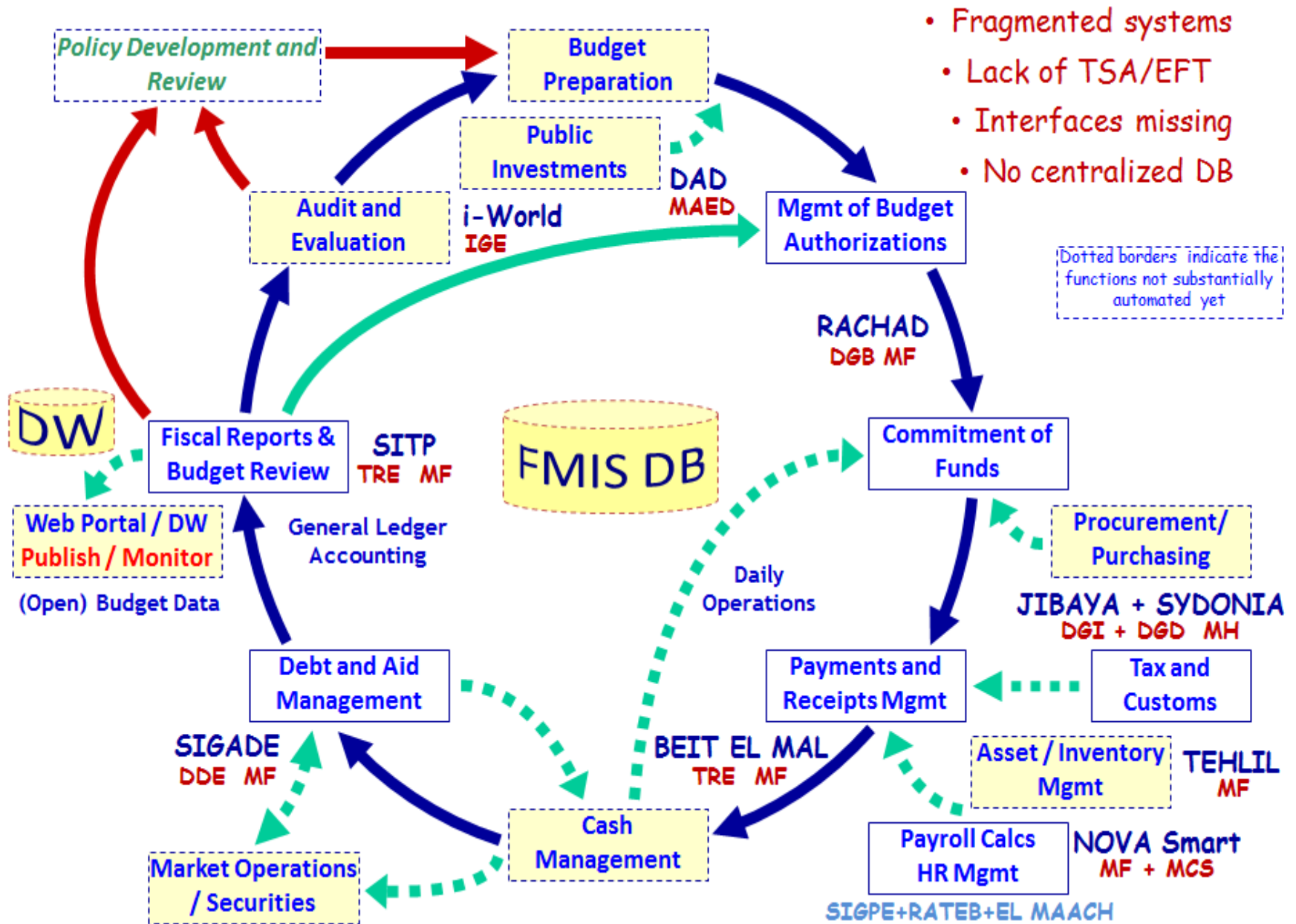
16. **MIS - Management Information System.** The Ministry of Finance's Budget IT Unit installed an open source management information system in 2013 to support online analytical processing of budget results. Jaspersoft platform is being used as a business intelligence solution to analyze the results of budget execution by extracting data from the RACHAD and Beite El Male databases.

