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PROJECT APPRAISAL DOCUMENT

ON A

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IN THE AMOUNT OF SDR 9.1 MILLION  
(US\$13.0 MILLION EQUIVALENT)

TO THE

ISLAMIC REPUBLIC OF MAURITANIA

FOR A

PUBLIC SECTOR CAPACITY BUILDING PROJECT

May 31, 2006

Water and Urban II  
Country Department 15  
Africa Region

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## CURRENCY EQUIVALENTS

(Exchange Rate Effective March 31, 2006)

Currency Unit = Mauritanian Ouguiyas (MRO)  
MRO 263.495 = US\$1  
US\$ 1.43783 = SDR 1

## FISCAL YEAR

January 1 – December 31

## ABBREVIATIONS AND ACRONYMS

ACBF	African Capacity Building Facility
AfDB	African Development Bank
AFD	French Development Agency ( <i>Agence Française de Développement</i> )
AFPM	Administration and Financial Procedures Manual
AFRITAC	Africa Technical Assistance Center
AAP	Africa Action Plan
BCM	Central Bank of Mauritania ( <i>Banque Centrale de la Mauritanie</i> )
CAS	Country Assistance Strategy
CAE	Country Assistance Evaluation
CFAA	Country Financial Accountability Assessment
CMJD	Military Council for Justice and Democracy ( <i>Conseil Militaire pour la Justice et la Démocratie</i> )
CQS	Selection Based on Consultants' Qualifications
DAF	Directorate of Financial Affairs ( <i>Direction des Affaires Financières</i> )
DAT	Directorate of Territorial Administration ( <i>Direction de l'Administration Territoriale</i> )
DEP	Directorate of Studies and Planning ( <i>Direction des Etudes et de la Programmation</i> )
DGCL	General Directorate of Local Governments ( <i>Direction Générale des Collectivités Locales</i> )
DGI	General Directorate of Taxes ( <i>Direction Générale des Impôts</i> )
EITI	Extractive Industry Transparency Initiative
ENA	National Administration School ( <i>Ecole Nationale d'Administration</i> )
EPCV	Permanent survey on household living conditions ( <i>Enquête permanente sur les conditions de vie des ménages</i> )
FMR	Financial Management Report
FMS	Financial Management Specialist
FRD	Regional Development Fund ( <i>Fonds Régional de Développement</i> )
GDP	Gross Domestic Product
GTZ	German Aid Cooperation ( <i>Gesellschaft für Technische Zusammenarbeit</i> )
HRM	Human Resources Management
IC	Individual Consultant
ICB	International Competitive Bidding
IDA	International Development Association
IEC	Information, Education, and Communication
IEG	Independent Evaluation Group
IMF	International Monetary Fund
KfW	German Bank for Cooperation ( <i>Kreditanstalt für Wiederaufbau</i> )
LCS	Least-Cost Selection
MAED	Ministry of Economic Affairs and Development ( <i>Ministère des Affaires Économiques et du Développement</i> )
MDRE	Ministry of Rural Development and Environment ( <i>Ministère du Développement Rural et de l'Environnement</i> )

MF	Ministry of Finance ( <i>Ministère des Finances</i> )
MoCSE	Ministry of Civil Service and Employment ( <i>Ministère de la Fonction Publique et de l'Emploi</i> )
MIPT	Ministry of Interior, Postal Services, and Telecommunications ( <i>Ministère de l'Intérieur, des Postes et des Télécommunications</i> )
MoPSE	Ministry of Primary and Secondary Education
MTEF	Medium-Term Expenditure Framework
NCB	National Competitive Bidding
NEAP	National Environment Action Plan
NGO	Non-Governmental Organization
OED	Operations Evaluation Department
PACA	Assaba Municipalities Support Program ( <i>Programme d'Appui aux Communes de l'Assaba</i> )
PADDEM	Mauritania Deconcentration and Decentralization Support Project ( <i>Projet d'Appui à la Déconcentration et à la Décentralisation en Mauritanie</i> )
PAFIEM	Financial and Economic Administration Support Program for Mauritania ( <i>Programme d'Appui aux Administrations Financières et Economiques de Mauritanie</i> )
PDU	Urban Development Program ( <i>Programme de Développement Urbain</i> )
PDIAM	Integrated Development of Irrigated Agriculture in Mauritania ( <i>Programme de Développement Intégré de l'Agriculture Irriguée en Mauritanie</i> )
PEM	Public Expenditure Management
PFM	Public Finance Management
PGPRNG	Guidimakha Natural Resource Participative Management Project ( <i>Projet de Gestion Participative des Ressources Naturelles du Guidimakha</i> )
PHRD	Policy and Human Resource Development
PNBG	National Program of Good Governance ( <i>Programme National de Bonne Gouvernance</i> )
PPF	Project Preparation Facility
PREMIER	Program for Equipment, Modernization, Computerization, and Strengthening of the Ministry of Finance ( <i>Programme d'équipement, de modernisation, d'informatisation et de renforcement du Ministère des Finances</i> )
PRGF	Poverty Reduction and Growth Facility
PRSC	Poverty Reduction Support Credit
PRSP	Poverty Reduction Strategy Paper
PSI	Policy Support Instrument
QCBS	Quality- and Cost- Based Selection
RACHAD	Automated network for expenditure processing ( <i>Réseau automatisé de la chaîne de dépenses</i> )
ROSC	Report on the Observance of Standards and Codes
SCAC	French Cooperation Services ( <i>Service de Coopération et d'Action Culturelle</i> )
SG	Permanent Secretary ( <i>Secrétaire Général</i> )
SGG	Government Permanent Secretariat ( <i>Secrétariat Général du Gouvernement</i> )
SGFP	General Civil Service Statute ( <i>Statut général de la fonction publique</i> )
SETN	Secretary of State for New Technologies ( <i>Secrétaire d'Etat pour les Technologies Nouvelles</i> )
SOE	Statement of Expenditure
SSS	Sole-Source Selection
UNDP	United Nations Development Program

Vice President:	Gobind T. Nankani
Acting Country Director:	Nils O. Tcheyan
Sector Manager:	Eustache Ouayoro
Task Team Leader:	Christian Diou



# ISLAMIC REPUBLIC OF MAURITANIA

## Public Sector Capacity Building Project

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**ISLAMIC REPUBLIC OF MAURITANIA**  
**PUBLIC SECTOR CAPACITY BUILDING PROJECT**  
**PROJECT APPRAISAL DOCUMENT**

Date: May 31, 2006	Team Leader: Christian Diou
Country Director: Nils O. Tcheyan	Sector: General public administration sector (100%)
Sector Manager/Director: Eustache Ouayoro	Theme: Administrative and civil service reform (P)
Project ID: P082888	Environmental screening category: C
Lending Instrument: Specific Investment Lending	

<b>Project Financing Data</b>									
<input type="checkbox"/> Loan <input checked="" type="checkbox"/> Credit <input type="checkbox"/> Grant <input type="checkbox"/> Guarantee <input type="checkbox"/> Other:									
For Loans/Credits/Others:									
Total Bank financing (US\$m.): 13.00									
Proposed terms: Standard Credit									
<b>Financing Plan (US\$m)</b>									
Source	Local	Foreign	Total						
BORROWER/RECIPIENT	2.00	0.00	2.00						
INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA)	3.50	9.50	13.00						
Total:	5.50	9.50	15.00						
<b>Borrower:</b>									
Government of Mauritania Mauritania									
<b>Responsible Agency:</b>									
Ministry of Economic Affairs and Development B.P. 238 Nouakchott Mauritania									
<b>Contact:</b> Mr. Mohamed Ould Abba, Project Coordinator Tel: (222) 524 2904/07 Fax: (222) 524 4044									
<b>Estimated disbursements (Bank FY/US\$m)</b>									
FY	2007	2008	2009	2010					
Annual	1.50	4.00	4.50	3.00					
Cumulative	1.50	5.50	10.00	13.00					
Project implementation period: Start November 1, 2006 End: June 30, 2009									
Expected effectiveness date: November 1, 2006									
Expected closing date: December 31, 2009									

Does the project depart from the CAS in content or other significant respects? <i>Ref. PAD A.3</i>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the project require any exceptions from Bank policies? <i>Ref. PAD D.7</i>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Have these been approved by Bank management?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Is approval for any policy exception sought from the Board?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the project include any critical risks rated "substantial" or "high"? <i>Ref. PAD C.5</i>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Does the project meet the Regional criteria for readiness for implementation? <i>Ref. PAD D.7</i>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Project development objective <i>Ref. PAD B.2, Technical Annex 3</i> The development objective of the project is to contribute to the improvement of performance, efficiency, and transparency of public resources management in Mauritania.	
Project description [ <i>one-sentence summary of each component</i> ] <i>Ref. PAD B.3 Technical Annex 4</i> The Project will support implementation of selected elements of the Government's reform programs, focusing especially on: (i) improvement of public finance management aimed at increasing transparency and efficiency; (ii) support to local development by implementing reforms aimed at increasing decentralization and de-concentration; (iii) mainstreaming environment to facilitate integration of environmental concerns in development, through harmonization of various sector strategies and existing texts; and (iv) improvement of human resources management in the public sector while strengthening structures managing civil servants, as well as developing management and information tools, and training. Support will be provided to project implementation, monitoring and evaluation. Implementation of these components will rely on the Ministries in charge of Finance, Economic Affairs and Development, Interior, Environment, and Civil Service. Each of these five Ministries has already prepared a specific reform program which, together, provided the framework for the Project. These Ministries and their line departments concerned with the reforms were closely associated with project preparation and that reform program has the support of the donor community active in the country. Coordination of the project will be handled by the Prime Minister's Office.	
Which safeguard policies are triggered, if any? <i>Ref. PAD D.6, Technical Annex 10</i> The project will not finance activities triggering any safeguards.	
Significant, non-standard conditions, if any, for: <i>Ref. PAD C.6</i>	
<b>Loan/credit effectiveness:</b>	
(i) Installation, in the Project coordination unit under the Prime Minister's office, of customized financial management software for the project; adoption of an Administrative and Financial Procedures Manual and training of the personnel in its use;	
(ii) Recruitment of a Procurement Specialist to the Project coordinating unit under the Prime Minister's office;	
(iii) Appointment of the external auditor for the Project;	
(iv) Adoption of the Project's 2006-2007 work program and budget;	
(v) The Implementation Manual of the Project has been adopted, in a form acceptable to IDA;	
(vi) The Borrower has opened a Project account and deposited the initial amount of US\$100,000 equivalent;	
(vii) The civil service specific statutes and new salary scales have been approved; and	
(viii) RACHAD (an automated network for expenditure processing) is implemented and in use at the MF and the MoPSE.	



**Covenants applicable to project implementation:**

Financial covenants are the standard ones as stated in Article IV of IDA's Development Financing Agreement, including:

- (i) The Project coordinating unit under the Prime Minister's office needs to be compliant with all the rules and procedures required for withdrawals from the Credit Account;
- (ii) The Project coordinating unit under the Prime Minister's office will maintain or cause to be maintained records and accounts to reflect in accordance with sound accounting practices, the operations, resources and expenditures;
- (iii) The records, accounts, special accounts, Statement of Expenditures shall be audited by independent auditors acceptable to IDA on a yearly basis and no later than six months after the end of the fiscal year;
- (iv) The Project coordinating unit under the Prime Minister's office will produce quarterly Financial Management Reports.

An additional clause will be added, stating that the Government shall approve the NEAP by the end of the first year of implementation, and by the end of the second year of implementation create a Ministry of Environment or other dedicated structure as described in the NEAP, satisfactory to IDA.



## **A. STRATEGIC CONTEXT AND RATIONALE**

### **1. Country and sector issues**

#### *Transition Government*

1. In the aftermath of August 3, 2005 coup, a Military Council for Justice and Democracy (*Conseil Militaire pour la Justice et la Démocratie* - CMJD) was established, chaired by Colonel Ely Ould Mohammed Vall. Parliament was dissolved and a civilian transition Government was instated. The CMJD announced that the Government would retire within 19 months, after the ratification of a new constitution and parliamentary and presidential elections.

2. Since the military coup, the new authorities have made promising steps towards the three objectives that they have set for the transition government - democratization, judicial reforms, and economic governance. Relations with the main development partners are normalizing.

3. In compliance with O.P. 7.30 (de facto Governments), the World Bank has not suspended disbursements and is preparing to fully engage with the country, given the favorable position of the international community and progress made on governance issues. The proposed operation, the Public Sector Capacity Building Project, prepared in collaboration with the other technical and financial partners, focuses on the management of public finance, local development, incorporation of environmental concerns in development management, and improvement of the Human Resources Management (HRM) in public administrations. The project constitutes a key element of the assistance program developed in partnership with the donor community to help the Government fulfill its obligations during the current transition period.

#### *Economic Context*

4. The economic growth in Mauritania has been relatively satisfactory in recent years, at an average of 4.8 percent annually from 2001 to 2004. The GDP growth was 5.5 percent in 2005 (forecast for 2006 is 18.3 percent, including oil production<sup>1</sup>), while inflation increased from 4.8 percent in 2001 to 12.3 percent in 2005, it is anticipated that a 6 percent increase will take place in 2006.

5. Mauritania's export base is heavily concentrated on fishing and iron ore and diversification of the economy remains a real challenge. Mauritania is becoming an oil producing country and it is estimated that oil exports and resulting government revenues will almost triple the per capita income of the country over the medium-term.

#### *Budget issues*

6. There are indications of significant extra-budgetary spending prior to 2004, financed predominantly by the Central Bank of Mauritania (*Banque Centrale de la Mauritanie* - BCM) credits. Some remedial measures have been initiated since mid-2004 to reverse the unraveling of macroeconomic stability by curbing extra-budgetary expenditure and withdrawing BCM financing. As a result, IDA stopped the preparation of the first Poverty Reduction Support Credit (PRSC), planned for FY05.

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<sup>1</sup> Estimated GDP growth will be 6.3 percent without oil production.

## *Main challenges*

7. The August 2005 military coup appears to have been backed by popular support and was immediately followed by the preparation of a national program of reforms that anticipates parliamentary elections in November 2006 and presidential elections in March 2007. This transitional arrangement has been judged satisfactory by the technical and financial partners, who have maintained relations and emphasized the necessity of paying particular attention to questions of governance and financial management.

8. The main short term challenges for Mauritania are the following:

- a) *Management of oil revenues.* In September 2005, the Government signed on to the Extractive Industry Transparency Initiative (EITI). The EITI supports improved governance in resource-rich countries through the full publication and verification of company payments and government revenues from oil, gas and mining. Beginning with the first quarter of 2006, Mauritania will start receiving substantial oil revenues. These revenues are expected to raise the GDP per inhabitant from the present US\$685 to US\$1,500 by 2010. The imminent arrival of oil revenues makes the rigorousness and transparency of the management of public finance even more imperative. Considering the current difficulties faced by Mauritania to absorb external aid and if significant actions are not taken by the Government to increase administrative capacities, it is highly likely that Mauritania will experience severe dysfunctions in the management of its future oil revenues.
- b) *Management of public finance* has long been characterized by weakness in public accounting systems, revenue collection, budget planning and execution. Several texts are outdated and are an obstacle to the improvement of more de-concentrated public services. Multiple control systems (a priori as well as a posteriori) are burdensome and Information Technology (IT) systems (for expenditure and the Treasury) are insufficient and the entire planning process remains weak. Budget preparation and execution also have inherent weaknesses. The timetable for preparation of Medium-Term Expenditure Frameworks<sup>2</sup> (MTEF) does not facilitate their rational incorporation into the budget preparation process, and links to sector strategies, development of sector budgets, and intra-sector distribution are loose. De-concentration of payment was implemented in six pilot Ministries in 2005. Nonetheless, this reform did not achieve its objectives during the first years of execution due to the lack of an appropriate computerized expenditure tracking system. A software was developed but is not yet functional and is missing the payment element. Furthermore, some weaknesses persist in maintaining accounts (production, transfer of data) and the organization of Treasury. The regional de-concentration of the budget is very limited, do not include external financing while the regional directorates cannot issue orders of payment of their own delegated credits.
- c) *Local development.* The decentralization policy was initiated in 1986 when the State ratified the principle of autonomous administration by the municipalities. Selected ministries have shifted some limited functions to their units in the regions. These moves represent the starting point of the de-concentration process that will take place in the country. Adequate de-concentration is perceived by the Government as an important feature of a strong decentralization program. Despite notable efforts, particularly the increase of resources via the Regional Development Fund (*Fonds Régional de Développement* - FRD) and the use of contractual agreements in the management of municipalities which is supported by the Urban Development Program (*Programme de Développement Urbain* – PDU; IDA Cr. 3574-MAU), the impact of the reforms has remained limited and local development dynamics have not taken off. This process is also being hampered by the insufficient resources of the General Directorate of Local Governments

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<sup>2</sup> Eight sectoral MTEFs and an overall MTEF have been completed over the last years.

(*Direction Générale des Collectivités Locales* - DGCL) in the Ministry of Interior, Postal Services and Telecommunications (MIPT) responsible for managing decentralization in the country. In addition, the absence of a concrete de-concentration policy, and the weaknesses of the Directorate of Territorial Administration (*Direction de l'Administration Territoriale* - DAT) and its de-centralized offices (*walis, hakems*) constitute a major shortcoming, particularly for local economic development.

- d) *Environment*. The economic development of Mauritania closely depends on the exploitation of natural resources. At present, the country faces a number of environmental challenges: (i) growing need for sustainable management of natural and marine resources; (ii) emergence of acute environmental problems in urban areas undergoing rapid expansion, especially Nouakchott; and (iii) risks of pollution from off-shore oil production. To remedy the absence of a national environmental policy, a National Environment Action Plan (NEAP) was prepared in 2004, although it was never formally endorsed by the Government. The weight of natural resources (oil, mining, fisheries, livestock and agriculture) in the economy and the fight against poverty make the modernization of environmental management indispensable for sustainable economic development in Mauritania.
- e) *Reform of Government Human Resources Management (HRM)*. Presently, the management of the administration's human resources is based on an outdated, centralized, and poorly adapted model. Civil service is also characterized by lack of transparency and lax controls for recruitment and missions, low level of remuneration levels with no linkage with the cost of living, poor job description, unclear status, and lack of training. Multiple financing sources with different procedures (national budget, projects, and local authorities) create additional complexity. The management of remuneration and human resources is at the same time concentrated (Directorate of Civil Service and Administrative Reform (DGFPPRA), Directorate of Budget and Accounting (DBC-Pay Unit) and disorganized (each decision regarding career management needs the approval of five different entities, including the President's Office). Computerized management systems at DGFPPRA and DBC-Pay Unit are outdated and hardly operational. The number of Government employees is about 32,000, including police forces, contract employees, and non-permanent individuals. The distribution is concentrated, with 18,000 employees working at the Ministry of Primary and Secondary Education (MoPSE) and 4,500 at the Ministry of Health and a focus on these two ministries is needed for any reform of the HRM. However, the share of the salaries in the budget has remained limited (11 percent in 2005; 11.5 percent planned in 2006 Budget Law, excluding foreign aid) and a reform of the HRM is not likely to require a reduction of the workforce.

## **2. Rationale for Bank involvement**

9. Mauritania depends considerably on external assistance for the implementation of the Poverty Reduction Strategy Paper (PRSP). IDA is one of the key donors in the country, both in terms of financing and for its leadership in the ongoing dialogue with the Government. Strong cooperation with technical and financial partners has been developed, in line with the Paris declaration. IDA's financial assistance has declined over recent years in line with provisions for IDA allocations: no credit in FY03, US\$84 million in credits in FY04, and US\$54 million in credits in FY05. Given the perspectives of declining lending, particularly due to the recent deterioration of the macro-economic performance and the likely increase of financial resources to be derived from the oil sector, it has become increasingly critical for IDA to reposition around key questions of governance and management and traceability of public expenditures.

10. The Bank is approaching the management of oil revenues in a coordinated way with the International Monetary Fund (IMF), making use of best available expertise and lessons gained in other countries. A series of complementary activities is aimed at addressing the framework of oil revenue management, including collection and maximization of the revenues, issues of transparency, and overall revenue management policy. These activities include: (i) preparation of a Supplemental Credit to the second Mining Sector Capacity Building Project (PRISM 2) planned for appraisal and negotiations in FY06 and specifically targeting the petroleum sector; (ii) support to the implementation of the EITI (through a Bank Trust Fund) that will provide for conciliating the companies' payments and the government receipts followed by disclosure of the conciliated revenue figures, in a process with active civil society participation; (iii) assistance from the Treasury Department of the Bank to the Central Bank of Mauritania (CBM) on management of foreign reserves; and (iv) guidance for improving the content of the decree creating an Oil Fund located at the CBM. The ongoing IMF staff monitoring program (January-June 2006), although not entirely focused on oil revenue management, is also helping the Government create the Oil Fund. A Management Agreement was prepared between the Ministry of Finance and the Central Bank, detailing the management of this Oil Fund. It was agreed, in particular, that the oil revenues will go through the normal budget operations (*Lois de Finance*), making the actual use of a transparent financial management tool – RACHAD (an automated network for expenditure processing) – necessary.