17. **National ID - National Identification System.** The ANRPTS (*Agence Nationale du Registre des populations et des Titres Sécurisés*) is the key agency issuing National ID cards for citizens (<http://www.anrpts.mr>). The Ministry of the Interior and Decentralization issued a call for bids for the development of National ID in December 2009. The contract was awarded to Morpho/SAFRAN, France (<http://www.morpho.com>) in June 2010 and eventually signed in July 2011 to develop an integrated system. System implementation was completed in 2012 and digital National ID cards were issued to most of the 3.7 million citizens since then. The team noted that the biometric and smart card features are included but not effectively used since then. The National ID card has a huge potential for use in a number of e-Government services and the government can develop an Action Plan to expand its utilization in several key sectors (education, health, finance, social protection, and so on) within the scope of ongoing activities and the e-Government program.

18. **e-Government Program.** The Ministry of Employment and Vocational Training and New Technologies is coordinating the e-Government activities and assisting the government entities to improve their ICT infrastructure, staff skills, and basic services. (<http://www.modernisation.gov.mr/setn/>). There seems to be a chance to benefit from the opportunities provided through ongoing e-Government program activities while designing and implementing shared platforms for an integrated GFMS solution through the proposed project.

19. **El Khazin - Local Government Accounting System.** The Ministry of Finance has developed the El Khazin software for the local governments to provide support for the automation of accounting and reporting processes. The team was unable to meet with relevant officials to learn more about this platform during this visit. However, this platform can be analyzed in more detail during the development of integrated GFMIS model for possible integration of existing capabilities.

Figure 8.1. Current Status of FMIS Modules in Mauritania (August 2014)



- Fragmented systems
- Lack of TSA/EFT
- Interfaces missing
- No centralized DB

## Annex 9: Political Economy of PFM Reforms in Mauritania

1. There has been significant progress in PFM reforms over the past few years, but challenges have also been encountered in some areas. The lack of significant progress on a number of PFM reforms was due to a mix of low capacity, a lack of political will to overcome opposition to reforms, and the ability of public sector personnel to oppose or avoid changes in behavior and practices that do not benefit them.
2. The reforms supported by this project will produce winners and losers, and therefore, it can be expected that parts of the public sector apparatus will be engaging only reluctantly and in some cases resisting reforms altogether. It is difficult to predict where reforms have the critical mass of support to overcome pockets of resistance and eventually succeed.
3. For these reasons, the following activities/reforms supported by the project are likely to require a very deliberate effort to identify political economy dynamics and create coalitions for change.
4. **Tax reform.** This area may be the reform area of least resistance, given the urgent need to increase tax revenues at a time of lower commodities prices and reduced fiscal space. It is also the area which has shown the most significant progress in recent years. The authorities have increased tax revenues significantly in recent years, partly as a result of high commodity prices, but also due to a broadening of the tax base, including through increased personal income taxes. The project aims to build on this success and increase the taxation of properties and property registration and to help the authorities look carefully at mining taxation issues to ensure the proper balance between attracting investors while ensuring a fair and predictable source of income to the Mauritanian state.
5. **Integration of GFMS.** Ensuring systems compatibility and linkages means providing real-time instant access to fiscal data (tax, customs income, expenditures) to other institutions, which also means that these can verify and match reported data, thereby reducing the opportunities for unauthorized expenditures, fraud, and manipulation. Past efforts in this area have been successful in some cases (publication of TOFE, BOOST), but lessons learned show that patience is needed to build trust. Previous support under the PRECASP did not manage to ensure the integration of tax and customs systems, for example, as well as treasury and customs. An in-depth assessment of both (a) functional weaknesses of the current PFM system and (b) electronic solutions/platforms to accompany these functional weaknesses will be the starting point for activities to be supported by the project. The assessment will be led by an interministerial committee composed of IT personnel from all the affected institutions, which may help ease fears and ensure buy-in. Intensive dialogue will be needed to identify concrete problems that the integration can help overcome, build coalitions for change, and support the reform effort.
6. **SOEs and public agencies.** SOEs and public agencies enjoy near complete independence from the state, and accountability through regular monitoring is largely absent. In addition, a large number of public sector staff enjoy various forms of benefits from sitting on boards and interacting with SOEs. Reforms to change these practices and put in place accountability mechanisms will be difficult. The large and increasing contingent liabilities and transfers to these SOEs/agencies, combined with shrinking fiscal space may prompt authorities to rein in the worst abuses and put in place a measure of control. The decision of the authorities to launch their own mapping of staff

in EPAs and a program to carry out functional reviews is a good sign in this regard. However, despite the setting up of a Directorate for SOEs and agencies reporting directly to the minister of Finance, little progress has been made on the collection of data from SOEs, which continue to resist demands for improved reporting on their finances and operations. In this area, it will be important to cultivate high-level political support from the Ministry of Finance and use transparency as a means to create some demand-side pressures on the part of citizens and the media.