11. The proposed Project especially supports the overall objectives of the Africa Action Plan (AAP) in terms of strengthening development capacities and orienting development programs towards better public services, in addition to increasing the level of responsibility of national actors. Specifically, this includes: reforming the civil service, strengthening management and monitoring of public expenditure, direct support to targeted ministries to ensure their efficient and effective management of their responsibilities, support to local development, development of capacities, support to good governance, and fighting corruption.

12. The proposed Project is in line with the macro-economic analysis carried out with the IMF, the specific recommendations of the Country Financial Accountability Assessment (CFAA), and the Report on the Observance on Standards and Codes (ROSC). The future update of the public finance management (PFM) system will also reinforce the synergy between the overall objective of better management of public resources and the Project's own development objectives.

### *Strategic choices*

13. As agreed with the transition Government since August 2005, the Project provides the operational tools and financing for short term actions selected from the general program of reforms proposed, *inter alia*, in the roadmap ("*feuille de route*") published in November 2005 for which IDA has a comparative advantage. Although the Project proposed reform program seems ambitious, it is centered on the principal elements that have been discussed with the Government and the donor community active in the country. The short-term actions supported by the Project were selected on the basis of their immediate feasibility and immediate impact on the whole Government reform agenda. IDA's role as a catalyst will thus assist in achieving rapid results in related key areas such as: management of public resources, local development, environment, and human resources management (HRM). This approach is equally in line with the lessons learned from other IDA financed operations (UDP, PDIAIM) as well as from operations financed by other donors.

### **3. Higher level objectives to which the project contributes**

14. The proposed project directly supports the objectives of the Country Assistance Strategy (CAS) 2003-2005 discussed at the Board on May 6, 2002. The Project specifically supports two of the four pillars of the CAS, namely: (i) institutional development and governance, in particular, strengthening public sector

capacities and improving public expenditure management, supporting decentralization, and cross-sector capacity building; and (ii) developing human resources and ensuring universal access to basic infrastructure and services for the poor. A results-oriented CAS for 2006-2009 is being prepared, and it will continue to stress the importance of governance and capacity in the Government's implementation of its program. The recommendations issued during the first preparation meetings for the results-oriented CAS were taken into account during Project preparation.

*Government's Reform Program*

15. The proposed project also directly supports the development priorities of the Poverty Reduction Strategy Paper, particularly the promotion of good governance, increased access to public services, and improvement of tools to monitor impact of public finance expenditures. The project complements poverty reduction operations and their objective of improving the performance of the administration. It also directly supports the recommendations from the Interministerial Committee for Good Governance created in 2005 by the CMJD, in particular: (i) better allocation of resources to the social sectors at the central and local levels; and (ii) more balanced economic and social development, advancing the preservation of resources and the environment.

**B. PROJECT DESCRIPTION**

**1. Lending instrument**

16. The proposed lending instrument for the project is a Sector Investment Loan (SIL). The use of a SIL is considered appropriate for this specific project on the basis of the importance of the reforms the Government is engaged in and the improved economic development expected for Mauritania as an oil producer. Swift improvement of the public sector and its capacity to handle its own management constraints is seen as a requirement for adequate use of IDA resources expected in the near future and the use of the anticipated oil revenues.

**2. Project development objective and key indicators**

17. The development objective of the project is to contribute to the improvement of performance, efficiency, and transparency of public resources management in Mauritania.

18. The outcome indicators proposed for the project are described in the following table:

<b>Development Objectives</b>	<b>Outcome Indicators</b>	<b>Use of information</b>
Improve the performance, efficacy, and transparency of public resources management in Mauritania	The budget preparation at all levels of national administration is improved.	To evaluate the agreement between needs and budget planning.
	Fiscal and accounting reports are produced in a timely manner according to international standards.	To evaluate the efficiency of the administration and incorporate transparency into development management.
	The issuance of orders of payment is delegated to sector Ministries through RACHAD in conformity with established norms and regulations.	To evaluate the determination of the Government to support the declared politics of local development.
	The institutional framework for environment and natural resources management is improved.	To evaluate the progress made on mainstreaming environment in development.

Development Objectives	Outcome Indicators	Use of information
	The HRM system is improved and de-concentrated in sector Ministries.	To evaluate the Government's support to the reform program.

### 3. Project components

19. The Project will support the implementation of selected elements of the Government's reform programs, especially focused on: (i) improvement of public finance management; (ii) support to local development; (iii) mainstreaming environment into development management; and (iv) improvement of human resources management in public administrations. Implementation of these components will rely on the five Ministries involved in the selected supported actions (in charge of Finance, Economic Affairs and Development, Interior, Environment, and Civil Service). Each of these Ministries has already prepared a specific reform program which, together, provided the framework for the Project. These Ministries and their departments concerned with the reforms were closely associated with project preparation and especially with regard to the action plans financed by IDA and other donors. Coordination of the Project will be handled by the Prime Minister's Office.

20. As part of the Project, two pilot regional operations (Nouadhibou and Rosso) have been selected for financing by IDA to help implement, at the regional level, the selected local development reform programs. Taking into account the decentralization process is key for the success of the reform programs. These pilot operations will be closely monitored and assessed by the Government with help from the Project to serve as a model for further implementation in the other regions. These cities have been selected on the basis of their role in the Mauritanian territorial organization, as entry points to the country, engines of growth, and potential poles of local economic development.

21. Implementation of the training programs will be based on a maximum use of the three main training centers in the country, namely the National Administration School (ENA - *Ecole Nationale d'Administration*), the Nouakchott University, and the Global Distance Learning Center created in 2005 with IDA support (Cr. 3578-MAU, effective on November 13, 2002). It will also use the programs already implemented by the Secretary of State for New Technologies (SETN) for computer use. The Project will also support the Prime Minister's Office in its role as inter-governmental coordination and, more specifically, its ability to implement the Project. This assistance includes strengthening of a small project coordination unit working with the Prime Minister's Office and providing support to the Steering Committee in charge of providing strategic guidance, monitoring, and evaluation of project implementation.

22. In order to enhance impact, ease implementation and facilitate monitoring, the Project components will be implemented by the departments and directorates currently in charge of managing the specific sectors. Proposed actions to be financed were identified through an in-depth analysis of strengths and weaknesses of each of the institutions involved. They aim at achieving a better definition and clarification of their respective missions and increasing their own capacity to respond to the needs and to discharge their responsibilities. The proposed actions fit within the global framework of decentralization to local authorities and de-concentration of all public sector management systems<sup>3</sup>.

23. The components of the proposed project are based on the demands assessed during preparation. Technical assistance will be provided on the basis of specific requests formulated by and agreed with the five selected Ministries and will be aligned with the pace of implementation of the activities themselves.

<sup>3</sup> De-concentration means delegation of power from the central administration to external services. Decentralization means transfer of competence from the State to local governments.



Reallocation between components or subcomponents will be possible and based on performance. Technical and financial partners have already been identified and have expressed interest in financing activities directly linked to the ones financed by IDA. Other activities may be identified later and will be considered, provided that they are aligned with the reform programs presented by the Government.

24. The Project includes the following components (IDA financing):

*Component A: Improvement of public finance management (IDA: US\$5,135,000).* This component is aimed at increasing transparency and efficiency of PFM by the creation of management tools and HRM capacity. It includes: (i) strengthening of resource mobilization (US\$1,650,000); (ii) improvement of budget presentation and planning (US\$450,000); (iii) improvement of the budget execution and accounting (US\$1,710,000); (iv) strengthening the efficiency of expenditure (US\$575,000); and (v) strengthening of PFM at the de-concentrated level in two regional capitals – Nouadhibou and Rosso (US\$750,000).

*Component B: Support to local development (IDA: US\$1,565,000).* This component is to support the implementation of reforms aimed at increasing decentralization and de-concentration. It includes support to: (i) the Directorate of Territorial Administration (US\$550,000); (ii) the General Directorate of Local Governments (US\$175,000); (iii) information, education, and communication (IEC) activities (US\$40,000); and (iv) pilot operations in Dakhlet Nouadhibou and Trarza (Rosso) for local development management (US\$800,000).

*Component C: Mainstreaming environment into development management (IDA: US\$985,000).* This component is to facilitate the integration of environmental concerns in development, through harmonization of various sector strategies and existing texts, to clearly establish the central and transversal character of environmental concerns in the political domain. It includes: (i) support to a working group aimed at preparing and creating a Ministry of Environment or other dedicated structure as described in the NEAP (US\$175,000); (ii) a capacity building program (US\$290,000); and (iii) pilot projects (US\$520,000).

*Component D: Improvement of human resources management in public administrations (IDA: US\$2,285,000).* This component is aimed at strengthening structures in charge of management of the civil servants, maximizing utilization of the State's human resources, developing management and information tools, and training. It includes: (i) support to the development of human resources management in public administrations (US\$460,000); and (ii) modernization of administration tools (US\$1,825,000).

*Component E: Support to project implementation, monitoring and evaluation (US\$970,000).* This component is aimed at providing the Prime Minister's Office, the Project coordination unit and the Steering Committee with the resources needed to adequately support the implementation of the Project by the five Ministries, as well as handle monitoring and evaluation activities and communication on progress made against the reform agenda. It includes: (i) operating costs for the Project coordinating unit under the Prime Minister's office (US\$500,000); (ii) financing of technical and financial audits, training for unit staff and IEC for the reform programs supported by the Project (US\$325,000); and (iii) monitoring and evaluation (US\$145,000).

#### **4. Lessons learned and reflected in the project design**

25. With the intent of taking stock of the lessons learned from similar projects in or around Africa, the preparation team organized a series of video conferences in January 2006 with the local counterpart team, Government representatives, and donors, and presented the main features of recent and selected capacity

building projects in Morocco, Burkina Faso, and Madagascar. Although not entirely or directly applicable, some important features of these projects served as good examples to fine-tune the proposed Project.

26. The Project is responsive to many recommendations of the Capacity Building Task Force Report (February 2006), focusing on the use and prioritization of capacity-enhancing business lines and instruments; the need to harmonize support for capacity development with other development partners; the necessity of reassessing the role training should play in capacity building support and how this support should be provided; and ensuring that all operations that support public sector capacity development be based on adequate assessments of needs and ways to monitor results. The Project will be implemented by the five selected Ministries, with a small unit backing the Office of the Prime Minister to help ensure overall coordination, monitoring, and evaluation of actions. All data needed for results monitoring are by-products of the Project's activities.

27. The Country Assistance Evaluation (CAE) Report on Mauritania, published August 10, 2005 (but produced before the August 5, 2005 coup), shows that Bank assistance to Mauritania for the period 1992-2003 was overall unsatisfactory. It highlights the fact that the full extent of deterioration in accounting was not known due to lack of fiscal transparency. The third objective of the Bank's strategy – institutional development based on good governance – produced some positive results but, overall, this is an area where outcomes have been unsatisfactory. The Bank contributed to efforts to improve fiscal transparency by helping to strengthen the management and monitoring of public resources, but the lack of reliable and comprehensive information on budget execution continued to undermine these efforts, which will be essential for ensuring that the anticipated oil revenues are managed efficiently and the benefits are shared equitably. Bank support for the decentralization of public administration, greater participation of civil society in the development process and strengthening judicial capacities has also had limited success, while administrative capacity in government has remained weak. The proposed Project aims at engaging in capacity building and fiscal transparency and will cope with two of the weak points identified in the CAE report by: (i) addressing public sector reform in liaison with decentralization and de-concentration to maximize the impact of the reform programs; and (ii) specifically strengthening capacity for public resource management for improving fiscal transparency.

28. The Operations Evaluation Department (OED) 2003 Annual Report (The Effectiveness of Bank Support to Policy Reform) shows that the Bank has been successful in the past in linking its support with good and/or improving policy environments. OED recommends that in countries with poor policy environments, the Bank should limit or postpone lending before there are clear signals that reform is under way. The August 2005 coup and the subsequent decisions from the CMJD seem to constitute sufficient indication that this Project is well-timed with the country needs. It also adequately emphasizes, as recommended by OED, analytical work, dialogue, and technical assistance in this transition period.

29. While emphasizing the need for reliable monitoring and evaluation activities, the Project was careful not to be too ambitious but to stay focused on the real needs. In particular, the Project will implement four main recommendations made by the Independent Evaluation Group (IEG) in the Evaluation Capacity Development (ECD) Review Paper dated January 2006 (Institutionalization of Monitoring and Evaluation Systems to Improve Public Sector Management) by selecting actions that are feasible and will provide support to countries engaged in the PRSP process: (i) develop financial management information systems to support better financial tracking; (ii) strengthen public expenditure tracking surveys to reduce corruption risks; (iii) develop national and sector statistics collections; and (iv) enhance knowledge of sector Ministries' administrative data.

30. The Economic Commission for Africa stated in a 2003 report (Public Sector Management Reforms in Africa: Lessons Learned, ECA, December 2003) that recent reform programs should ensure not only the

adequate management of machineries of government, but also effective public service delivery by building and strengthening institutional capacity and by introducing results-oriented and total quality management techniques. The new paradigm in the delivery of services in government calls for a business approach to running the affairs of state, and requires the application of marketing and production techniques to the field of public administration. To this effect, mechanisms such as decentralization and performance management need to be adopted with a view to improving the responsiveness of governments to public concerns, improving the quality of public goods and services, increasing the efficiency of service delivery, and promoting accountability and ethical values. The Project is responding to these lessons by considering decentralization and de-concentration in the selected reform program and adopting result-oriented streams of actions.

## **5. Alternatives considered and reasons for rejection**

31. The activities supported by the Project were once considered to be part of a PRSC. The dialogue started with the Government in the context of the preparation of the first PRSC in 2003 and Economic Sector Work (ESW) like Public Expenditure Reviews. The preparation of the PRSC however, was canceled in late 2004 due to the lack of thoroughness in budget management (extra-budgetary spending). The option of a Project was then selected as an appropriate tool to support critical reforms and ensure that an appropriate financial management framework would be implemented to allow for resuming the dialogue with the country on PRSCs.

## **C. IMPLEMENTATION**

### **1. Partnership arrangements**

32. The UNDP already supported the preparation of the NEAP, completed in 2004. It also supported the preparation of the National Program for Good Governance and assisted in the implementation of the action plan until 2005. UNDP also supports the implementation of the PRSP and the Assaba Municipalities Support Program (*Programme d'Appui aux Communes de l'Assaba – PACA*). During preparation, UNDP confirmed its support to the project through provision of additional technical assistance, specifically in the area of modernization of the public administration and implementation of the recommendations of the NEAP.

33. The IMF provides technical assistance to the Ministry of Finance (MF) and the Central Bank for the preparation and management of the budget, as well as in the area of prices, monetary statistics, and the balance of payments. The preparation of the Project benefited from the various analyses produced and consolidated by the IMF in relation to the Treasury and Budget. Mauritania also benefits from the support of the Africa Technical Assistance Center (AFRITAC) in relation to development of the RACHAD software for budget management.

34. The African Development Bank (AfDB) supports the Ministry of Economic Affairs and Development (MAED) and the development of its programming, implementation, and monitoring tools to ensure better coherence between macro-economic and sector forecasts. The AfDB additionally confirmed its willingness to follow-up with its current program and to provide support to Customs and the General Directorate of Taxes (DGI).

35. The French Cooperation Services (SCAC) brings support through the *Programme d'Appui aux Administrations Financières et Economiques en Mauritanie* (Financial and Economic Administration Support Program in Mauritania – PAFIEM) and the *Projet d'Appui à la Déconcentration et à la Décentralisation en Mauritanie* (Mauritania Deconcentration and Decentralization Support Project – PADDEM), which are already effective and fully aligned with the Project. Through these ongoing

operations, the SCAC provides expertise for training and institutional capacity building for selected public administrations at the central and local levels, particularly those under the MF, MAED, and MIPT. The SCAC has confirmed interest in supporting the component on improving public finance as well as providing additional technical assistance to the Project coordinating unit.

36. The French Development Agency (AFD) currently supports the urban sector in Nouadhibou. During project preparation, AFD confirmed its interest in supporting the environment component of the Project through financing of one of the pilot projects (Coastal Observatory as part of the pilot operations in the Environment component of the Project).

37. The German Cooperation (GTZ) is providing technical assistance through the Program for Good Governance, to the National Assembly and the General Auditor's Office (*Cour des Comptes*). This program also supports the decentralization process both at the center (DGCL) and at the commune level in two *wilayas*. GTZ also supports improvement of environment management through the Natural Resource Management Project (ProGRN). During preparation, GTZ has shown interest in participating in building capacity in institutions to reinforce the *a posteriori* control of public finance, decentralization and development, and supporting the environment component.

38. The German Bank for Cooperation (KfW) is currently co-financing, with IDA, the Urban Development Program (*Programme de Développement Urbain – PDU*, Cr.3574-MAU), which specifically includes support for decentralization and the regional capitals, the establishment of an institutional framework supported by performance-based contracts signed by the Government and municipalities, and a capacity building program for municipalities. KfW also supports a program of watershed management in the Guidimakha region (PGPRNG).

39. The Spanish Cooperation (Spanish Agency for International Cooperation) is implementing a technical assistance project in DGCL and in the municipalities of the Brakna region (management and municipal administration, local development, and civil society). This project, supported by Spanish NGOs, is developed in collaboration with the UNDP Poverty Reduction Program (financed by the Spanish Cooperation). It includes support to the creation of a Regional Plan for Poverty Reduction in Brakna.

40. The African Capacity Building Facility (ACBF) is supporting the Mauritanian Center for Policy Analysis (*Centre Mauritanien d'Analyse des Politiques*) with a program aimed at strengthening conception, analysis, and evaluation of economic and social policies within the framework of the PRSP. A new phase of this program is under preparation.

41. These technical and financial partners were closely linked by the Government to project preparation, and their above-mentioned operations are fully aligned with the Government's sector reform programs as well as the proposed project. They confirmed their commitment to the strategic vision presented by the Government, for each sector, during the project preparation phase. The Government program is presented in four different policy papers: (i) the PREMIER Program for the MF; (ii) the Decentralization Action Program for the MIPT; (iii) the NEAP for the environment component; and (iv) the inter-ministerial report and five-year action plan on public administration modernization, approved in November 2005 by the Cabinet for the Ministry of Civil Service and Employment (MoCSE). These policy papers were presented during a stakeholder workshop held on March 6 and 7, 2006 in Nouakchott by the Government and discussed with technical and financial partners. They served as the basis for consensus building and project design. The overall cross-cutting character of the reforms described in the Government program and their alignment with the PRSP and the Government roadmap has helped to validate the partnerships foreseen during the preparation of the Project. Other partnerships are expected and will be considered later by the Project, provided that they fit within these reform programs and are approved by the Government.

## **2. Institutional and implementation arrangements**

### **Institutional arrangements**

42. Project implementation will be carried out by the existing administrations, departments, and directorates. The main rationale for the proposed institutional and implementation arrangements is to rely as much as possible on existing institutional structures and staff to contribute to strengthening national capacity. According to this principle, a small project coordination unit will fall under the responsibility of the Prime Minister's Office which will ensure overall coordination of reforms, arbitrate between Ministries, and guarantee consistency between the proposed actions and the project development objectives. The project coordination unit will develop close links with the sectors to: (i) follow-up with the identified reforms and build on information produced and lessons learned from Project implementation; and (ii) act as a facilitator with other technical and financial partners in their dialogue with the Government during the preparation of the overall reform program and the mobilization of external resources needed for its implementation.

### **Implementation arrangements**

#### ***Types of activities to be financed***

43. The Project will mostly finance consultancy services, goods, training, and process streamlining (including through the use of computerized tools, but with a clear timetable for changes in practice, procedures, and systems in conjunction with necessary training activities). It will also finance on-site rehabilitation of offices in existing buildings intended to house the departments directly involved in the implementation of planned reforms. Any other works would need to be financed through the national budget. The credit will not finance vehicles, which will instead be financed from the national budget if the need arises, nor will it finance maintenance and recurrent costs, which will be part of normal budgetary allocations, except for the Project coordinating unit.

#### ***Procurement Implementation Arrangement***

44. The Project coordinating unit under the Prime Minister's office will be directly in charge of procurement above the established thresholds or for the activities that involve several Ministries, while each Ministry will be directly in charge of the procurement process for activities below the established thresholds. More specifically, each Ministry will be directly in charge of: (i) all workshops (regardless of budget) included in its agreed work program; and (ii) any procurement of small items (goods, materials, small studies, etc.) estimated at less than US\$50,000.

45. Even those project procurement processes done at the ministerial level will be under the overall responsibility of the project coordination unit's Procurement Specialist who will mentor and support the Ministries' procurement agents for capacity building purposes. These arrangements have been made in order to support the project objectives of capacity building and preparing the relevant Ministries for the expected increase of activity triggered by oil production. Progress made on procurement management at the Ministerial level will be assessed at mid-term review and will possibly allow, if justified, for more delegation of procurement responsibilities during the second phase of Project implementation.

***Financial Management, Respective Responsibilities of the Project Coordination Unit under the Prime Minister's office, and Participating Ministries***

46. The Project coordinating unit under the Prime Minister's office will be required to develop a fully integrated financial management and accounting system using appropriate software, as well as a detailed manual of financial procedures and chart of accounts including the format, content, and periodicity of the various financial statements to be produced. During the first year of implementation, the project will use traditional disbursement procedures using statements of expenditure (SOE). Subject to a positive evaluation by IDA disbursement and financial management experts, the project will subsequently shift to Financial Management Report (FMR) -based disbursements.

47. The Project coordinating unit under the Prime Minister's office will be required to coach and assist the five participating Ministries in their related duties (simple cash budget and monthly financial reporting, etc.). It will manage a designated account opened in a commercial bank and audited by an external auditor. The technical committees within the Ministries will be responsible for the design of their annual budgets based on the agreed-upon directives and parameters defined for the project, and with the assistance of the responsible Financial Management Specialist (FMS) of the Project. The budget proposed by each Ministry will simultaneously account for the needs of each Ministry and the overall objectives of the Project. The proposed ministerial budgets will be submitted to the FMS and the Project coordinator. These budgets will be consolidated into a single yearly project budget under the supervision of the coordinator, and will subsequently be submitted to the Steering Committee and IDA for review.

48. The Focal point in each Ministry will be responsible for overall coordination of the sector reform program within the entire Ministry. They will work closely with the directorates involved, monitor the actions, and inform on a quarterly basis the Minister and the Steering Committee through the Project coordinating unit under the Prime Minister's office. The Focal points are high level staff appointed by the Minister to lead and monitor implementation of Project activities, including future operations to be prepared with other technical and financial partners. The Focal points will receive monitoring and evaluation training financed under the Project. Salaries, operational and recurrent costs will be part of normal budgetary allocations.

**3. Monitoring and evaluation of outcomes/results**

49. An integrated management system will be put in place at the Project coordinating unit under the Prime Minister's office prior to effectiveness. The system characteristics will allow for close monitoring of activities and will link them to expected outputs and results. The Project coordinating unit under the Prime Minister's office will be responsible for coordinating data collected at the ministerial level according to the format prescribed by the Results framework and monitoring. Progress will be discussed annually in the steering committee, which will issue its recommendations. The Project coordinating unit will additionally be responsible for yearly stakeholder meetings which will be open to the media and public and aimed at disseminating information on the progress made toward the reform agenda agreed with IDA. This specific action will further strengthen the recent decision already taken by the Government on publishing the minutes of the Central Procurement Commission meetings in the media.

50. Monitoring and evaluation is a specific focus area of the Project, due to its importance in strengthening public administration, and is being supported through various activities included in the participating Ministries' action plans. The activities financed by the credit include, among others, specific training in the use of monitoring and evaluation systems needed for the Project activities to be included in each Ministry's programs, and/or use of periodic surveys for monitoring specific outcomes. Although the Project is not supporting the Mauritanian statistical system, its design ensures that the Project's activities will generate the statistics and data needed for adequate monitoring.

#### 4. Sustainability

51. The goal of the Project is to produce a lasting impact on three levels: (i) introduction of a culture of institutional development as part of the normal functioning of services in the various targeted institutions; (ii) introduction of lasting changes in the way the administration functions, through a fundamental improvement in management of public finance, including the de-concentration of management of public expenditure and HRM; and (iii) implementation of the reforms recommended by the NEAP, aiming to integrate environmental concerns in the development process, including the creation of the new structure addressing the cross sectoral dimension of environmental issues. Involvement of stakeholders through an integrated approach right from the preparatory stage and throughout the project life will allow for ownership of the activities financed by the Project, as well as integration of actions in the national budget that are complementary to the activities of the Project.

#### 5. Critical risks and possible controversial aspects

52. Reforms included in the Project are already integrated in the roadmap and all activities supported by the Project are currently part of the Government's work program. It is likely that certain choices made by the Transition Government will need to be confirmed following the democratic elections planned for March 2007. Nonetheless, choices made for the Project reflect outcomes of discussions held with technical and financial partners and adopted by the current authorities, which should contribute to Project sustainability. To adapt the Project to the objectives of the future Government and facilitate acceptability during the post-transition period, flexibility has been introduced into Project implementation. Adjustment of the selected action plans or addition of other actions will be possible, provided that the proposals fit in the relevant sector reform programs or they are part of a coherent global reform program as may be adopted by the new Government.

53. The mid-term review will provide a key opportunity for confirming or modifying objectives and actions supported by the Project, on the basis of possible changes in the reform programs. This agreement has been reached during Negotiations of the credit that took place on April 25, 2006. However, it is expected that the use of focal point liaisons and working groups within the participating Ministries will prevent substantial questioning of the programs.

Risks	Risk Rating with Mitigation	Risk Mitigation Measures
<b>Critical risks for meeting PDO</b>		
Lack of mobilization within the Government on the proposed reform program.	M	The project is anchored at the Prime Minister's level, with the support of an operational task force and a focal point appointed in each Ministry. These arrangements will be instrumental in maintaining mobilization and stability.
Change of priorities after election of the post-transition Government.	S	The Government's roadmap ( <i>feuille de route</i> ) has been approved by all political parties. The reform programs have been prepared by the sector Ministries with support from their own departments and directorates. All key technical and financial partners are represented in the Steering Committee. Most of the support provided through the Project is focused on areas where no or only little adjournment of reforms is expected. Actions potentially subject to controversy

Risks	Risk Rating with Mitigation	Risk Mitigation Measures
		were not selected. Institutional set-up will allow for adjustment to new priorities during mid-term review, which will take place after elections and the transition period.
Technical and financial partners are not aligned with Government's reform programs or the Project.	N	The Project supports a key part of the Government sector programs which was widely discussed with technical and financial partners during preparation. All partners expressed support. The preparation of the result-based CAS is underway and the PRSP II confirms the priority and the alignment of the technical and financial partners.

<b>Critical Risks for meeting intermediate results</b>		
The MF is not ready to use RACHAD.	M	The effective use of RACHAD at the MF and the MoPSE is requested before effectiveness of the credit.
Difficulty in sending civil servants to certain areas in Mauritania.	N	The implementation of two pilot projects in areas with great potential for development and improvement of civil service functions will help the Government adjust the incentives and mitigate the risk.
Difficulty in maintaining personnel once they are trained.	S	The Project also supports the MoCSE, which will be in charge of adjusting and implementing the reform aimed at linking training to career opportunities.
The MIPT is busy with the preparation of elections and cannot focus on the implementation of decentralization.	S	Support to the local development component is mainly targeting the local level, is not concentrated on the <i>wilaya</i> , and will be linked to performance.
The Government is not ready to implement the recommendations of the NEAP.	M	Approval of NEAP is required before the end of the first year of implementation and close follow up will take place during project supervision..
The Government does not sufficiently back the implementation of the reform program.	S	Implementation and monitoring of actual reforms will be included in the PRSC II.
<b>Overall risk rating</b>	<b>S</b>	

H=High; S= Substantial; M=Modest; N=Low or Negligible

54. The Country Financial Accountability Assessment revealed that the systems for planning, budgeting, monitoring, and controlling public resources in Mauritania are improving but do not provide sufficient reasonable assurance that funds are being used for their intended purpose. The risk of waste, diversion, and misuse of funds was assessed as partially high. As the CFAA recommendations on financial accountability reforms have not fully been implemented yet, the country risk is assessed as partially high.

55. The overall project risk from a financial management perspective is considered Substantial. Nevertheless, various measures to mitigate these risks have been agreed upon. The financial management arrangements of the Project are designed to ensure that funds are used for the purpose intended, and



timely information is produced for project management and government oversight, and to facilitate compliance with IDA fiduciary requirements. The table below identifies the key risks that project management may face in achieving its objectives and provides a basis for determining how management should address these risks.

<b><i>Risk</i></b>	<b>Risk Rating</b>	<b>Risk Mitigation Measure</b>
Inherent Financial Management Risks: - Funds may not be used in an efficient and economical way and exclusively for purposes intended due to corruption and poor governance.	M	The team of appropriately qualified and experienced staff may reduce this risk. Strong internal control procedures to be set up and maintained under control. The process of follow-up of Audit Reports will be strengthened.
Financial Management Control Risks: - Initial problems may jeopardize timeliness and accuracy of financial report and thus slow down the disbursement process.	M	Training of staff is expected to be provided by a Financial Management Consultant before effectiveness.

H = High; S = Substantial; M = Moderate; N = Low or negligible

56. The project risks from a financial management and procurement perspective was Substantial at appraisal. Various measures to mitigate these risks have been agreed upon. It is expected that from the financial management perspective, the Project risk at effectiveness would be moderate, provided that the risk mitigating measures are properly implemented.

## 6. Credit conditions and covenants

### Credit conditions

57. Effectiveness conditions:

- (i) Installation, in the Project coordinating unit under the Prime Minister's office, of customized financial management software for the project; adoption of an Administrative and Financial Procedures Manual (AFPM) and training of personnel in its use;
- (ii) Recruitment of a Procurement Specialist to the Project coordinating unit under the Prime Minister's office;
- (iii) Appointment of the external auditor for the Project;
- (iv) Adoption of the Project's 2006-2007 work program and budget;
- (v) The Implementation Manual of the Project has been adopted, in a form acceptable to IDA;
- (vi) The Borrower has opened a Project account and deposited the initial amount of US\$100,000 equivalent;
- (vii) The civil services specific statutes and new salary scales have been approved; and
- (viii) RACHAD (Automated network for expenditure processing) is implemented and in use at the MF and the MoPSE.

### Covenants applicable to project implementation

58. Financial covenants are standard, as stated in Article IV of IDA's Development Financing Agreement, including:

- (i) The Project coordinating unit under the Prime Minister's office needs to be compliant with the rules and procedures required for withdrawals from the Credit Account;
- (ii) The Project coordinating unit will maintain or cause to be maintained records and accounts to reflect in accordance with sound accounting practices the operations, resources and expenditures;
- (iii) The records, accounts, special accounts, Statement of Expenditures shall be audited by independent auditors acceptable to IDA on a yearly basis and no later than six months after the end of the fiscal year;
- (iv) The Project coordinating unit will produce quarterly Financial Management Reports.

59. An additional clause will be added, stating that the Government shall approve the NEAP by the end of the first year of implementation, and by the end of the second year of implementation create a Ministry of Environment or other dedicated structure as described in the NEAP, satisfactory to IDA.

## **D. APPRAISAL SUMMARY**

### **1. Economic and financial analyses**

60. The project will not finance investments with benefits quantifiable in economic terms, and so no cost-benefit analysis has been carried out.

### **2. Technical**

61. Not applicable.

### **3. Fiduciary**

62. *Financial management (See Annex 7).* By effectiveness, the Project will not be ready for report-based disbursements. Thus, at the initial stage, transaction-based disbursement procedures, as described in the World Bank Disbursement Handbook, will be followed, i.e. direct payment, reimbursement, and special commitments. However, when project implementation begins, and the Borrower requests conversion to report-based disbursements, a review will be undertaken by IDA to determine if the Project is eligible.

63. *Procurement (See Annex 8).* The quality of procurement by the staff charged with execution is considered weak and the overall institutional, political, and organizational risk is high. For this reason, capacity strengthening is included in the Project. Corrective measures agreed upon to remedy the weaknesses are as follows: (i) recruiting a Procurement Specialist for the Project coordinating unit under the Prime Minister's office; (ii) training of personnel involved in procurement to strengthen the capacity of the Project coordinating unit under the Prime Minister's office, MAED, and other Ministries involved in the Project, particularly the capacities of the Departmental Procurement Commissions (CDMs); (iii) recruiting short-term consultants as needed for specific technical activities and capacity strengthening; (iv) establishing a planning and management system for contracts at the Project coordinating unit under the Prime Minister's office with links to the Central Procurement Commission (CCM) and the CDMs; and (v) strengthening the filing of procurement documents. Procurement reviews will be carried out twice a year in relation to supervision missions, while an independent audit will take place once a year.

### **4. Social**

64. Not applicable.

## 5. Environment

65. Not applicable.

## 6. Safeguard policies

66. Not applicable. The project will not finance activities triggering any safeguards. The only physical works carried out with project financing is rehabilitation of offices in existing administration buildings.

<b>Safeguard Policies Triggered by the Project</b>	<b>Yes</b>	<b>No</b>
Environmental Assessment (OP/BP/GP 4.01)	[ ]	[x]
Natural Habitats (OP/BP 4.04)	[ ]	[x]
Pest Management (OP 4.09)	[ ]	[x]
Cultural Property (OPN 11.03, being revised as OP 4.11)	[ ]	[x]
Involuntary Resettlement (OP/BP 4.12)	[ ]	[x]
Indigenous Peoples (OD 4.20, being revised as OP 4.10)	[ ]	[x]
Forests (OP/BP 4.36)	[ ]	[x]
Safety of Dams (OP/BP 4.37)	[ ]	[x]
Projects in Disputed Areas (OP/BP/GP 7.60)*	[ ]	[x]
Projects on International Waterways (OP/BP/GP 7.50)	[ ]	[x]

## 7. Policy Exceptions and Readiness

### *Policy exceptions:*

67. None.

### *Readiness:*

68. The following actions took place to ensure readiness for implementation:

(a) Through a Policy and Human Resources Development (PHRD) grant (Grant TF052675, closing on May 30, 2006) and two ongoing Project Preparation Facility (PPF) advances for a total of US\$765,000 (PPF Q4190-MAU, refinancing date November 1, 2006), the Government implemented upstream activities for the design and preparation of Project components including support from international consulting firms to define the proposed components and organize stakeholder workshops in July 2005, March and April 2006.

(b) The Project coordinating unit under the Prime Minister's office, which will handle coordination of activities, monitoring, and evaluation, has been in place since 2004, and has already handled Project preparation. Both procurement and financial management capacity, duly assessed as part of the project preparation process, have been found satisfactory to IDA, provided adequate measures are in place. The recruitment of a Procurement Specialist has been agreed upon and will be completed by effectiveness. Financial management software has been installed and has been running since the end of 2005. It will be upgraded to handle monitoring and evaluation needs.

\* By supporting the proposed project, IDA does not intend to prejudice the final determination of the parties' claims on the disputed areas.

(c) The Steering Committee has been in place since mid-2004. Its composition was adjusted before Negotiations to ensure that representatives of key Ministries involved in project implementation will be included to ensure adequate Project management.

(d) Activities to be implemented during the first year have been identified and specifically prepared. Terms of reference of the first actions are being prepared by the Ministries involved and support from the Project coordinating unit. IDA confirmed its agreement on retroactive financing for payments made by the borrower on specific activities from its own resources before Credit effectiveness. A list of these activities has been attached in Annex 8 and was reviewed during negotiations. Eligibility of payments will need to be confirmed by IDA to allow for reimbursement after Project effectiveness.

## **Annex 1: Country and Sector or Program Background**

### **ISLAMIC REPUBLIC OF MAURITANIA: Public Sector Capacity Building Project**

#### *Transition Government*

1. The relative political stability that had characterized Mauritania since 1984 gradually deteriorated from 2003 to 2005, with periods of heightened tension in June 2003 (attempted coup) and August 2004. In the aftermath of the August 2005 coup, a Military Council for Justice and Democracy (*Conseil Militaire pour la Justice et la Démocratie* - CMJD) was established under the leadership of Colonel Ely Ould Mohammed Vall. Parliament was dissolved and a civilian transition Government was instated. The CMJD announced that the Government would withdraw in 19 months, after the adoption of a new constitution and parliamentary and presidential elections.
2. Since the military coup, the new authorities have taken actions to reach the three objectives they set for the transition government: democratization, judicial reform, and economic governance. Relations with the main development partners are gradually normalizing.
3. The internal political events since August 2005 have served as an overall framework for a macro-economic readjustment after a considerable depreciation of the Ouguiya and increased inflation in 2004. This realignment of budget management and transparency has taken place against the background of an increase in the economic importance of oil resources, with production beginning in March and exports in April 2006.

#### *Economic Context*

4. Mauritania is a vast but sparsely populated country. More than 90 percent of the land consists of desert, with less than 200mm rainfall per year. Only the southern part, along the Senegal River, has developed a significant agrarian economy. The current population is about 2.8 million and GNP per capita was estimated at US\$685 in 2005. The socio-cultural landscape has recently undergone a rapid transformation from an essentially nomadic society at the time of independence in 1960 to a sedentary society, with over half of the population (1.6 million) living in urban areas today.
5. The economic growth in Mauritania has been relatively satisfactory in recent years, at an average of 4.8 percent annually from 2001 to 2004. The GDP growth was 5.5 percent in 2005 (forecast for 2006 is 18.3 percent, including oil production<sup>4</sup>), while inflation increased regularly from 4.8 percent in 2001 to 12.3 percent in 2005, with a 6 percent increase forecast for 2006.
6. Mauritania's export base is heavily concentrated on fishing and iron ore; diversification of the economy is a real challenge. Successful oil exploration and production prospects from offshore drilling programs carried out in the past few years will establish Mauritania as an oil producing country. It is estimated that oil exports and resulting country income will almost triple the GNP per capita over the medium-term, triggering Mauritania's graduation out of IDA borrower status in the near future.

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<sup>4</sup> Without oil, GNP growth rate forecast would be 6.3%.

### *Budget execution slippage*

7. In 2004, indications emerged on the execution of significant extra-budgetary spending in 2003 and 2004 (and possibly earlier), predominantly financed by the Central Bank of Mauritania (*Banque centrale de Mauritanie*, BCM) credits. Recent data from the Government indicate extra-budget expenditures prior to 2003. As a result, the IMF Poverty Reduction and Growth Facility (PRGF), approved in July 2003, was canceled in November 2004, while IDA stopped the preparation of the first Poverty Reduction Support Credit (PRSC), planned for FY05. Some remedial measures have been initiated since mid-2004 to try and strengthen macro-economic stability by curbing extra-budgetary expenditure and cutting BCM financing.

8. Due to these large amounts of extra-budgetary expenditures, significant deficits were created in the overall fiscal balance (excluding grants) over 2001-2005. Budget deficit represented 17.5 percent of GDP in 2001, 14.3 percent in 2003 and 8.8 percent in 2005. Current account balance deficit deteriorated sharply: 10.7 percent of GDP in 2001, 18.3 percent in 2003 and 35 percent of GDP in 2005. Preliminary evidence seems to demonstrate laxity in 2005 budget execution, before the coup. The CMDJ has prepared and passed a Budget Rectification Law in October 2005. All these data are likely to change, as the authorities have recently provided more information on extra-budgetary spending prior to 2003.

### *Recent macro-economic developments (2005-2006)*

9. The new government is committed to re-establishing macro-economic discipline and fostering transparency. Since August 2005, authorities have started a significant corrective process in budgeting and accounting, aimed at eliminating previous practices, which were not compatible with sound and responsible management of public finance. This should allow for:

- Preparing an exhaustive budget, in association with sector Ministries;
- Eliminating extra-budgetary spending and taking concrete steps to clear arrears. The accounting phase has been improved by the establishment of a treasury management process;
- Public expenditure tracking surveys to improve monitoring of poverty reduction;
- Improving public expenditure management and re-launching the Medium-Term Expenditure Framework (MTEF) as a tool for budget preparation;
- Operationalizing the RACHAD software to rationalize the administrative phase of public expenditure, including de-concentration of payment orders authority and continued computerization of public finance management (PFM) systems initiated at end of 2005.

10. In a welcome development, the Government signed on to the Extractive Industry Transparency Initiative (EITI) in September 2005. The authorities have also resolved to address issues that plagued Mauritania's relations with the IMF for the last two years, notably: (i) external audit of the BCM accounts for 2004; (ii) independent verification of the BCM financial statements as of end-2003; and (iii) full disclosure of information available to confirm the level of official reserves for 2001-02. A six-month Staff-monitored Program (SMP) was initiated in January 2006, and could lead to a Poverty Reduction and Growth Facility or a Policy Support Instrument in late 2006. Updates of the Public Expenditure Review (2004) and Country Economic Memorandum (2003), focusing on oil and natural resource management, are ongoing.

11. Following the coup, and in compliance with O.P. 7.30 (de facto governments), IDA has not suspended disbursements and is ready to re-start operations, based on the position of international organizations toward the Government, the number of countries that have recognized the Government and evidence from the new Government that it is willing and committed to engage in areas related to good governance.