7. **Auditing and accounting standards.** Current practices and lack of compliance with standards are allowing unqualified personnel to operate as accountants and to carry out financial audits in the public and private sectors. A large number of civil servants are benefitting from this, and many are moonlighting as auditors, generally rubberstamping financial statements presented to them without much quality control. Many of them are well connected and powerful civil servants and are likely to actively oppose the application of new standards. The current system also benefits many of the audited institutions that enjoy considerable leeway in the financial information they choose to report to the tax authorities and to banks. Supporters of reforms are likely to be larger firms that depend on reliable audits for international partners as well as tax authorities and the banks who would both clearly benefit from more reliable financial information.

8. **Procurement reform.** Past reforms have put in place a large, inefficient, and expensive institutional structure, over-staffed with personnel without the necessary qualifications. Procurement commissions jealously guard their territory and refuse to collaborate with the procuring entities. This has caused significant procurement delays without a corresponding level of increased control or transparency. Additional reforms will need to streamline the current institutional setup and ensure collaboration amongst institutions. A key challenge is to encourage a focus away from the ‘form’ toward the functions/objectives of procurement reforms, which is to ensure value for money, transparency, and control in public procurement while ensuring efficiency and speed in the procurement process.

9. **Land registration and cadastre.** Poor land governance in Mauritania is a potential source of social instability. There is no unified and secure national cadastre and the current system is complex and dysfunctional, making it very difficult for average Mauritians to obtain formal land titles. Only 2–3 percent of properties have official deeds while many more depend on traditional communal titles. Many people in the Mauritanian elite have strong incentives to maintain the current status quo of the complex and dysfunctional land registration system which allows well-connected individuals to obtain lucrative land titles in coastal and agricultural areas. Land and property disputes clog the justice system and authorities seem to understand the urgency of properly addressing this sensitive issue. A recent request from the authorities submitted to all major donors outlines clear policy objectives of providing more access to land to women and vulnerable groups. This may be a sign of real commitment to addressing this issue, although recent changes to the head of the land registry department could also be a reason for concern. Again, substantial dialogue, including the voice of groups who would stand to benefit from the new approach to land titling, could go a long way toward overcoming vested interests.

10. Many of the reforms supported by the project require improved collaboration among several institutions. Overall, a lack of willingness of institutions to collaborate is a reflection of the tendency of institutions in Mauritania to see their mandate as their ‘turf’ from where it can

extract favors, resources, and rents. Within this logic, collaboration and sharing of information is seen as ceding power. Efforts to overcome these practices have only been partially successful. As an example, the *Joint Comité de Suivi du Secteur Minier* set up in 2009 was never activated. The Ministry of Finance and the MPEM continue to see their roles very differently, with the MPEM willing to give tax concessions and advantages to attract investors, while the Ministry of Finance attempts to maximize the revenue from operators, sometimes in ways that are not appreciated by operators (such as delays in processing value-added tax refunds). The inability to link up electronic PFM systems (Tax-Customs, Tax-Treasury), despite support from the Bank and other development partners, is another sign of such reluctance to collaboration and sharing of information. There are, however, other examples of good collaboration, and the team will attempt to learn lessons from these cases of positive deviance to try and scale them up.

11. There are thus significant political economy risks to project success stemming from strong interest groups wishing to protect current advantages and maintain the existing equilibrium. The team will try to identify problems that the authorities are interested in solving to build evolving coalitions for change around these issues. It will put a lot of emphasis on stakeholder engagement and discussions as a way to forge consensus and commitment to reforms. It will try to learn and adapt from reform successes and failures during reform implementation and use the flexibility in the project design to respond to emerging challenges.