## *Poverty Reduction Strategy*

12. Mauritania developed its Poverty Reduction Strategy Paper in February, 2001 through a broad participatory process. To date, IDA and IMF staff considers Mauritania's implementation of its PRSP broadly satisfactory, despite recent slippages on macro-economic performance. A full assessment of the strategy, to be conducted in the second PRSP, is still pending.

13. An updated PRSP is due in 2006 for the period 2006-2010 and should include a strategic vision for the oil sector. Main challenges for Mauritania in terms of economic growth and poverty reduction include: (i) lack of economic diversification; (ii) vulnerability to external demand fluctuations and climatic changes; (iii) current constraints in absorptive capacity, particularly with respect to incoming oil revenues; and (iv) insufficient public investment in the areas and sectors where the poor live and generate their revenue. The Project has already included conclusions of the thematic technical group in charge of governance for the new PRSP.

14. The incidence of poverty has declined substantially in recent years, from 56.6 percent of the population in 1990 to 46.3 percent in 2000. Preliminary findings from a household survey in 2004 (*enquête permanente sur les conditions de vie des ménages* – EPCV) show that monetary poverty further declined to 45.6 percent in 2004. By contrast, inequality (as defined by the Gini coefficient) remained at 0.39 in 2000 and 2004. Analytical gaps exist as to whether poverty reduction can be ascribed to economic growth – in part stimulated by mining activities– or increased volumes, or efficiency, of public spending.

15. Significant improvements in social indicators have also been achieved. Between 2000 and 2004: (i) gross primary school enrollment rates increased from 88 percent to 96 percent; (ii) under five-year-old vaccination rates increased from 40 percent to 93 percent; and (iii) access to maternal health care increased from 65 percent to 80 percent. By contrast, the rate of retention in primary schools declined from 55 percent to 47.3 percent, and little progress was made in reducing child and infant mortality rates. While Mauritania is in a relatively good position to reach some of the Millennium Development Goals, it is unlikely that the bulk of health and education-related goals will be reached unless resources to these sectors result in improved outcomes among the poor or disadvantaged areas. To refine the national strategy, the Government has undertaken the preparation of Regional Poverty Reduction Strategies since 2003. Three have been produced to-date for the regions of Assaba, Guidimakha, and Hodh El Gharbi. Three others are being prepared for the regions of Gorgol, Tagant and Hodh Ech Charqi.

## *Main challenges*

16. The August 2005 military coup appears to have been backed by popular support and was immediately followed by the preparation of a national program of reforms that anticipates parliamentary elections in November 2006 and presidential elections in March 2007. This transitional arrangement has been judged satisfactory by the technical and financial partners, who have maintained relations and emphasized the necessity of paying particular attention to questions of governance and financial management.

17. The main short term challenges for Mauritania are the following:

- (a) *Management of oil revenues.* In September 2005, the Government signed on to the Extractive Industry Transparency Initiative (EITI). The EITI supports improved governance in resource-rich countries through the full publication and verification of company payments and government revenues from oil, gas and mining. Beginning with the first quarter of 2006,

Mauritania will start receiving substantial oil revenues. These revenues are expected to raise the GDP per inhabitant from the present US\$685 to US\$1,500 by 2010. The imminent arrival of oil revenues makes the rigorousness and transparency of the management of public finance even more imperative. Considering the current difficulties faced by Mauritania to absorb external aid and if significant actions are not taken by the Government to increase administrative capacities, it is highly likely that Mauritania will experience severe dysfunctions in the management of its future oil revenues.

(b) *Management of public finance* has long been characterized by weakness in public accounting systems, revenue collection, budget planning and execution. Several texts are outdated and are an obstacle to the improvement of more de-concentrated public services. Multiple control systems (a priori as well as a posteriori) are burdensome and Information Technology (IT) systems (for expenditure and the Treasury) are insufficient and the entire planning process remains weak. Budget preparation and execution also have inherent weaknesses. The timetable for preparation of Medium-Term Expenditure Frameworks<sup>5</sup> (MTEF) does not facilitate their rational incorporation into the budget preparation process, and links to sector strategies, development of sector budgets, and intra-sector distribution are loose. De-concentration of payment was implemented in six pilot Ministries in 2005. Nonetheless, this reform did not achieve its objectives during the first years of execution due to the lack of an appropriate computerized expenditure tracking system. A software was developed but is not yet functional and is missing the payment element. Furthermore, some weaknesses persist in maintaining accounts (production, transfer of data) and the organization of Treasury. The regional de-concentration of the budget is very limited, do not include external financing while the regional directorates cannot issue orders of payment of their own delegated credits.

(c) *Local development.* The decentralization policy was initiated in 1986 when the State ratified the principle of autonomous administration by the municipalities. Selected ministries have shifted some limited functions to their units in the regions. These moves represent the starting point of the de-concentration process that will take place in the country. Adequate de-concentration is perceived by the Government as an important feature of a strong decentralization program. Despite notable efforts, particularly the increase of resources via the Regional Development Fund (*Fonds Régional de Développement* - FRD) and the use of contractual agreements in the management of municipalities which is supported by the Urban Development Program (*Programme de Développement Urbain* – PDU; IDA Cr. 3574-MAU), the impact of the reforms has remained limited and local development dynamics have not taken off. This process is also being hampered by the insufficient resources of the General Directorate of Local Governments (*Direction Générale des Collectivités Locales* - DGCL) in the Ministry of Interior, Postal Services and Telecommunications (MIPT) responsible for managing decentralization in the country. In addition, the absence of a concrete de-concentration policy, and the weaknesses of the Directorate of Territorial Administration (*Direction de l'Administration Territoriale* - DAT) and its de-centralized offices (*walis, hakems*) constitute a major shortcoming, particularly for local economic development.

(d) *Environment.* The economic development of Mauritania closely depends on the exploitation of natural resources. At present, the country faces a number of environmental challenges: (i) growing need for sustainable management of natural and marine resources; (ii) emergence of acute environmental problems in urban areas undergoing rapid expansion, especially Nouakchott; and (iii) risks of pollution from off-shore oil production. To remedy the absence of a national environmental policy, a National Environment Action Plan (NEAP) was

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<sup>5</sup> Eight sectoral MTEFs and an overall MTEF have been completed over the last years.



prepared in 2004, although it was never formally endorsed by the Government. The weight of natural resources (oil, mining, fisheries, livestock and agriculture) in the economy and the fight against poverty make the modernization of environmental management indispensable for sustainable economic development in Mauritania.

(e) *Reform of Government Human Resources Management (HRM)*. Presently, the management of the administration's human resources is based on an outdated, centralized, and poorly adapted model. Civil service is also characterized by lack of transparency and lax controls for recruitment and missions, low level of remuneration levels with no linkage with the cost of living, poor job description, unclear status, and lack of training. Multiple financing sources with different procedures (national budget, projects, and local authorities) create additional complexity. The management of remuneration and human resources is at the same time concentrated (Directorate of Civil Service and Administrative Reform (DGFRA), Directorate of Budget and Accounting (DBC-Pay Unit) and disorganized (each decision regarding career management needs the approval of five different entities, including the President's Office). Computerized management systems at DGFRA and DBC-Pay Unit are outdated and hardly operational. The number of Government employees is about 32,000, including police forces, contract employees, and non-permanent individuals. The distribution is concentrated, with 18,000 employees working at the Ministry of Primary and Secondary Education (MoPSE) and 4,500 at the Ministry of Health and a focus on these two ministries is needed for any reform of the HRM. However, the share of the salaries in the budget has remained limited (11 percent in 2005; 11.5 percent planned in 2006 Budget Law, excluding foreign aid) and a reform of the HRM is not likely to require a reduction of the workforce.

**Annex 2: Major Related Projects Financed by IDA and/or other Agencies**  
**ISLAMIC REPUBLIC OF MAURITANIA: Public Sector Capacity Building Project**

Sector Issue	Project	Latest Supervision (PSR) Ratings (IDA-financed projects only)		Summary of sector-related projects
<b>IDA-financed</b>				
		IP	DO	
Urban	Urban Development Program P069095	MS	MS	This first phase of the APL provided infrastructure and basic services to residents of Mauritania's capital and the 12 main cities, upgrades slums in Nouakchott, assisted in implementing decentralization policies and strengthened the local authorities' capacities.
Health	Multi-Sector HIV/AIDS Project, P078368	MU	MS	The development objective of the Project is to contribute to curbing the spread of HIV/AIDS epidemic in Mauritania.
Health	2 <sup>nd</sup> Health and Nutrition Project P094278	In negotiations		The Project will follow up with IDA's support for the health sector.
Rural	Integrated Development Program for Irrigated Agriculture APL # 2 PDIAIM P088828	S	S	The Project aims to expand the development of private irrigation, public irrigation, and work with infrastructure to better support private on-going national initiatives to expand the area that can be irrigated with electrical power.
Rural	Community Based Rural Development Project (PDRC) P081368	S	S	The Project improves the living conditions of project-supported village communities, in terms of sustainable income increase, access to basic socio-economic services, and improved natural resource management practices.
Mining	2 <sup>nd</sup> Mining Capacity Building Project Supplemental P100078	Under preparation		A Supplemental Credit under preparation will build up and consolidate the Government's long-term institutional and technical capacity to manage the country's mineral resources (especially oil), including social and environmental management.

Education	Education Sector Development Program P071308	S	S	Support for: (a) implementing bilingual education at the primary and secondary; (b) improving access and equity; (c) enhancing quality and increasing the internal efficiency of the education; and (d) improving the relevance and external efficiency of the vocational, technical, and higher education systems.
Procurement	IDF – Strengthening the public procurement function P080920	n/a	n/a	Update of the procurement law to ensure coherence with international standards and support to capacity strengthening.
<b>Other Development Agencies</b>				
<b>Agency</b>	<b>Project</b>	<b>Sector</b>	<b>Project description</b>	
AfDB	Multi-Sector Institutional Support Project	Multi-sector	Capacity building for planning, execution, and monitoring of public investments.	
France	<i>Programme de Valorisation des Initiatives de Croissance Régionale (VAINCRE)</i>	Decentralization, poverty reduction	Provides subsidies to municipalities for financing local investment.	
France	Support Program to Decentralization and De-concentration in Mauritania (PADDEM)	Decentralization, De-concentration	Provides technical assistance to General Directorate-General of Local Authorities and to many municipalities and local Government representatives (training, equipments).	
Germany (GTZ)	Support to the National Good Governance Program	Public Finance; Decentralization	Support to the National Assembly, Audit Office; MIPT (DGCL), and rural communes in Guidimakha and Hodh EL Gharbi.	
Germany (GTZ)	Natural Resources Management Program (ProGRN)	Environment / Natural Resources	Program components provide support to environmental policies, Community Based Natural RM in Guidimakha and Hodh EL Gharbi; and management support Banc d'Arguin National Park.	
Germany (KfW)	Urban Development Program (co-financed with IDA)	Decentralization	Communal infrastructure in provincial capitals.	

Germany (KfW)	Natural Resource Management	Natural Resources	Soil and water conservation in Guidimakha.
UNDP	<i>Programme d'Appui aux Communes de l'Assaba (PACA)</i>	Decentralization	Provides technical assistance subsidies to municipalities for financing local investment to all municipalities of the Assaba Region.

### Annex 3: Results Framework and Monitoring

#### ISLAMIC REPUBLIC OF MAURITANIA: Public Sector Capacity Building Project

##### Results Framework

<b>PDO</b>	<b>Project Outcome Indicators</b>	<b>Use of Project Outcome Information</b>
Improve performance, efficiency and transparency of public resources management in Mauritania	The budget preparation at all levels of national administration is improved.	To evaluate the agreement between needs and budget planning.
	The fiscal and accounting reports are timely and produced according to international standards.	To evaluate the efficiency of the administration and incorporate transparency in development management.
	The issuance of orders of payment is delegated to sector Ministries, through RACHAD, in conformity with established norms and regulations..	To evaluate the determination of the Government to support the declared politics of local development.
	The institutional framework for environment and natural resources management is improved.	To evaluate the progress made on mainstreaming environment in development.
	The human resource management system is improved and de-concentrated in sector Ministries.	To evaluate the support of the Government to the reform program.
<b>Intermediate results</b>	<b>Results Indicators</b>	<b>Use of Results Monitoring</b>
<b>Component A: Improvement of public finance management</b>		
The MF and the MAED have implemented adequate management tools	DGI is equipped with a computerized revenue management tool.	To assure a better management of revenues and the improvement of the tax policy.
	Number of sector Ministries actually using the RACHAD software for the management of their de-concentrated budget.	To assess the horizontal de-concentration.
	Number of Ministries for which the budgets have been established, based on an MTEF (national and sector).	To assess coherence between budget allocation and strategic objectives of sector Ministries.
	The country has effectively shifted to a double accounting system.	To assure the transparency of realization of expenditure.
	The monitoring and evaluation system for the efficiency of exterior financing has been set in place.	To evaluate the overall impact of programs.

<b>Component B: Support to local development</b>		
The MIPT is actually implementing the decentralization policy	The pilot operations for Nouadhibou and Rosso have started.	To evaluate the synergy between de-concentration and decentralization.
<b>Component C: Mainstreaming environment into development management</b>		
Environmental concerns are incorporated in development policies	The NEAP is officially approved by the Government.	To allow the setting in place of necessary institutions.
	The transversal structure recommended by the NEAP is actually in place.	To confirm the intention of the Government to implement the recommendations of the NEAP.
	Number of sector Ministries with a dedicated structure linked to the transversal structure.	To assure the adequate treatment of sector environmental concerns.
<b>Component D: Improvement of HRM in public administrations</b>		
HRM in public administrations is improved	The new HRM legislation is approved and in application.	To allow for the reform to be implemented.
	The new computerized HRM system is in place.	To allow for better management and better allocation of human resources.

### **Arrangements for results monitoring**

Results monitoring is to a large extent incorporated into the Project. Any data for monitoring and evaluation that cannot be derived from existing data or data generated by project actions directly linked to achieving the development objectives will be generated from audits and specific surveys. Financing for these audits and surveys has been included in the budget of the Project coordinating unit under the Prime Minister's office (Component E).

With regard to building capacity in public finance management, the Project will monitor progress in development and implementation of the tools that will allow the Government to manage public finances effectively and efficiently. These tools will also provide data for project management.

With regard to local development, the indicator is a measure of the progress in de-concentration of the budget, which is directly relevant for the support given by the branch offices.

With regard to Government HRM reform, data is not currently readily available for monitoring purpose. The systems to be financed by the Project, such as the computerization of HRM, will directly serve to achieve the development objectives, while at the same time providing input to results monitoring.

### Arrangements for results monitoring

Project Outcome Indicators	Baseline	Target Values (civil year)			Frequency and Reports	Data Collection and Reporting	
		2007	2008	2009		Data Collection Instruments	Responsibility for Data Collection
The budget preparation at all levels of national administration is improved.	0	Yes (*)	Yes (**)	Yes	Annual	Global and Sector MTEFs and implementation reports.	MF (DBC), MAED (DPE). Project coordination unit
The fiscal and accounting reports are timely and produced according to international standards.	Production not meeting standards	Yes	Yes	Yes	Annual	TOFE, Treasury balance, <i>Loi de règlement</i>	<u>MF, (DTCP)</u>
The issuance of orders of payment is delegated to sector Ministries through RACHAD, in conformity with established norms and regulations.	No	No	No	Yes	Annual	Project coordination unit reports.	MF (DBC) and targeted Ministries
The institutional framework for environment and natural resources management is improved.	Not improved	NEAP approved	Insfit. created	Improv't evidenced	Annual	Ministry of Rural Development and Environment (MDRE) + survey to assess improvement.	<u>MDRE</u> and project coordination unit
The HRM system is improved and de-concentrated in sector Ministries.	0	70% of persons managed	80% of persons managed	90% of persons managed	Annual	MoCSE + MF reporting.	<u>MoCSE (DGFPPRA)</u> et <u>MF (DBC/Solde)</u> and targeted Ministries
<b>Intermediate Outcome Indicators</b>							
<b>Component A:</b>							
DGI is equipped with a computerized revenue management tool.	No	No	Yes	Yes	Annual	MF (DGI) + Project coordination unit reporting.	<u>MF (DGI)</u>
Number of sector Ministries actually using the RACHAD software for the management of their de-concentrated budget.	0	2	5	8	Annual	Project coordination unit reporting.	<u>MF (DBC)</u>
Number of Ministries for which the budgets have been established, based on an MTEF (national and	0	3	6	8	Annual	MAED reporting.	<u>MF (DBC), MAED.</u> Project coordination unit

sector).												
The country has effectively shifted to a double accounting system.	No	No	Yes	Yes	Yes	Annual	MF reporting.	MF (DTCP)				
The monitoring and evaluation system for the efficiency of external financing is implemented.	No	No	Yes	Yes	Yes	Annual	MAED reporting.	MAED (DPE, DF)				

	No	25%	50%	100%	Annual	Project coordination unit report	MIPT
<b>Component B</b>							
Pilot operations for Nouadhibou and Rosso have started.	No			100%	Annual	Project coordination unit report	
<b>Component C</b>							
The NEAP is officially approved by the Government.	No	Yes	-	-	Once	Government Decree	Project coordination unit
The dedicated structure recommended by the NEAP is actually in place.	No	No	Yes	-	Once	Government Decree	Project coordination unit
Number of sector Ministries (***) with a dedicated structure linked to the dedicated structure.	0	0	1	5	Annual	Project coordination unit reporting	MDRE, Equipment, Mines, Oil, and Fishery
<b>Component D</b>							
The new legislation on HRM is approved and in application.	No	Yes	Yes	Yes	Annual	Project coordination unit reporting	MoCSE
The new computerized HRM system is in place.	No	No	No	Yes	Annual	Project coordination unit reporting	MoCSE, MF

(\*): with at least three sector MTEF: Education, Health, Rural Development

(\*\*): with at least six sector MTEF: Education, Health, Rural Development, Water, Urban, and Transport

(\*\*\*): Ministries of Rural Development, Equipment, Mines, Oil, and Fishery



## **Annex 4: Detailed Project Description**

### **ISLAMIC REPUBLIC OF MAURITANIA: Public Sector Capacity Building Project**

#### **COMPONENT A: IMPROVEMENT OF PUBLIC FINANCE MANAGEMENT (IDA: US\$5,135,000)**

1. The objective of this component is to support the implementation of reforms aimed at increasing transparency and efficiency of Public Finance Management (PFM) by the creation of management tools and human resources capacity. The actions financed by the Project will contribute to strengthening: (i) collection of fiscal revenues; (ii) budget preparation and planning (inter- and intra-sector allocation of expenses, development of multi-year planning linked to the PRSP (and sector strategies); (iii) budget execution and accounting; (iv) efficiency of expenditures; and (v) PFM at the de-concentrated level in two regional capitals, Nouadhibou and Rosso.

#### **Implementation and partnerships**

2. The implementation of this component will be the responsibility of the Ministry of Finance (MF), the principal actor in PFM. All beneficiary Directorates will play an important role in carrying out actions under their mandate.

3. IDA is financing parts of the Program for Equipment, Modernization, Computerization, and Strengthening of the Ministry of Finance (PREMIER), taking into account the involvement of other donors and the synergies between various interventions. Several donors (notably IMF, AfDB, the European Union, the French Cooperation, GTZ, and the Spanish Cooperation) have for several years been involved in strengthening PFM in Mauritania. The IMF, via the FAD and AFRITAC departments, provides technical assistance (TA) to improve PFM and supports, among others, the General Tax Directorate (DGI), the Directorate of Budget and Accounting (DBC), and the General Directorate of the Treasury and Public Accounting. The AfDB plans to start, at the end of 2006, a second phase of its ongoing support to capacity building for planning, execution, and monitoring of public investments

4. Through the PAFIEM (*Programme d'appui aux administrations financières et économiques de Mauritanie*), the French Cooperation is providing short- and long-term technical assistance and training. The PAFIEM supports strengthening of accounting and ex-ante control, modernizing the information systems, transferring order of payment authority to Ministries, strengthening budget preparation procedures, and economic policy. GTZ is notably supporting the control process and institutions through TA and training.

#### **Government's Program**

5. The Inter-Ministerial Report on Good Governance has laid down the course of action for strengthening resource mobilization and has highlighted several reforms aimed at increasing the fiscal base. The principal questions are the restructuring of the legal framework for tax recovery and direct taxation, to develop a more unique taxation on income and assets, to increase revenues provided by the Value Added Tax and other existing taxes. For expenditures, the report proposes to move towards a unified budget, and to incorporate the MTEF approach in the budgetary planning process. In terms of actual budget execution, emphasis will be put on finalizing the de-concentration, accompanied by computerization. Reform of public accounting is also part of the program, including Treasury re-organization, de-concentration of accounting, and revision of the accounting chart. Finally, the adoption

of a general strategy for development and consolidation of computerization of public finance is foreseen, to assure the compatibility of existing applications and future developments.

6. To finalize the reforms foreseen in the Good Governance Committee Report, the MF has prepared a capacity strengthening program, called PREMIER. The overall objective of this program is the articulation, over a three-year participative process period, of an overall and integrated vision for the modernization and strengthening of the MF capacities, while ensuring increased efficiency of external support. The coordination of the PREMIER program is assumed by a committee presided over by the MF.

#### **Activities financed by IDA**

7. The activities foreseen contribute to the implementation of structural reforms necessary for improving the management of public finance anticipated in the Economic Governance pillar of the inter-ministerial report on governance<sup>6</sup> and in the PRSP as well as in the short-term follow-up report of the IMF<sup>7</sup>. The activities specifically aim at assisting the MF in implementing its PREMIER program, which is developed from the inter-ministerial report.

##### **(i) Strengthening of resource mobilization (US\$1,650,000)**

8. The financing of some financial reform areas takes into consideration the recommendations made by the most involved donors in public financial management IMF TA conclusions (FAD/Tax Policy) is considering the Project as a supporting tool for the proposed reform. A software acquisition is indisputable. The general training program on tax policy and specific training on computerization are element of the resource mobilization pillar. The rehabilitation of DGI and DGE offices is needed to protect equipment and provide adequate working environment.. The Project is a tool aimed at increasing tax potential, with necessary flexibility to enable more precise definition in the coming months.

9. Specific actions financed by IDA are:

- Rehabilitation of and security measures for DGI/DGE office buildings. The support will begin in 2006 after completion of the feasibility study. IDA resources will finance the study and the rehabilitation, which will be carried out in 2007/2008;
- Taxpayer management software. The IDA credit will finance preparation of software specifications in 2006, then the procurement of software and the technical assistance necessary (US\$1 million);
- Potential tax increases, from the action plan implemented by the Mauritanian authorities, based on timely FAD/Tax Policy conclusions. This action plan would cover (the cost of) surveys, use of information, recruitment and training of surveyors, and supervision of the survey and logistics.
- Internal control manual for the DGI. The IDA credit will finance the consultation for preparing an internal control manual in 2007.
- Administration/users relations. The IDA credit will finance IEC activities from 2006 to facilitate the improvement of relations between DGI and its users.
- Reform of tax legislation. Starting in 2007, IDA will finance consultations to support DGI in preparing tax law reforms.

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<sup>6</sup> This report, completed by the Government of Transition and discussed at national *cours d'assises* outlines the fundamentals foreseen in terms of establishing good governance.

<sup>7</sup> The Staff-monitored Program (SMP) covers the first half of 2006 and aims at establishing macro-budgetary stability before engaging in a new Poverty Reduction and Growth Facility.

- General training in tax policy (i) for all tax administration staff; and (ii) new staff in charge of tax collection functions.

**(ii) Improvement of budget presentation and planning (US\$450,000)**

10. Budget classifications are being improved, including functional classification that supports the pro-poor spending codification. Corrections of titles and precision in subsidies dispatching on EPA should be implemented in the 2007 budget elaboration process. Global MTEF should be supported by a macro-budgetary framework and a sectoral framework. In the current process, the 2006-2009 MTEF is being elaborated, and a first draft is expected in May 2006. Even with this first draft, authorities have stated that technical assistance to improve the exercise is still needed for next year. Authorities are aware that definition of a sectoral MTEF is needed at the beginning the process in education, health, and rural development, and later in three other areas (water, urban, transport sectors), even though these exercises would be carried out of the Project financing support.

11. Specific actions financed by IDA are:

- Macroeconomic modeling. In 2007, the credit will finance consultation to support MAED, specifically the DPE and the modeling committee to set in place a high performance macro-economic modeling tool, and technical assistance to the committee to assure the mastery of the tool.
- Budget elaboration. The credit will finance consolidation of already accomplished efforts in budget classifications and budget presentation.
- Budget planning. Beginning in 2006, the credit will finance consultation to support the DBC and DPE in defining and implementing the budget planning strategy (budget preparation timetable, the roles of the various involved entities, working groups), through the development of tools and technical assistance. Plus, this credit will support an improvement in MTEF exercises in 2007, including how to incorporate MTEF in budgetary law.
- Considerations on the consolidation of the Finance Law (*Loi des Finances*, LDF) and the Investment consolidated budget (BCI). In 2007, IDA will finance a study on the path to take for the consolidation of the LDF and BCI.
- Retrospective analysis of expenditure of the priority sector Ministries. A consultation could be financed in 2007 to support the DBC in developing an expenditure review for the priority sectors.

**(iii) Improvement of budget execution and accounting (US\$1,710,000)**

12. Even though RACHAD<sup>8</sup> is still not operational, DBC has implemented a steering committee for the elaboration and execution of budget processes, to reinforce the order of payment phase. The committee will ensure a link between Treasury and MAED whereby an implementation chronogram has been provided, and implementation staff is assigned. Implementation of the RACHAD software is planned for MF in April and for the MoPSE in May 2006. When it is operational, along with the implementation of the functional classification and pro-poor spending codification, budget execution tables will be generated on a timely basis, with cross-referenced tables at different stages of the expenditure process (commitment, authorization of payment and payment).

13. Within three years, Treasury is planning for a comprehensive and fluid circuit of spending which will link up with public financial systems, reaching an efficient control and conciliation of accounts, and providing timely and comprehensive actual payment accounts and budget review acts. A connection with the administrative phase of the spending chain needs the implementation of a payment module software,

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<sup>8</sup> RACHAD is an automated network for expenditure processing.

and confirming the accountant's responsibility (visa). The Beit El Mal software must be updated, secured, and extended to the external treasury network.

14. Specific actions financed by IDA are:

- Revision of certain texts governing aspects of public financial reform, such as the manual for spending circuit, and the General Regulation of Public Accounting (RGCP), based on a chronologically highlighted priority for the spending circuit manual. RGCP, to be revised, does not exclude that during a temporary period, new rules could be implemented on delegated issuance of orders of payment, on the financial control and on tax collection. When the new rules are functional (2008), the revision of the RGCP will be easier and more realistic.
- General strategy. The IDA credit could finance the updating and positioning of a general Information Technology (IT) strategy for the MF, as well as the specifications for different applications to be developed, not so much to acquire the tool itself, but rather to fit in a coherent IT framework for all Ministries. The updating of the general IT strategy provided by Secretary of State for New Technologies, and validated by an external consultant, should be the ideal tool to eliminate the "mosaic aspect" of the current computerized architecture. The IDA credit will finance updating of and additions to the existing study, as well as technical descriptions for different applications to be developed.
- Deploying the RACHAD application. IDA will finance the actions necessary for the deployment of RACHAD in one pilot Ministry in 2006, five to ten other departments in 2007, and the remaining in 2008. This financing will cover the costs of assistance for deployment, maintenance, reproduction of user manuals, and training of CFs, SGs and the Finance and Administration Directors, as well as the training of trainers.
- Support to de-concentration of financial controls. New financial controllers identified in the de-concentrated departments will be trained.
- Production of budget execution reports. A blueprint with cross-referenced tables must be provided, before providing the reports on a monthly or tri-monthly base.
- Administration-user relations. The IDA credit will finance IEC activities from 2006 to facilitate the improvement of DBC's relations with its users.
- Rehabilitation and securing of offices of the IT Directorate. The support will start in 2006 with a feasibility study. IDA resources will finance the study and the rehabilitation, which will be carried out in 2007.
- Strengthening the accounting system. Starting in 2006, IDA could finance costs of securing the Beit El Mal accounting software. IDA will also finance training of accountants and non-accountants of the treasury network in its use, at the central level but also at the de-concentrated level. The financing will also support the study on simplification of the nomenclature on Treasury accounts, the study on the dissemination of double accounting, and the collection account operation. The cost of the accounting data entry through the web module of the Beit El Mal could be also financed.
- Training of MF staff (other than Treasury staff). The credit will finance training of MF in relation to the various reforms.

**(iv) Strengthening the efficiency of expenditure (US\$575,000)**

15. Reorganizing the financial control function is necessary, and includes: (i) implementing a financial control coordination unit in MF (budget); (ii) providing a specific financial control manual within the framework of a spending circuit manual, to harmonize and standardize control procedures and eliminate all slippage; (iii) reviewing the setting of the central financial control and deciding on its role; (iv) initiating a rigorous public finance training for financial controllers that is parallel to the training of

authorization of payment units in sectoral ministries, so that the two entities can communicate on an equal level. The Project will also provide monitoring and evaluation support to MAED. MAED expresses a need for a monitoring software common to both departments (Programming Direction and Financial Direction) for both physical and financial monitoring. MAED must accept the idea of current de-compartmentalization, based on (i) MAED's re-organization study; and (ii) joint budget elaboration process with MF..

16. Specific actions financed by IDA are:

- Control. The credit will finance revision of texts necessary for a sound de-concentration of the control function (included in spending circuit manual) and will support the General Finance Inspectorate to accompany this reform.
- Monitoring and evaluation in MAED. The credit will finance technical assistance for the implementation of a monitoring and evaluation system, and the creation of an IT application.
- The credit will finance the cost of public expenditure traceability surveys (PETS) to overcome the constraints linked to expenditure efficiency at the local level. This financing will cover the costs of consultation for the formulation of a methodology note, surveyors and supervision, training and use of the information collected, as well as use of the results for decision-making.

(v) **Strengthening of PFM at the de-concentrated level in two regional capitals, Nouadhibou and Rosso (US\$750,000)**

17. Treasury has secondary accountants outside of the capital city, and bookkeeping is done with the single accounts system, rather than a double-entry system. IDA will finance the preparation and implementation of a legal framework to de-concentrate PFM. Specific actions will be as follows:

- Revision of texts on delegation of credits (US\$100,000) and support to implementation (US\$100,000). The credit will finance consultants for the revision of texts regulating expenditure management at the local level, dissemination and training on the new legislation;
- Rehabilitation (US\$300,000) and office equipment (US\$150,000). The credit will finance rehabilitation of Tax and Treasury branch office buildings in Nouadhibou and Rosso, as well as parts of IT and office equipment. Other equipment will be financed by the Government;
- Training (US\$100,000): The credit will finance training and upgrading of staff Tax and Treasury branch offices on new responsibilities and procedures.

## **COMPONENT B: SUPPORT TO LOCAL DEVELOPMENT (IDA: US\$1,565,000)**

18. The objective of this component is to support the implementation of reforms aimed at increasing decentralization and de-concentration. To check relevance and feasibility of reforms before going full scale, it has been decided to implement two pilot operations in the regions of Dakhlet Nouadhibou and Trarza.

### **Implementation**

19. The implementation of this component will be under the responsibility of the MIPT via its DGCL and DAT central Directorates, as well as the Walis of Dakhlet Nouadhibou and Trarza regions. To coordinate the different activities and assure an interface between decentralization and de-concentration, the Ministry will designate a focal point person to be in charge of coordination of project supported activities within the Ministry and who will liaise with the Project coordinating unit under the Prime

Minster's office. Besides IDA, other donors involved in this component are the French Cooperation, UNDP, GTZ and EU, although most of their contributions have yet to be specified.

### **Government Program**

20. The Government has designed a program with the objective of facilitating the implementation of the de-concentration and decentralization policy by strengthening the central administration responsible for elaborating and guiding these policies at the national level, but also by integrated operations, giving more responsibility and means to local structures in some pilot regions.

21. The Government program foresees supporting the dual decentralization/de-concentration process via the DAT and DGCL, by providing them with tools and means to carry out, in the long term, reforms that have been initiated or that will be prepared. At the same time, the Government anticipates carrying out pilot operations in certain regions with an important economic potential, to test the approaches of de-concentration and decentralization in more depth. Local procurement units could be envisaged at the regional level if they are compatible with recommendations made in the framework of current reforms supported by IDA to ensure a greater local impact for local investment expenditures.

### **Activities financed by IDA (US\$1,565,000)**

#### **(i) Support to the DGCL (US\$175,000)**

- a) Acquisition of office equipment (US\$50,000). The DGCL, for which the organizational chart has just been implemented by the appointment of several key staff, will move into a larger office building and will need extra equipment for the new offices; and
- b) Creation of a database on municipal finance (US\$125,000). To be able to monitor the financial situation of municipalities, the DGCL will set up a monitoring system for essential municipal management indicators (216 communes). The project will finance design and creation of a suitable database and staff training.

#### **(ii) Support to the DAT (US\$550,000)**

- a) Purchase of office furniture (US\$50,000). The project will finance office furniture for the DAT offices currently being rehabilitated under Government financing;
- b) Purchase of IT equipment (US\$50,000). This equipment will enable the DAT to have new equipment and create a local computer network;
- c) Studies (US\$200,000) to review the totality of texts relating to territorial administration and territory division and propose reforms that could be initiated after the transition; and
- d) Training (US\$250,000) for DAT staff.

#### **(iii) IEC and support to communication for the MIPT (US\$40,000)**

#### **(iv) Pilot operation in Dakhlet (Nouadhibou) and Trarza (Rosso) for local development management (US\$800,000)**

- a) Developing and animating a local working group (US\$50,000). Given the absence of an officially recognized regional forum, the Project will support the creation of a local working group (LWG). Chaired by the Wali, this working group will include the mayor, the technical branch offices, NGOs, the private sector, and other donors at the local level. The working group will promote dialogue, coordination, and synergies between actors involved in local development.

In particular, it will facilitate the implementation of anticipated reforms in the areas of decentralization and de-concentration;

- b) Development of regional PRSP in the Dakhlet Nouadhibou (US\$100,000), the Trarza (Rosso) will be financed by the Human Rights High Commissioner;
- c) Development of a Local Development Plan for Rosso and hinterland (US\$30,000), in coordination with the regional PRSP
- d) Development of a database (US\$65,000). Based notably on studies and inventories led for the PRSP and linked with national data bases;
- e) Support to two Wilayas and branch offices (US\$430,000). Wilayas will create a monitoring and assistance unit for communes, to conduct legal control currently carried out by DGCL staff seconded to Walis. The credit will finance rehabilitation of office buildings (US\$ 180,000), office equipment (US\$ 100,000), and TA to the Wilayas (US\$ 150,000) to:
  - Review organizational charts of Wilayas to increase organizational efficiency and management of personnel;
  - Assist the Wilayas to implement the adopted organizational layout (evaluation of staffing and equipment needs, job definitions, procedures development etc.);
  - Undertake basic training of Wilaya's support personnel;
  - Assist the Wilayas in the signing of contracts with the municipalities;
- f) Carrying out a training program for branch offices (US\$80,000); and
- g) Evaluation of the pilot project during the last year of the project (US\$25,000).

### **COMPONENT C: MAINSTREAMING ENVIRONMENT INTO DEVELOPMENT MANAGEMENT (IDA: US\$985,000)**

22. The objective of this component is to facilitate the integration of environmental concerns in development, through a harmonization of various sector strategies and existing texts, to clearly establish the central and cross sectoral character of environmental concerns. More precisely the implementation of this component will: (i) accelerate the official adoption of the NEAP as the environmental strategy document of the Government; (ii) result in the creation of a structure to manage environment, as recommended by the NEAP; and (iii) strengthen the capacities of selected sectoral institutions in their specific domains.

23. In this perspective, the inclusion of environment as a priority theme in PRSP II constitutes significant progress, which naturally encourages a better integration of environmental aspects in development programs and indicates the affirmation of political will in this area.

#### **Implementation and partnerships**

24. The implementation of this component suffers from the absence of a structure, recommended by the NEAP, which was expected by external partners of Mauritania but has been postponed by the Transition Government. The Government has demonstrated its willingness to adopt the NEAP as a priority decision and to prepare the creation of this structure, left for the post-transition Government to decide on. To strengthen the inter-sectoral character of the chosen course of action, it has been agreed with the MDRE, the Ministry currently in charge of Environment, and the donors involved that the actions supported by the Project will be monitored by a small structure directly attached to the Minister's Office. The component has been prepared on this basis. The person in charge of the coordination of this structure will be the focal point of the MDRE in the Steering Committee. The Environment Directorate of the MDRE will evolve toward a dedicated sectoral unit and will not be involved in overall coordination of the component's implementation.

25. Other donors for this component are AFD, GTZ, and UNDP. According to its November, 2005 mission, AFD would finance one or more pilot activities of multi-sectoral nature, including the creation of a coastline observatory. The amount of this assistance will be specified shortly. GTZ has confirmed its intention of supporting the approach of instituting a dedicated structure, which in the long term will be charged with environmental management and training. The amount of this assistance has been evaluated at approximately US\$450,000 and the mode of support will be specified shortly. UNDP has also agreed to provide support to the implementation of the NEAP, strengthening the capacities of the MDRE, and support to pilot operations.

26. IDA is also preparing a Supplemental Credit to the PRISM 2 (new Component focused on Petroleum Capacity Building aimed at developing sound financial management of oil resources and supporting the creation of a unit in charge of environment issues within the Ministry of Oil. This supplemental credit, to be approved in FY07, is in line with the Project.

### **Government Program**

27. The definition of the Government program for environment is outlined in the NEAP, which specifies the initiatives to mitigate the absence of a coordinated national environmental policy. The NEAP proposes concrete directions for environmental policy and was validated by the various public actors, civil society, and donors in June, 2004. However, it still has not been formally adopted by the Government. This adoption, during the first year of implementation of the Project, will be an output indicator for the Environment Component. The study on the support for the integration of environment in development, concluded in July 2005 as part of project preparation, established the approach for operationalizing the various chosen actions.

28. A number of actions aiming at a better integration of environmental aspects in sector development policies have been started, but remain scarcely coordinated and insufficient. Nevertheless, these actions indicate important and specific measures and a basic understanding of the future structure, notably:

- Development and implementation of several projects and programs in the area of natural resource and environmental management (PGRNP/PDRC, Biodiversity Mauritania-Senegal, Synergy of environmental conventions, environment component of PDIAIM, environment component of PDU, FNUAP Assaba project, PAN/LDC, ProGRN, etc.);
- The 1991 creation of a unit in charge of environment in MDRE;
- Ratification of international conventions (UNCCD, UNFCCC, CBD, Ramsar, POP's, Bale, Ozone, CITES, etc.) and the development of corresponding action plans;
- Development of environmental legislation and texts for the management of the ensemble of environmental concerns in several sectors of the economy: fishery, agriculture, cattle farming, water, and oil;
- Gradually more effective and imposing role of civil society in the management of natural resources and strengthening of their capacities; and
- Inclusion of good governance on environment in the Government roadmap.

### **Activities financed by IDA**

- (i) Support to a working group aimed at preparing and supporting the creation of a dedicated structure, as recommended by the NEAP (US\$175,000)**

This activity will last 18 to 24 months, preceded by a framework to be worked out from 2006. The credit will finance technical assistance necessary for the holding of periodic workshops to prepare the



operationalization of the dedicated structure and mobilize the Mauritanian actors around the approach. This activity will further provide the multi-sector framework necessary for the review of draft legislation and regulation, to be finalized and presented for the post-transition Government.

**(ii) Capacity building (US\$ 290,000)**

- (a) Development and monitoring of a training plan (US\$40,000). The credit will finance the development in 2006 of a training plan. The training plan will target all environmental actors in Mauritania, public and private, and particularly officials selected in each Ministry, to ensure a core of knowledge and facilitating the creation of environmental units in each core Ministry before the end of the project.
- (b) Financing of training sessions (US\$250,000). The credit will finance trainers and the organization of training sessions on the basis of annual programs prepared and approved by the Project coordination unit under the Prime Minister's office. Local training structures will be used to the extent possible. The training program will take place over the entire implementation period of the project and will be linked, as much as possible, to the objectives of inter-sectoral dialogue.

**(iii) Pilot projects (US\$ 920,000, of which US\$ 520,000 IDA financing)**

The pilot projects are linked to major current concerns in environment. They will be selected for inter-sectoral implementation by at least two sector departments involved in the selected issues in order to develop inter-sectoral cooperation. Two pilot operations have been proposed for project financing:

- (a) Study on the preparation of an Environmental Information System (US\$ 250,000). This will encompass the establishment of a substantial information system and concomitant institutional grounding. This is why, while waiting for the creation of transversal structure governing environmental matters, which should host such a system, the Project will be limited to preparing necessary base studies and training personnel to manage the system. This groundwork would support the development of an appropriate framework for the establishment of a coherent environmental information system. The credit will finance consultants.
- (b) Action plan for the coastline of Nouakchott (US\$ 270,000). This will support implementation of the Mauritania Seashore Development Plan, PDALM, and Seashore Development Directives. Main activities are: (i) development of seashore development directives for Nouakchott; and (b) preservation and development of the sand dunes area in Nouakchott. Implementation of this operation implies close coordination between actors, notably the Infrastructure and Fisheries Ministries as well as the Nouakchott urban community.