## Annex 10: Overview of Related Donor Support

Project Thematic Areas	Donors and Activities
<b>Increased transparency and control over public expenditures</b>	
SOEs and AGAs	<ul style="list-style-type: none"> <li>• EU: Budget support conditions on improved reporting on SOEs, development of Performance Contract with MAURIPOST, audits of SNDE, SOMAGAZ, SONIMEX</li> </ul>
Auditing and Accounting, Internal and External Controls	<ul style="list-style-type: none"> <li>• EU and GIZ: Support to Auditor General, Internal Auditor</li> </ul>
GFMIS	<ul style="list-style-type: none"> <li>• UNCTAD: Training on SYDONIA World (customs)</li> <li>• EU support to SYDONIA World web connection</li> <li>• GIZ: Technical support and training on i-World (internal audit system), audit of Beite El Male (Treasury system)</li> </ul>
Procurement Reform	<ul style="list-style-type: none"> <li>• GIZ: E-procurement system design</li> </ul>
<b>Broadening the tax base and modernizing the tax administration including mining taxation</b>	
Tax Administration and Compliance	<ul style="list-style-type: none"> <li>• IMF: Support to revision of legal framework.</li> <li>• GIZ: Training and capacity building, including participation in ATAF</li> </ul>
Cadastre	<ul style="list-style-type: none"> <li>• EU: Planned support to development of national cadastre</li> </ul>
Fiscal management in the mining sector	<ul style="list-style-type: none"> <li>• GIZ: Report on tax credits, support to EITI Secretariat, and regular audits of extractives resources</li> </ul>
Mining Registry and Geoscience Analysis	<ul style="list-style-type: none"> <li>• GIZ project of support to extractives sector</li> </ul>

## Annex 11: Detailed Project Cost Table

Components and Activities	Budget US\$, thousands
<b>1. Improving Transparency and Control in Public Resource Management</b>	<b>5,200</b>
<b>1.1 Enhanced Transparency and Reporting</b>	<b>2,100</b>
Functional audit of GFMIS and integration plan	200
Security and coordination of GFMIS	300
Technical support for the integration/interconnection of two GFMIS	200
DAD modules for PIM and M&E, training and technical assistance for DGPPI and PIM diagnostic	600
Training of IT engineers and GFMIS users	350
Website, MF portal, and exchange servers	150
Support to transparency and anticorruption	300
<b>1.2 Monitoring of SOEs and Autonomous Public Agencies</b>	<b>1,180</b>
National SOE policy	100
Annual SOE reports	150
Review and functional audits of select EPAs	300
Technical assistance and capacity building for DTF and SOE board members	200
Prepare Performance Agreements with five SOEs	480
<b>1.3 Auditing and Accounting Standards and Internal and External Oversight</b>	<b>1,250</b>
Update Mauritanian Accounting and Auditing System for SMEs and support ONEC to adopt ISA and IFAC code of ethics and move toward IFRS compliance and dissemination of standards	200
Establish Audit Quality Review Schemes	100
Registry of company accounts	400
Diagnostic on internal audit units in Ministries of Health and Education	50
Equipment and logistical support for internal audit units in Ministries of Health and Education	200
Technical support and capacity building for internal audit units in Ministries of Health and Education	200
Technical assistance for Supreme Audit Institution to audit SOEs	100
<b>1.4 Procurement Reform</b>	<b>670</b>
Technical assistance for and capacity-building support for national procurement professionalization and certification program	300
Legal advice for harmonization of all procurement legal documentation	30
Technical advice to better align procurement planning and monitoring with budget cycle	30
Technical assistance for adjusting institutional set up for public procurement system	30
Piloting framework contracts for seven high-volume products	40
Training for public procurement stakeholders	210
Design of mechanism for anonymous whistleblower mechanism for procurement fraud	30
<b>2. Strengthen Property and Mining Taxation</b>	<b>4,700</b>
<b>2.1 Strengthening Tax Administration and Compliance</b>	<b>900</b>
Training: BEPS/Transfer Pricing Risk Assessment/Mining Sector Fiscal Terms and Practices	200
Update taxpayer census for Nouakchott and expansion to two other cities	300
Communication material to implement new tax code	200
SIGTAX user training	100

<b>Components and Activities</b>	<b>Budget US\$, thousands</b>
Review property taxation system	100
<b>2.2 National Cadastre</b>	<b>1,250</b>
Review of legal and institutional framework	200
Operational Plan on Land Registration + Pilot	550
Equipment (GNSS and software)	300
Capacity building of personnel on registration, surveying, titling, including study tours	200
<b>2.3 Fiscal management in the mining sector</b>	<b>1,250</b>
Tax admin manual and procedures including hardware + software and public outreach and awareness campaigns	400
Tax audits, controls, and verification of tax returns	250
Modeling of mineral fiscal regime including hardware + software	300
Training and legal support—fiscal terms of mineral regulation and revision of standard contracts	300
<b>2.4 Mining Registry and Geos-cience Analysis</b>	<b>1,300</b>
System redesign, installation of software, and procurement of hardware	425
Publication and dissemination of data from existing geoscience database and promotion of mining sector	675
Training on geological data analysis and modeling	200
<b>3. Project Management</b>	<b>1,700</b>
<b>TOTAL (of Components 1, 2, and 3)</b>	<b>11,600</b>