**COMPONENT D: IMPROVEMENT OF HUMAN RESOURCES MANAGEMENT IN PUBLIC ADMINISTRATIONS (IDA: US\$2,285,000)**

29. This component will support improvement of human resources management (HRM) in public administrations to realize two objectives. First, simplify the existing civil service structure and management by adopting and implementing reforms prepared some years ago, including specific statutes, new salary scales, and modernization of career management. Second, increase human resource efficiency by creating reliable information on all Government employees (numbers, postings, jobs, positions, budget positions, compensation, and financing source) and by improving HRM computerized and institutional tools.

## Implementation and Partnerships

30. The implementation of this component will be the responsibility of the Directorate of Civil Service and Administrative Reform (*Direction Générale de la Fonction Publique et de la Réforme de l'Administration* – DGFPPRA) within the MoCSE, which will host the focal point person for the component, and will work with the DBC-Pay unit, sector Ministries' units in charge of HRM, and the National Secretary in charge of New Technologies (SETN). In addition to IDA, donors for this component are UNDP, GTZ, and EU, although most commitments have yet to be specified.

## Government Program

31. A diagnosis of civil service was conducted as early as 1985 with IDA support, and an overall reform was launched in 1986 with the aim of modernizing HRM policy. Some results were obtained under the IDA-financed 1987 Institutional Administrative and Reform Development Project (*Projet de développement institutionnel administratif et de la réforme*, PDIAR), notably a national census in 1991, an inventory of administration structure in 1992, a computerized personnel management system in 1992, and the adoption of a General Civil Service Statute (*statut général de la fonction publique*, SGFP) in January 1993. In 1995, early steps were taken for HRM de-concentration to sector Ministries and created participatory management institutions with social partners, disciplinary commissions, and instated a competitive exam as the sole recruitment channel for statutory civil servants. In January 1999, a compensation reform was formally passed, which consisted mostly of new salary scales simplifying the salary and bonuses system and adapted to new specific statutes prepared as by-laws of the SGFP to streamline career management. None of these laws and by-laws was ever enforced.

32. A round-table was held on the overhaul of the civil service in 1999 and resulted in the development of a strategy for modernizing the civil service, the issuance of an action plan, and a series of recommendations. Following the adoption of a national program of good governance in 2003, an inter-ministerial committee for the modernization of the public administration developed a report and a five year action plan, which was approved by the Council of Ministers in November 2005. And on January 20, 2006, a decree was issued which simplified the bonus system.

## Actions financed by IDA

- (i) **Support to HRM Capacity Creation in Public Administration (US\$460,000)**
  - a) Updating SGFP by-laws on State employees' statutes, for which the credit will finance national consultants (US\$100,000). These legal texts are:
    - Specific statutes: regrouping in 12 families of current professions in civil service;
    - Compensation, on the basis of new specific statutes;
    - Fixed-Term Contract employment for specific missions;
    - Competitive exam as the sole recruitment channel for statutory civil servants (excluding management).
    - A system of evaluation (article 63 of the SGFP and Decree no. 95-001 of January 18, 1995) including the revision of the support to the evaluation.
  - b) Strengthening of the DGFPPRA (US\$230,000) to launch reforms of its current HRM mission to become the organ of conception, planning, and putting in perspective the employment politics of the State and of statutory dispositions. The credit will finance staff training, office rehabilitation, and office equipment. Government has already purchased the necessary IT equipment.

- c) Begin creating HRM capacity in public administration (US\$130,000) by training staff involved in personnel management (permanent secretaries, finance and general affairs management directorates, HRM units, and personnel services in ministries and branch offices) in the totality of HRM tasks (reviewing the structures and making possible changes, forecasting needs, temporary management chart for employment and competencies, and developing and implementing training plans). The credit will finance HRM training, including developing the tools mentioned above.

**(ii) Modernization of administration tools (US\$1,825,000)**

- a) State employees' census (US\$300,000). To be conducted over a period of 12 months and could start at the end of 2006. The credit will finance the recruitment and training of personnel, (surveyors, supervisors, data-entering persons, consultants for results analysis), logistics (materials and transport), and an information campaign.
- b) Develop a computerized system for the management of State employees, payroll, and HRM responsibilities, shared among DGFPPRA, DBC-Pay, and sector ministries (US\$1,100,000). Census results will provide data to the common database, each user being responsible for daily updates as relevant to their respective expertise. The credit will finance IT equipment, software, users' training, and data entry in DGFPPRA, DBC-Pay, and sector ministries. The State will finance maintenance and IT equipment in the sector ministries (for some, this equipment is already in place).
- c) Establishment of electronic archives and a web site for the civil service (US\$200,000). IT-based management of documents consists of collecting all paper documents and digitizing them. Given conservation conditions, electronic files are by far preferable to paper, and will facilitate people's access to their own files. A documentary fund covering the totality of legislation and regulation for the civil service will facilitate access to the texts and legal security, and will be part of a knowledge base to be created at a later stage, and consolidating all texts of the State from 1955 onwards.
- d) Strengthening of the National School of Administration (ENA) (US\$225,000). The ENA delivers most of the basic training to civil servants, as well as in-service training to personnel. In addition to the benefits of strengthening, notably through the development of training modules for activities outlined in this Project component, the credit will finance the rehabilitation of ENA's training premises and some equipment.

**COMPONENT E: SUPPORT TO PROJECT IMPLEMENTATION, MONITORING AND EVALUATION (US\$970,000)**

33. This component will support the Project coordinating unit under the Prime Minister's office during project implementation to ensure proper management and adequate monitoring and evaluation of project outputs and outcome.

**Actions Financed by IDA (US\$ 970,000)**

**(i) Operating costs (US\$500,000)**

The Project coordinating unit's four key staff and part of the operating costs will be financed under the credit. The portion to be financed under the IDA credit (including salaries of key staff) will not exceed 50 percent of the total budget for the Project coordinating unit. An agreement will be reached on the items to be financed as part of the budget approval process.

**2. Support to the Project coordination unit (US\$325,000)**

34. The credit will finance the technical and financial audits (US\$100,000), training for the unit staff (US\$100,000), and IEC for the reform programs supported by the Project (US\$125,000).

**3. Monitoring and evaluation (US\$145,000)**

35. The credit will finance: (i) the implementation of a computerized management system and updates if required, satisfactory to IDA (US\$60,000); (ii) technical assistance to the Project coordination unit for the preparation of the Mid-Term Review (MTR) and the closing of the Project (US\$50,000); and (iii) surveys, as needed, to ensure adequate monitoring and evaluation (US\$35,000).

**Annex 5: Project Costs**

**ISLAMIC REPUBLIC OF MAURITANIA: Public Sector Capacity Building Project**

Project Cost By Component	Local	Foreign	Total
		(US\$ million)	
A. Improvement of public finance management	2.190	2.945	5.135
B. Support to local development	1.210	0.355	1.565
C. Mainstreaming environment into development management	0.295	0.690	0.985
D. Improvement of HRM in public administrations	0.807	1.478	2.285
E. Support to project implementation, monitoring and evaluation	0.970	0.000	0.970
Refinancing of the PPF		0.760	0.760
<b>Total Baseline Cost</b>	<b>5.472</b>	<b>6.228</b>	<b>11.700</b>
Price and Physical Contingencies	0	0	1.300
<b>Total Financing Required</b>	<b>5.472</b>	<b>6.228</b>	<b>13.000</b>

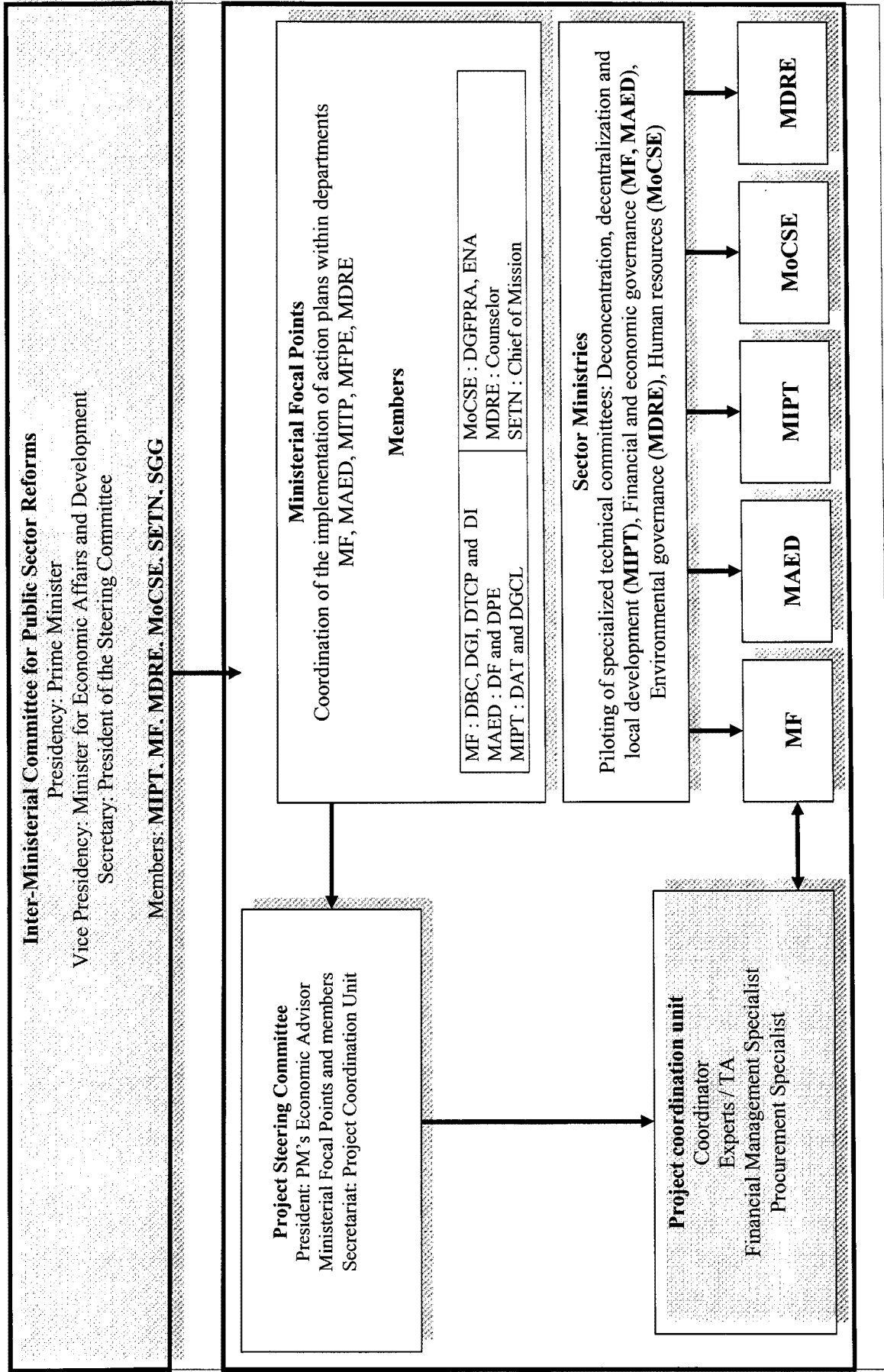
ISLAMIC REPUBLIC OF MAURITANIA: PUBLIC SECTOR CAPACITY BUILDING PROJECT						
Implementation Period: September 1, 2006 through December 31, 2009						
Amount in US Dollars (excluding taxes)						
Description	2006	2007	2008	2009	Total	IDA Govt
<b>Component A: Improvement of Public Finance Management</b>						
<b>Strengthening of resource mobilization</b>						
Rehabilitation and safety measures for DGI offices						
(i) Studies and supervision of works	15,000	0	0	0	15,000	15,000
(ii) Works	0	150,000	0	0	150,000	150,000
Revision of tax legislation	0	50,000	0	0	50,000	50,000
Preparation of DGI software specifications	25,000	25,000	0	0	50,000	50,000
Procurement of software and technical assistance	0	1,000,000	0	0	1,000,000	1,000,000
Computer equipment	0	0	0	0	pm (Etat)	pm (Etat)
Tax potential increase	0	150,000	150,000	0	300,000	300,000
Internal control manual for the DGI	0	25,000	0	0	25,000	25,000
Administration/users relations (IEC, web, etc...)	15,000	15,000	15,000	15,000	60,000	60,000
<b>Improvement of budget presentation and planning</b>						
Support to the macro-economic modeling tool (MAED)						
Consolidation of budget classifications and presentation	25,000	25,000	25,000	25,000	100,000	100,000
Overall MTEF and support	25,000	25,000	25,000	25,000	100,000	100,000
Sectoral MTEFs						
Study on the consolidation of the LDF and BCI	25,000	75,000	0	0	100,000	100,000
Retrospective analysis of expenditure of the priority sectors (5)	50,000	0	0	0	50,000	50,000
<b>Improvement of budget execution and accounting</b>						
Preparation of development scheme and specifications	0	150,000	100,000	25,000	275,000	275,000
Rehabilitation and safety measures for DI offices	15,000	0	0	0	15,000	15,000
(i) Studies and supervision of works	0	150,000	0	0	150,000	150,000
(ii) Works						
Support to implement the RACHAD system (5 ministries)						
(i) Support to deployment (5 ministères)	50,000	50,000	15,000	15,000	130,000	130,000
(ii) Maintenance	10,000	10,000	10,000	10,000	40,000	40,000
(iii) Purchase of payment module for the Treasury	120,000	0	0	0	120,000	120,000
(iv) Computer equipment (5 ministries and network)						
(v) Reproduction of user manuals	10,000	0	0	0	10,000	10,000
(vi) Training for CF, SG et DAF (5 ministries)	0	15,000	0	0	15,000	15,000
Support to general implementation of the RACHAD system						
(i) Support to deployment (15 ministries)	0	150,000	150,000	45,000	345,000	345,000
(ii) Maintenance	0	20,000	20,000	20,000	60,000	60,000
(iii) Computer equipment (5 ministries and network)						
(iv) Reproduction of user manuals	0	30,000	0	0	30,000	30,000
(v) Training CF, SG et DAF (15 ministries)	0	45,000	0	0	45,000	45,000
Support to de-concentration of financial control	0	15,000	5,000	5,000	25,000	25,000
Production of budget execution report	10,000	10,000	10,000	10,000	40,000	40,000

Strengthening of the accounting system																						
	Securing the Beit El Mal accounting software			25,000	0	0	0	0	0	25,000	0	25,000							25,000			
	Training on double accounting			25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	100,000							100,000			
	Computerized link Treasury/ BCM			0	25,000	25,000	25,000	25,000	25,000	0	0	25,000							25,000			
	Revision of texts on delegation of credits			25,000	50,000	50,000	50,000	50,000	50,000	0	25,000	100,000							100,000			
	Training for Min'in staff			25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	100,000							100,000			
	Administration/users relations (IEC, web, etc...)			15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	60,000							60,000			
<b>Strengthening the efficiency of expenditure</b>																						
	Revision of texts related to the control function (Budget, Treasury)			0	20,000	0	0	0	0	0	0	20,000							20,000			
	Technical assistance (IGF, Cour des Comptes)			0	30,000	0	0	0	0	0	0	30,000							30,000			
	Technical assistance for M&E (MAED)			0	25,000	0	0	0	0	0	0	25,000							25,000			
	Implementation of M&E system (MAED)			0	0	250,000	0	150,000	0	0	0	400,000							400,000			
	Public expenditures traceability surveys (PETS)			0	50,000	0	0	50,000	0	0	0	100,000							100,000			
<b>Strengthening PFM at the decentralized level in NDH and Rosso</b>																						
	Texts and procedures on credit delegation			100,000	0	0	0	0	0	0	0	100,000							100,000			
	Support to implementation			0	0	100,000	0	100,000	0	0	0	100,000							100,000			
	Rehabilitation of office buildings (Treasury and Tax)			0	0	0	0	0	0	0	0	0							0			
	(i) Studies and supervision of works			0	30,000	0	0	30,000	0	0	0	30,000							30,000			
	(ii) Works			0	270,000	0	0	270,000	0	0	0	270,000							270,000			
	Office equipment			0	150,000	0	0	150,000	0	0	0	150,000							150,000			
	Training for staff (Treasury and Tax)			0	50,000	50,000	50,000	50,000	50,000	0	0	100,000							100,000			
	<b>TOTAL: COMPONENT A</b>			<b>585,000</b>	<b>3,125,000</b>	<b>965,000</b>	<b>460,000</b>	<b>5,135,000</b>	<b>460,000</b>	<b>5,135,000</b>	<b>5,135,000</b>	<b>0</b>							<b>0</b>			
<b>COMPONENT B: SUPPORT TO LOCAL DEVELOPMENT</b>																						
<b>Support to MIPT</b>																						
	Support to DAT (deconcentration)			0	50,000	0	0	50,000	0	0	0	50,000							50,000			
	Office equipment			0	50,000	0	0	50,000	0	0	0	50,000							50,000			
	Computer equipment and network			0	60,000	60,000	60,000	60,000	60,000	60,000	60,000	200,000							200,000			
	Studies (texts relating to territorial adm and division, etc...)			20,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	250,000							250,000			
	Training for DAT staff			25,000	0	0	0	25,000	0	0	0	25,000							25,000			
	Support to DGCL (Decentralization)			0	50,000	0	0	50,000	0	0	0	50,000							50,000			
	Office equipment			0	50,000	0	0	50,000	0	0	0	50,000							50,000			
	Computer equipment			0	65,000	25,000	25,000	65,000	25,000	25,000	25,000	125,000							125,000			
	Creation of a database on municipal finance			10,000	0	0	0	10,000	0	0	0	10,000							10,000			
	Design and creation of database			0	0	0	0	0	0	0	0	0							0			
	Training for DGCL and elected officials			0	10,000	10,000	10,000	10,000	10,000	10,000	10,000	40,000							40,000			
	Support to communication and IEC			10,000	0	0	0	10,000	0	0	0	10,000							10,000			
<b>Renforcement de la gestion au niveau local (Nouadhibou et Rosso) - MIPT</b>																						
	Rehabilitation of office buildings of the Wilayas			0	15,000	0	0	15,000	0	0	0	15,000							15,000			
	(i) Studies and supervision of works			0	270,000	0	0	270,000	0	0	0	270,000							270,000			
	(ii) Works			0	100,000	0	0	100,000	0	0	0	100,000							100,000			
	Office equipment			0	10,000	10,000	10,000	10,000	10,000	10,000	10,000	30,000							30,000			
	Technical assistance to the wilayas			0	0	0	0	0	0	0	0	0							0			
	Strategic assistance to DGCL			0	85,000	85,000	85,000	85,000	85,000	85,000	85,000	245,000							245,000			
	Support to dialogue on local development			25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	100,000							100,000			
	Training program for branch offices			0	25,000	25,000	25,000	25,000	25,000	25,000	25,000	100,000							100,000			
	Evaluation of the pilot project			0	0	0	0	0	0	0	0	25,000							25,000			
	<b>TOTAL: COMPONENT B</b>			<b>140,000</b>	<b>865,000</b>	<b>290,000</b>	<b>270,000</b>	<b>1,565,000</b>	<b>270,000</b>	<b>1,565,000</b>	<b>1,565,000</b>	<b>0</b>							<b>0</b>			

COMPONENT C: MAINTSTREAMING ENVIRONMENT INTO DEVELOPMENT									
Support for the creation of a transversal structure	25,000	75,000	75,000	0	175,000	175,000			
Capacity building									
Development and monitoring of a training plan	25,000	5,000	5,000	5,000	40,000	40,000			
Training sessions	25,000	75,000	75,000	75,000	250,000	250,000			
Pilot projects									
(i) Study on the preparation of an EIS	150,000	100,000	0	0	250,000	250,000			
(ii) Action plan for the coastline of Nouakchott	20,000	250,000	0	0	270,000	270,000			
<b>TOTAL: COMPONENT C</b>	<b>245,000</b>	<b>505,000</b>	<b>155,000</b>	<b>80,000</b>	<b>985,000</b>	<b>985,000</b>			<b>0</b>
<b>COMPONENT D: IMPROVEMENT OF HUMAN RESOURCES MANAGEMENT IN PUBLIC ADMINISTRATIONS</b>									
Support to HRM capacity creation in public administrations									
Updating SGFP by-laws and contract employees of the State	50,000	50,000	0	0	100,000	100,000			
Rehabilitation of office buildings - DGFPPRA									
(i) Studies and supervision of works	3,500	3,500	0	0	7,000	7,000			
(ii) Works	0	63,000	0	0	63,000	63,000			
Equipment for DGFPPRA	40,000	0	0	0	40,000	40,000			
Strengthening of DGFPPRA	30,000	30,000	30,000	30,000	120,000	120,000			
Training for DRH / DAAF / SG	10,000	40,000	40,000	40,000	130,000	130,000			
<b>Modernization of administration tools</b>									
State employees' census	50,000	250,000	0	0	300,000	300,000			
Computerized system for management of state employees	100,000	500,000	500,000	0	1,100,000	1,100,000			
Specifications for computerization									
IT equipment									
Software									
Training									
Data entry									
Maintenance									
Electronic archives and website for the civil service	50,000	50,000	50,000	50,000	200,000	200,000			
Rehabilitation of training premises for ENA	0	200,000	0	0	200,000	200,000			
Equipment for ENA	0	50,000	0	0	50,000	50,000			
<b>TOTAL: COMPONENT D</b>	<b>333,500</b>	<b>986,500</b>	<b>620,000</b>	<b>120,000</b>	<b>2,310,000</b>	<b>2,285,000</b>			<b>25,000</b>
<b>COMPONENT E: SUPPORT TO PROJECT IMPLEMENTATION AND M&amp;E</b>									
Operating costs for PCU	100,000	300,000	300,000	300,000	1,000,000	1,000,000			
Technical and financial audits	25,000	25,000	25,000	25,000	100,000	100,000			
Training	25,000	25,000	25,000	25,000	100,000	100,000			
IEC for the reform programs	50,000	25,000	25,000	25,000	125,000	125,000			
Monitoring and Evaluation									
Computerized management system	40,000	0	20,000	0	60,000	60,000			
Technical assistance to PCU for MTR and closing	0	25,000	25,000	25,000	75,000	75,000			
Surveys for M&E	5,000	10,000	10,000	10,000	35,000	35,000			
<b>TOTAL: COMPONENT E</b>	<b>245,000</b>	<b>385,000</b>	<b>430,000</b>	<b>410,000</b>	<b>1,470,000</b>	<b>970,000</b>			<b>500,000</b>
<b>TOTAL: COMPONENTS A+B+C+D+E</b>	<b>1,548,500</b>	<b>5,866,500</b>	<b>2,460,000</b>	<b>1,340,000</b>	<b>11,465,000</b>	<b>10,940,000</b>			<b>525,000</b>
Contingencies (10%)									
PPF refinancing	765,000				1,300,000	1,300,000			
<b>TOTAL: PROJECT COSTS</b>	<b>2,313,500</b>	<b>5,866,500</b>	<b>2,460,000</b>	<b>1,340,000</b>	<b>13,525,000</b>	<b>13,000,000</b>			<b>525,000</b>



**Annex 6: Implementation Arrangements**  
**ISLAMIC REPUBLIC OF MAURITANIA: Public Sector Capacity Building Project**



## **Institutional arrangements**

1. Project implementation will be carried out by the existing administrations, departments, and directorates. The main rationale for the proposed institutional and implementation arrangements is to rely as much as possible on existing institutional structures and staff to contribute to strengthening national capacity. According to this principle, a small project coordination unit will fall under the responsibility of the Prime Minister's Office which will ensure overall coordination of reforms, arbitrate between Ministries, and guarantee consistency between the proposed actions and the project development objectives. The project coordination unit will develop close links with the sectors to: (i) follow-up with the identified reforms and build on information produced and lessons learned from Project implementation; and (ii) act as a facilitator with other technical and financial partners in their dialogue with the Government during the preparation of the overall reform program and the mobilization of external resources needed for its implementation.

2. The institutional anchoring is two-fold:

- At the level of the Office of the Prime Minister, which presides over the Project Steering Committee and assures the overall coordination; and
- At the level of the involved Ministries, through the selection of individuals as focal point liaisons (high-ranking civil servants in each participating Ministry), officially charged by the Minister or Permanent Secretary with piloting and implementation of project activities within their respective ministries.

## **Steering Committee**

3. The Steering Committee is presided over by the Counselor of the Prime Minister in charge of Economic Affairs. The Counselor has direct authority over the Project coordinating unit. Each Ministry directly involved in the implementation of Project components has designated a focal point who will assure communication and coordination with the various beneficiaries within the Ministry. The following Ministries are represented in the Steering Committee:

- The Ministry of Finance
- The Ministry of Interior, Postal Services, and Telecommunications
- The Ministry of Civil Service and Employment
- The Ministry of Economic Affairs and Development
- The Ministry of Rural Development and Environment

4. The Steering Committee also includes other persons, selected according to need, to facilitate Project implementation. It further includes a representative of the Secretary of State for New Technologies (SETN), responsible for the compatibility of different IT systems, for information exchange between systems, and for system coherency with the Government program for administration modernization through use of IT, implemented by the SETN. The Committee will meet at least once per quarter to discuss multi-sectoral issues and to approve the work program and implementation of actions financed by the Project. The Committee will receive the quarterly progress reports produced by the Project coordinating unit, decide on the issues raised during implementation, ensure overall coordination of reforms, arbitrate between Ministries, and guarantee consistency between the proposed actions and the project development objectives

## **Project coordinating unit under the Prime Minister's office**

5. The Project coordinating unit assures the daily coordination and supervision of the Project on behalf of the Prime Minister. Its activities are supervised by the Steering Committee, for which it acts as secretariat. It is composed of staff, staff under term appointments, or civil servants and includes: a coordinator, a sector specialist, a financial management specialist, and a procurement specialist.

6. The Project coordinating unit consolidates the activity plans and annual financial plans. It organizes meetings with other donors intervening in the domains covered by the Project. The Project coordinating unit further coordinates the preparation of budget credit requests following the national budget calendar, to closely link the activities to be financed by the IDA credit to the necessary resources from the national budget and other donors. The Project coordinating unit coordinates the contributions to program budgets and assists the beneficiary Ministries in the elaboration of terms of reference for activities that concern them, while assuring that the terms of reference are examined and approved by the principal stakeholders in the relevant ministries, prior to finalization. The responsibilities of the Project coordinating unit in terms of financial management and procurement are described in detail below.

7. When necessary, the Project coordinating unit is supported by: (i) sectoral technical committees presided over by the focal point and composed of the general directors or directors involved in the Project; and (ii) the focal point of other Ministries if necessary. The technical committees meet as needed to discuss the progress of works or consider any pending issues.

## **Implementation arrangements**

### ***Types of activities to be financed***

8. The project will mostly finance consultancy services, goods, training, and process streamlining (including through the use of computerized tools, but with a clear timetable for changes in practice, procedures, and systems in conjunction with necessary training activities). It will also finance on-site rehabilitation of offices in existing buildings intended to house the departments directly involved in the implementation of planned reforms. All other works would need to be financed through the national budget. The credit will not finance vehicles, which will instead be financed from the national budget if the need arises, nor will it finance maintenance and recurrent costs, which will be part of normal budgetary allocations, except for the Project coordinating unit under the Prime Minister's office

### ***Procurement Implementation Arrangement***

9. The Project coordinating unit will be directly in charge of procurement above the established thresholds or for the activities that involve several Ministries; each Ministry will be directly in charge of the procurement process for activities below the established thresholds. More specifically, each Ministry will be directly in charge of: (i) all workshops (regardless of budget) included in its agreed work program; and (ii) procurement of small items (goods, materials, small studies, etc.) estimated at less than US\$50,000.

10. Even those project procurement processes at the ministerial level will be under the overall responsibility of the project coordination unit's Procurement Specialist who will mentor and support the Ministries' procurement agents for capacity building purposes. These arrangements have been made to support the Project objectives of capacity building and preparing the relevant Ministries for the expected increase of activity triggered by oil production. The progress made on procurement management at the Ministry level will be assessed at mid-term review and may allow, if justified, greater delegation of procurement responsibilities during the second phase of Project implementation.

11. On the basis of the arrangements described above, and in conformity with completed capacity evaluations, the procurement specialist will be recruited by the Project coordinating unit under the Prime Minister's office through competitive selection and will assume responsibilities before the effectiveness of the credit. The specialist will be responsible for: (i) assisting each Ministry in preparing its procurement plan and assuring that it is periodically updated; (ii) develop and periodically update the procurement plans for the whole project in coordination with the involved Ministries; (iii) assure the processing of all procurement activities at the level of the Project coordinating unit; (iv) strengthen the required capacities as needed, by training ministerial staff and by supporting the procurement process for their respective programs, especially during the first year of the Project; (v) consolidating all information relating to procurement for the Project; and (vi) assure the monitoring of contract execution and potential complaints.

***Financial Management, Respective Responsibilities of the Project coordinating unit, and Participating Ministries***

12. The Project coordinating unit will be required to develop a fully integrated financial management and accounting system using appropriate software as well as a detailed manual of financial procedures and chart of accounts including the format, content, and periodicity of the various financial statements to be produced. During the first year of implementation, the Project will use traditional disbursement procedures using statements of expenses (SOE). Subject to a positive evaluation by IDA disbursement and financial management experts, the Project will subsequently shift to Financial Management Report (FMR)-based disbursements.

13. The Project coordinating unit will be required to coach and assist the five participating Ministries in their related duties (simple cash budget and monthly financial reporting, etc.). The Project coordinating unit will manage a designated account opened in a commercial bank and audited by an external auditor. The technical committees within the Ministries will be responsible for the design of their annual budgets based on the agreed-upon directives and parameters defined for the Project, and with the assistance of the responsible Financial Management Specialist (FMS) of the Project. The budget proposed by each Ministry will simultaneously account for the needs of each Ministry and the overall objectives of the Project. The proposed ministerial budgets will be submitted to the FMS and the Project coordinator. These budgets will be consolidated into a single yearly project budget under the supervision of the Coordinator, and will subsequently be submitted to the Steering Committee and IDA for review.

14. The focal point in each Ministry will be responsible for overall coordination of the sector reform program within the entire Ministry. This person will work closely with the directorates involved, monitor the actions and inform the Minister and the Steering Committee on a quarterly basis through the Project coordinating unit. The focal point are high level staff appointed by the Minister to lead and monitor implementation of Project activities, including future operations to be prepared with other technical and financial partners. The focal point will receive monitoring and evaluation training financed under the Project. Salaries, operational and recurrent costs will be part of normal budgetary allocations.

## **Annex 7: Financial Management and Disbursement Arrangements**

### **ISLAMIC REPUBLIC OF MAURITANIA: Public Sector Capacity Building Project**

#### **Implementing Entity**

1. The Project coordination unit under the Prime Minister's office will ensure daily coordination and supervision of the project on behalf of the Prime Minister, and its activity will be monitored by the Steering Committee. It will comprise officials and contracted staff: a coordinator, a public sector specialist, a financial management specialist, and a procurement specialist.
2. The Project Coordinator will consolidate yearly activities and financial plans. The Coordinator will organize meetings with donors involved in the areas covered by the Project. Responsibilities also include coordinating preparation of budget requests following the national budgetary calendar, to firmly link activities financed by the credit with necessary inputs from the national budget and other donors. Additionally, the Coordinator will coordinate inputs into the design of participating Ministry program budgets. The Project coordinating unit will assist the participating Ministries in elaborating terms of reference, while ensuring that they have been discussed and agreed upon by key stakeholders within the relevant Ministries prior to their finalization. The responsibilities of the Project coordinating unit with respect to financial management and procurement are detailed below.
3. The main recommendations below relate to the finance staff, the information system organization, and the audits that should be implemented before project effectiveness.

#### **Staffing**

4. The Project coordinating unit has already appointed a Financial Management Specialist (FMS) with academic and professional qualifications acceptable to the Bank. Reporting to the Project Coordinator, the FMS should be able to manage and guide financial management operations, and is assisted by an accounting support staff, already working for the project.

#### **Risk analysis**

5. The Country Financial Accountability Assessment revealed that the systems for planning, budgeting, monitoring, and controlling public resources in Mauritania are improving but do not provide sufficient reasonable assurance that funds are being used for their intended purpose. The risk of waste, diversion, and misuse of funds was assessed as partially high. As the CFAA recommendations on financial accountability reforms have not fully been implemented yet, the country risk is assessed as partially high.
6. The overall project risk from a financial management perspective is considered Substantial. Nevertheless, various measures to mitigate these risks have been agreed upon. The financial management arrangements of the Project are designed to ensure that funds are used for the purpose intended, and timely information is produced for project management and government oversight, and to facilitate compliance with IDA fiduciary requirements. The table below identifies the key risks that project management may face in achieving its objectives and provides a basis for determining how management should address these risks.

## Control Risks

7. The main control risks, ratings, and mitigating measures are tabulated below. The project risk from a financial management perspective was Substantial at Appraisal. It would be Moderate at effectiveness, provided the risk mitigating measures below are properly addressed.

<b>CONTROL RISK</b>	<b>Risk Rating</b>	<b>Risk Mitigating Measures</b>
<b>Implementing Entity</b> As a newly created entity, the Project coordinating unit may not have not sufficient experience with IDA procedures	M	Manual of procedures and training on IDA procedures will be provided to Project's staff.
<b>FUNDS FLOW</b>	<b>Risk Rating</b>	<b>Risk Mitigating Measures</b>
Delays in transfer of counterpart funds from MF (Treasury) to the Project.	M	a) The MF will establish clear procedural and service standards for funds transfer to Project that meet the FM requirements, and monitor compliance with the procedures and service standards. b) Follow up by the Project FMS.
<b>Staffing</b>	M	Provide adequate training and capacity building activities to enable implementation according to IDA procedures during preparation and thereafter on a continuous basis.
<b>Accounting Policies and Procedures</b> Adequacy of controls over the preparation and approval of transactions, payments, basis of accounting, accounting standards, cash and bank transactions, project assets, etc.	M	a) Control procedures will be documented in the Financial & Administrative Procedures Manual (FAPM) and regularly updated; b) Accurate basis of accounting will be used. c) Fixed Assets Register will be established. d) Contract Register will be maintained.
<b>CONTROL RISK</b>	<b>Risk Rating</b>	<b>Risk Mitigating Measures</b>
<b>Internal control</b> Non-compliance with internal control arrangements.	M	a) Due segregation of functions will be outlined in the manual of procedures. b) Regular Bank supervision missions, including SOE reviews and timely follow-up on management letter issues.
<b>External Audit</b> Project audits will be in arrears.	M	a) Annual external audit will be undertaken with TORs acceptable to the Bank. b) Independent qualified external auditors will be appointed. c) Annual audit reports on the financial statements will be submitted to the Bank within six (6) months after year-end.

<p><b>Reporting and Monitoring</b></p> <p>a) Management report preparation will not be timely.</p> <p>b) Bank Reconciliation Statements preparation will not be timely.</p> <p>c) Budget monitoring: Comparison of actual expenditures with budget will not be carried out on a regular basis.</p>	<p>M</p>	<p>a) Annual financial statements and quarterly FMRs will be produced.</p> <p>b) Financial statements will be produced in a timely manner for planning, control, and decision-making purposes.</p> <p>c) A Financial Management Consultant will be retained to advise and assist on the selection and installation of the Project's FMS.</p> <p>d) The new system will have the capability of linking physical and financial data.</p> <p>e) Quarterly reporting arrangements, including report contents, will be documented in the FAPM.</p> <p>f) Bank reconciliation statements will be prepared on a monthly basis.</p> <p>g) Reports comparing budget with actual expenditures will be prepared on a monthly basis and reviewed regularly.</p>
<p><b>Information Systems:</b> Only a FM information exists</p>	<p>M</p>	<p>a) The existing FM system will be extended to link financial information with physical progress data.</p> <p>b) Appropriate training will be given to staff.</p>

H = High; S = Substantial; M = Moderate; N/L = Negligible or Low

### Strengths and Weaknesses

8. Strength. The project preparation unit already has a FM system and qualified staff in place.
9. Weaknesses. The system needs to be better customized so as to automatically generate FMRs and link operational data.

### Information Systems

10. The existing computerized FM systems will be revised and updated accordingly. In this respect, a Financial Management Consultant will be appointed to develop a manual of procedures and subsequently assist the customization of the overall system. The consultant will also train financial staff on the use of this system.

### Financial Reporting and Monitoring

11. On a quarterly basis, Financial Monitoring Reports (FMR) will be prepared by the FMS and submitted to project management and IDA for the purpose of monitoring project implementation. These reports will include: (i) Bank Reconciliation Statement; (ii) Statement of Cash Position; (iii) Statement of Expenditures; (iv) Statement of Sources and Uses of Funds; (v) Financial Reports; (vi) Physical Progress Reports; and (vii) Procurement Reports substantiated by appropriate comments.

12. Annual project financial statements will also be required consisting of the following: (i) A Statement of Sources and Uses of funds (by Credit Category/by Activity showing IDA and Counterpart Funds separately); (ii) A Statement of Cash Position for Project Funds from all sources; (iii) Statements reconciling the balances on the various bank accounts (including IDA Special Account) to the bank balances shown on the Consolidated Statement of Sources and Uses of Funds; (iv) SOE Withdrawal Schedule listing individual withdrawal applications relating to disbursements by the SOE Method, by reference number, date, and amount; and (v) Notes to the Financial Statements.

13. Indicative formats for the reports are outlined in two Bank publications: (a) quarterly FMRs in the FMR Guidelines, and (b) monthly and annual reports in the Financial Accounting, Reporting, and Auditing Handbook (FARAH).

### **Accounting Policies and Procedures**

14. Project accounts will be maintained on an accurate basis, augmented with appropriate records and procedures to track commitments and to safeguard assets. Accounting records will be maintained in dual currencies (i.e. Ouguiyas and SDR or USD). The Chart of Accounts will facilitate the preparation of relevant quarterly and annual financial statements, including information on the following:

- Total project expenditures;
- Total financial contribution from each financier;
- Total expenditure on each project component/activity; and
- Analysis of total expenditure for civil works, various categories of goods, training, consultants and other procurement and disbursement categories.

15. Annual financial statements will be prepared in accordance with International Accounting Standards (IASs). All accounting and control procedures will be documented in the Financial and Administrative Procedures Manual (FAPM), a living document that will be regularly updated by the FMS.

### **AUDIT ARRANGEMENTS**

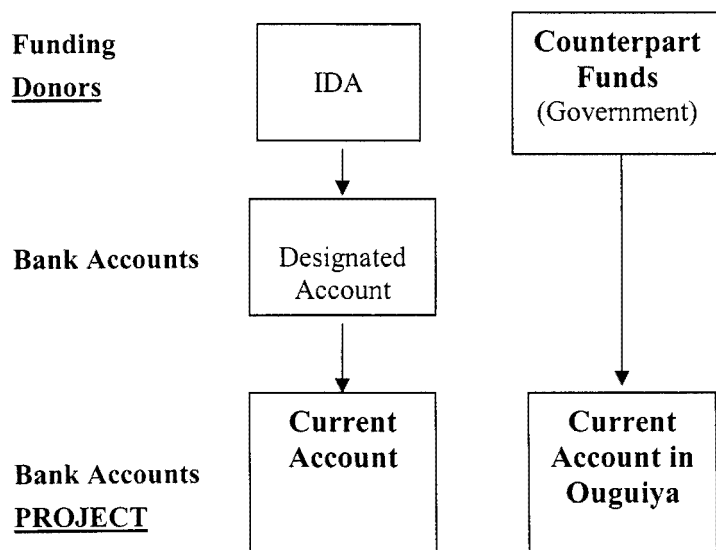
16. The IDA Agreement will require the submission of Audited Project Financial Statements for the project to IDA within six (6) months after year-end. Relevantly qualified external auditors will be appointed by the Project according to Terms of Reference which are acceptable to IDA. A single opinion on the Audited Project Financial Statements in compliance with International Standards on Auditing (ISAs) will be required, including the accuracy and the propriety of expenditures made under SOE procedures and the extent to which these can be relied upon as a basis for credit disbursements.

17. In addition to the audit reports, the external auditors will be expected to prepare a Management Letter giving observations and comments, and providing recommendations for improvements in accounting records, systems, controls, and compliance with financial covenants in the IDA agreement.



## DISBURSEMENT ARRANGEMENTS

### Funds Flow Diagram Summary



18. The overall project funding will consist of the IDA Credit as well as Government Counterpart Funding as required under the recently approved Country Financing Parameters (CFPs) for Mauritania. The overall contribution expected from the Government under the Operation will cover taxes and half of the operating costs of the Project coordinating unit. The following accounts will be maintained by the Project:

- (i) One (1) Designated Account in US dollars and the respective equivalent in a current account in Ouguiya opened in a commercial bank and managed by the Project coordinating unit. Funds will be used to make payments to suppliers, consultants, and contractors in the respective contract currencies;
- (ii) A Project Account in Ouguiya opened at the Central Bank, where Counterpart Funds will be deposited.

19. Interest received on income on the Special Account will be deposited to the Project account or any other account of the borrower.

### Method of Disbursement

20. By effectiveness, the Project will not be ready for report-based disbursements. Thus, in the initial stages of implementation, transaction-based disbursement procedures will be followed (as described in the World Bank Disbursement Handbook), i.e. direct payment, reimbursements, special commitments, and replenishments of the Designated Account.

21. When project implementation begins, the quarterly Interim un-audited Financial Reports (IFRs) produced by the project will be reviewed by IDA. When the reports are found to be adequate and are produced on a timely basis, a review will be undertaken by the Bank FMS to determine if the Project is eligible for IFR-based disbursements. The adoption of report-based disbursements by the Project will

enable it to shift from transaction-based disbursement to IFR-based advances to the Project's Designated Account. Detailed disbursement procedures will be documented in the Manual of Procedures.

#### **Use of Statements of Expenditures (SOEs):**

22. Disbursements for all expenditures will be made against full documentation, except for items claimed under the Statement of Expenditures (SOE) procedure. SOEs will be used for payments claimed under contracts for: (a) works in amounts under US\$500,000; (b) goods in amounts under US\$250,000; (c) consulting firms in amounts under US\$100,000; (d) individual consultants in amounts under US\$50,000 as well as small equipment, office supplies and training. Documentation supporting all expenditures claimed against SOEs will be retained by the Project coordinating unit and made available for review upon request by IDA, periodic supervision missions, and project external auditors. All disbursements will be made in accordance with the terms of the Financing Agreement as well as the procedures defined in the Disbursement Letter.

#### **Designated Account:**

23. To facilitate project implementation and reduce the volume of withdrawal applications, the Project coordinating unit will open a Designated Account in US dollars with an equivalent in a local currency current account (Ouguiyas) in a local commercial bank on terms and conditions acceptable to IDA. The designated account would have an authorized allocation of US\$1.3 million and would cover about four months of eligible expenditures. The Project coordinating unit under the Prime Minister's office will be responsible for submitting monthly replenishment applications with appropriate supporting documents to IDA. The MF and the Central Bank will ensure that payments in foreign currency are made within three days of submission of invoices by foreign suppliers. To the extent possible, IDA's share of expenditures should be paid through the Designated Account and replenishments of the account should be claimed on a monthly basis. Withdrawal Applications will include reconciled bank statements, a statement of account and other documents as required, until such time as the Borrower may choose to convert to report-based disbursements. The Borrower may also choose to pre-finance project expenditures and seek reimbursement from IDA, as needed.

24. Upon Credit effectiveness, IDA will deposit the amount of US\$ 1.3 million into the Designated Account. The Designated Account will be used for all payments below twenty percent (20%) of the authorized allocation. Further deposits by IDA into the Designated Account will be made against withdrawal applications supported by appropriate documents.

#### **Retroactive Financing**

25. The Project coordinating unit will be able to retroactively claim the reimbursement of eligible project expenditures incurred after April 15, 2006, provided that procurement is acceptable to IDA. The Government will pre-finance the expenditures with its own resources. Reimbursement of an amount not to exceed US\$1 million will be claimed from IDA, upon Credit effectiveness.

**Table – Allocation of the IDA Credit Proceeds**

<b>Expenditure category</b>	<b>Amount in US\$ millions</b>	<b>Financing percentage</b>
Project costs (goods, works, services, and training)	10.94	100% of the tax-free amount
Refunding of the Project Preparation Facility	0.76	Amounts due pursuant to Schedule 2, Section 4 (a) of the Financing Agreement.
Unallocated	1.30	
<b>Total</b>	<b>13.00</b>	

**Counterpart funds and taxes**

26. Following the recent adoption of Country Financing Parameters for Mauritania, cost sharing between IDA and the Government will be as follows: IDA will finance 100 percent of the tax-free amount of contracts and the Government will finance the taxes. While project costs include all taxes, and contracts for goods and services are approved inclusive of taxes under Bank procurement rules, the Borrower will be authorized to submit claims for local expenditures tax-free, which will facilitate payments.

**NEXT STEPS**

**Action Plan**

27. The action plan to be implemented before Credit Effectiveness is set forth in the table below.

**Prior to Credit Effectiveness**

<b>Action</b>	<b>Target Completion Date</b>
Recruit independent and qualified external auditors acceptable to IDA	By effectiveness
Update and extend FM Systems (re-customize the accounting software, develop a manual of procedures).	By effectiveness
Release 50 % of annual forecast of counterpart funding.	By effectiveness

**Financial Covenants**

28. A financial management system, including records and accounts will be maintained by the Project coordinating unit. Financial Statements will be prepared in a format acceptable to IDA, and will reflect, in accordance with sound accounting practices, the operations, resources, and expenditures relating to the Project.

**Supervision Plan**

29. Supervision activities will include: review of quarterly FMRs; review of annual audited financial statements and management letter as well as timely follow-up of issues that arise; and participation in project supervision missions as appropriate. The Bank's FMS in charge will play a key role in monitoring the timely implementation of the financial management arrangements.

## **Conclusions**

30. The overall conclusion of the financial management assessments is satisfactory provided the following conditions are met by the Project coordinating unit under the Prime Minister's office prior to credit effectiveness: (a) qualified external auditors are appointed; (b) the existing FM systems, including the manual of procedures, is updated and extended; (c) the initial deposit of Counterpart Funds is released.

31. By effectiveness, the Project will not be ready for report-based disbursements. Thus, at the initial stage, transaction-based disbursement procedures, as described in the World Bank Disbursement Handbook, will be followed, i.e. direct payment, reimbursement, and special commitments. However, when project implementation begins, if the borrower requests conversion to report-based disbursements, a review will be undertaken by IDA to determine if the Project is eligible.

## **Annex 8: Procurement Arrangements**

### **ISLAMIC REPUBLIC OF MAURITANIA: Public Sector Capacity Building Project**

#### **A. General**

1. Procurement for the proposed project would be carried out in accordance with the World Bank's "Guidelines: Procurement under IBRD Loans and IDA Credits" (May 2004); and "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" (May 2004), and the provisions stipulated in the Legal Agreement. The various items under different expenditure categories are described in general below. For each contract to be financed by the Credit, the different procurement methods or consultant selection methods, the need for pre-qualification, estimated costs, prior review requirements, and time frame are agreed between the Borrower and IDA in the Procurement Plan. The Procurement Plan will be updated at least annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

2. **Procurement of Works:** Works procured under this project would only include on-site rehabilitation of offices in existing administrative buildings (DGI/DGE, Budget, Treasury, ENA and local offices in Nouakchott and Nouadhibou) for an estimated amount of US\$900,000. The procurement will be carried out using IDA's Standard Bidding Documents (SBD) for all International Competitive Bidding (ICB) and National SBD agreed on or satisfactory to IDA. All procurement for works will be handled by the Project coordinating unit under the Prime Minister's office on the basis of the work programs identified with the beneficiaries.

3. **Procurement of Goods:** Goods procured under this project would mainly include office furniture and equipment, as well as specialized computer equipment. Procurement of goods will be done using IDA's SBD for all ICB and National SBD agreed on or satisfactory to IDA. All procurement for goods will be handled by the Project coordinating unit under the Prime Minister's office on the basis of assessment of needs and definition of technical specifications prepared by the beneficiaries. Procurement of goods will be bulked where feasible into packages worth at least US\$250,000 which will be procured through ICB method.

4. **Selection of Consultants:** The consulting services to be provided under the Project will consist of: training, technical assistance, feasibility studies, diagnosis studies, and audits. Short lists of consultants for services estimated to cost less than \$100,000 equivalent per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines. The credit will finance a package of training and workshops. All training or workshops will be carried out on the basis of programs previously approved by IDA each semester. The training or workshop programs will be submitted to IDA at least two months before the period by the Project coordinating unit under the Prime Minister's office and should clearly specify: (i) the purpose of the training or workshop and the likely impact of the training; (ii) the list of personnel to be trained; (iii) the institution which will conduct the training; (iv) the duration; and (v) training or workshop estimate, etc. The training programs will make the maximum use of existing local institutions: ENA, University and Distance Learning Center. An NGO will be recruited to prepare and pilot the environmental training program. Institutions in charge of training may be selected through sole source with prior approval from IDA. These institutions can be used by the Project coordinating unit under the Prime Minister's office as procurement agents for training programs execution.

5. **Operating Costs:** Salaries of the Project coordinating unit's four key staff will be financed under the credit. Part of the operating costs will also be financed under the credit. The share of the total operating costs financed by IDA, including salaries of key staff, will not exceed 50 percent of the yearly

budget of the Project coordinating unit. An agreement will be sought on the budget items to be financed by IDA during the unit approval yearly processes. All operating costs incurred by the Ministries will be entirely financed by counterpart funds.

6. Advertisement: To receive the broadest interest possible from eligible bidders, a General Procurement Notice (GPN) would be prepared upon Board approval and published in the UN Development Business (UNDB) online, Development Gateway's Market (dgMarket), and in a national newspaper of wide circulation to advertise for major consulting assignments (above US\$200,000 equivalent) and ICB for which specific contracts are expected as recommended by the guidelines. The Borrower will keep a roster of the responses received from the potential bidders interested in the contracts.

7. Specific Procurement Notices (SPN) for goods and works to be procured under ICB and NCB and for consultant services will be published in at least one national newspaper of national circulation (or official gazette). Moreover, for all ICB and all requests for Expressions of Interest (EOI) relating to large consulting services (above US\$200,000 equivalent), the SPN will be published in the UNDB online and the dgMarket. At least two weeks will be allowed for submission of expressions of interest.

8. The procurement procedures and SBDs to be used for each procurement method, as well as model contracts for works and goods procured, are presented in the Project Implementation Manual.

#### **B. Assessment of the agency's capacity to implement procurement**

9. Most of the procurement activities will be carried out by the Project coordinating unit attached to the Office of the Prime Minister, via the MAED Procurement Commission (*Commission Départementale des Marchés - CDM*) for contracts up to MRO25 million (US\$95,000 equivalent) for goods and consultants and below MRO75 million (US\$285,000 equivalent) for works, and via the Central Procurement Commission (*Commission Centrale des Marchés - CCM*) for amounts above these thresholds.

10. An assessment of the implementation capacity of the Project coordinating unit and the CDM/MAED in terms of procurement for the Project was carried out in March 2006 by the IDA Procurement Specialist from the Country Office in Nouakchott. This also included an assessment of the procurement capacities of ministerial departments involved in the Project for amounts below US\$50,000 equivalent. The evaluation focused on the organizational structure foreseen for the Project, the interaction between project staff involved in procurement, and the ministerial structures benefiting from support.

11. Project coordinating unit's capacity. The staff at the Project coordinating unit includes a coordinator, a technical advisor, a financial management specialist, and a procurement specialist (to be recruited by effectiveness). The procurement specialist who will be recruited will receive training on World Bank procurement guidelines as appropriate before and during project implementation.

12. MAED capacity. According to the organizational chart for MAED, procurement is assured by the CDM of MAED for contracts under its authority (below MRO 25 million for goods and consultants and below MRO 75 million for works), other contracts being assured by the CCM, which possesses considerable experience in procurement under IDA guidelines. The CDM/MAED includes representatives from MAED, Financial Control of the MF, and the Ministry of Commerce, and is assisted by a procurement unit at the cabinet level. This procurement unit has experience in procurement under IDA guidelines and disposes of the means (offices, IT equipment, classification and filing structures). Some members of the CDM/MAED already received training in procurement under IDA guidelines

through other IDA-financed projects and gained experience in implementing several IDA-financed projects.

13. Other Ministries involved. Similar department procurement commissions exist in the other Ministries involved in project implementation. They usually lack adequate support on procurement-related issues and meet infrequently for the few cases they are in charge of. Thus, they do not have any significant experience in IDA procurement. It is proposed that the Procurement Specialist in the Project coordinating unit assist and monitor procurement activities for small contracts to build capacity in procurement in these Ministries. These procurement commissions should only be allowed to handle procurement activities below a maximum ceiling of US\$50,000 equivalent, providing that they can ensure adequate filing and archiving (office furniture will be provided by the Government). Training of the permanent members of the commissions will also be included in the Project.

14. The quality of procurement by the staff charged with the execution is considered weak and the overall institutional, political, and organizational risk is high. For this reason, capacity strengthening is included in the Project with a particular focus on: (i) procurement planning; (ii) preparation of requests for proposal; (iii) short listing of contractors and service providers; (iv) publication of invitations to bid, opening and evaluation of proposals; (v) award and signing of contracts; and (vi) execution of the contracts and settlement of disputes.

15. Corrective measures agreed upon to remedy the weaknesses are as follows: (i) recruiting a Procurement Specialist for the Project coordinating unit; (ii) training of personnel involved in procurement to strengthen the capacity of the Project coordinating unit, MAED, and other Ministries involved in the Project, particularly the capacities of the CDMs; (iii) recruiting short-term consultants as needed for specific technical activities and capacity strengthening; (iv) putting in place a planning and management system for contracts in the Project coordinating unit, with links to the CCM and the CDMs; and (v) strengthening the filing of procurement documents. Procurement reviews will be carried out twice a year in relation to supervision missions. An independent audit will take place once a year.

### Action plan for Procurement

Weakness	Recommendation	Activity	Responsibility	Implementation timeframe
Lack of project personnel qualified to carry out procurement.	Strengthening the project procurement capacities.	Recruiting a procurement specialist for the Project Coordination Unit.	Project Coordination Unit.	Before effectiveness
Lack of knowledge in contract management.	Training and re-use of personnel.	On site training and training in specialized institutions.	Project Coordination Unit/ MAED and other Ministries.	Project Coordination Unit before effectiveness; Others during first semester of project implementation.
- Lack of a contract management system. - Lack of an acceptable procedures manual.	- Setting in place a system of management and monitoring of contracts. - Development and adoption of a procurement procedure manual acceptable to IDA (this could be a section in the administrative and financial management manual).	- Develop and set in place a system of monitoring and management of contracts. - Produce the procurement procedures manual. - Approve manual. - Training of staff in the use of the manual.	Project Coordination Unit.	- The development of the system and the finalization of the manual before effectiveness. - Training can take place as soon as the project is effective.

Lack of a procurement plan.	Develop a procurement plan for the first 18 months of the project for each department, including contracts under the project.	Develop a procurement plan conforming to the format agreed with IDA.	Project coordination unit and procurement specialist.	During project evaluation.
Weakness in the filing system for procurement documents.	Improve the procurement document filing system.	- Appointment and training of an archiving person - Conception, filing - Acquisition of filing cabinets.	Project Coordination Unit., MAED, other Ministries.	First six months of project implementation.

### C. Procurement responsibilities

16. The proposed project has been designed to support the reform program in five key Ministries (MF, MAED, MIPT, MFPE and MDRE) and to assist the Prime Minister's office to strengthen its key role of inter-ministerial coordination. The Project coordinating unit operating under the Office of the Prime Minister's will be directly in charge of procurement of large, complex, and/or pooled procurement processes across Ministries while each Ministry will be directly in charge of procurement process for simple items, studies and workshops estimated at less than US\$50,000.

17. However, all procurement processes will be under the overall responsibility of the Project Procurement Specialist who will have a mentoring and support role to the ministerial procurement agents (civil servants working within the Ministries) for capacity building purposes. The internal approval procedures will be described in the Implementation Manual.

18. Based on the arrangements described above and in line with the capacity assessment, a Procurement Specialist will be recruited through competitive selection before effectiveness. The specialist's tasks will include: (i) assisting each of the five Ministries to prepare its respective procurement plan; (ii) consolidating a procurement plan for the entire project (in coordination with the five Ministries involved); (iii) processing all procurement at the Project coordinating unit level; (iv) building the required capacity where needed by training Ministry staff and assisting in the procurement process for their respective activities, especially for the first years of the project; (v) maintaining registers of all interested bidders; (vi) monitoring and updating the Procurement Plan; (vii) consolidating all project procurement information; and (viii) monitoring of contracts implementation, etc.

### D. Procurement Plan

19. The Borrower, at appraisal (April 13, 2006), developed a procurement plan for project implementation which provides the basis for procurement methods. This plan has been agreed upon between the Borrower and the Project team during appraisal and is available at the Project coordinating unit (*Îlot D, #03 BP 238 - Nouakchott – Mauritanie*). It will also be available in the Project's database and on the World Bank's external website. The Procurement Plan will be updated in agreement with the Project Team annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.



## E. Frequency of Procurement Supervision and procurement thresholds

Category of works	Contract amount (US\$)	Procurement method	Contracts subject to prior review
<b>Works</b>	>= 500,000	ICB	All contracts
	< 500,000	NCB	First 2 contracts
<b>Goods</b>	>= 250,000	ICB	All contracts
	< 250,000	NCB	First 2 contracts
<b>Services</b>	= 100,000	QCBS	All contracts
<b>Individual services</b>		CQ	All contracts >= 50,000 All terms of reference
<b>Sole source</b>			All contracts

20. In addition to the prior review supervision to be carried out from IDA offices, the capacity assessment of the Implementing Agency has recommended two supervision missions per year to visit the field to carry out post review of procurement actions.

## F. Details of the Procurement Arrangements Involving International Competition

### 1. Goods, Works, and Non Consulting Services

(a) List of contract packages for works:

1	2	3	4	5	6	7	8	9
Ref.	Contract (Description)	Est. amount (US\$'000)	Executing agency	Procurement method	P-Q	National preference (yes/no)	Prior/Post Review	Bid opening date
1	Rehabilitation and securing of DGI offices	150,000	Project coordinating unit	NCB	No	No	Post	March 2007
2	Rehabilitation and securing DI offices	150,000	Project coordinating unit	NCB	No	No	Post	March 2007
3	Rehabilitation of Treasury and Tax offices in Rosso	135,000	Project coordinating unit	NCB	No	No	Post	June 2007
4	Rehabilitation of Treasury and Tax offices in Nouadhibou	135,000	Project coordinating unit	NCB	No	No	Post	June 2007
5	Rehabilitation of Wilaya offices in Rosso	135,000	Project coordinating unit	NCB	No	No	Post	June 2007
6	Rehabilitation of Wilaya offices in Nouadhibou	135,000	Project coordinating unit	NCB	No	No	Post	June 2007
7	Rehabilitation of DGFPPRA offices	90,000	Project coordinating unit	NCB	No	No	Post	June 2007
8	Rehabilitation of ENA offices	180,000	Project coordinating unit	NCB	No	No	Post	June 2007

(b) List of contract packages for goods:

1	2	3	4	5	6	7	8	9
Ref.	Contract (Description)	Est. amount (US\$'000)	Executing agency	Procurement method	P-Q	National preference (yes/no)	Prior/Post Review	Bid opening date
1	Office equipment for DGFPPRA, DAT and DGCL	190,000	Project coordinating unit	NCB	No	No	Post	March 2007
2	Office equipment for Treasury and Tax of Wilayas	250,000	Project coordinating unit	ICB	No	No	Post	March 2007
3	IT equipment and network for DAT and ENA	100,000	Project coordinating unit	NCB	No	No	Post	March 2007
4	Personnel and salary management system (material and related services)	1,100,000	Project coordinating unit	ICB	Yes	No	Prior	Dec. 2007
5	DGI management system (material and related services)	1,000,000	Project coordinating unit	ICB	Yes	No	Prior	Dec. 2007
6	RACHAD payment - Treasury Module	120,000	Project coordinating unit	SSS	No	No	Prior	Jan. 2007

ICB contracts estimated to cost above US\$500,000 for works and US\$250,000 for goods per contract and all direct contracting will be subject to prior review by IDA.

## 2. Consulting Services

(a) List of consulting assignments with short-list of international firms.

1	2	3	4	5	6	7
Ref.	Contract (Description)	Estimated amount (US\$'000)	Executing agency	Procurement method	Prior/Post Review	Bid opening date
1	Procurement consultant	65,000	Project coordinating unit	IC	Prior	July 2006
2	Specifications for DGI system and technical assistance	50,000	Project coordinating unit	IC	Prior	Oct. 2006
3	Specifications for DGFPRA system and technical assistance	50,000	Project coordinating unit	IC	Prior	Oct. 2006
4	Organizational chart for computerization of the Ministry of Finance	275,000	Project coordinating unit	QCBS	Prior	Oct. 2006
5	Steering, training and assistance to implementation of RACHAD	300,000	Project coordinating unit	QCBS	Prior	Oct. 2006
6	Study and supervision of rehabilitation works in Nouakchott	60,000	Project coordinating unit	QCBS	Post	Sept 2006
7	Study and supervision of rehabilitation works in Nouadhibou	45,000	Project coordinating unit	QCBS	Post	Sept. 2006
8	Study and supervision of rehabilitation works in Rosso	45,000	Project coordinating unit	QCBS	Post	Sept. 2006
9	Study on implementation of a monitoring and evaluation system in MAED	40,000	Project coordinating unit	QCBS	Prior	Sept. 2006
10	Preparation of environmental information system (pilot project)	250,000	Project coordinating unit	QCBS	Prior	Jan. 2007
11	Preparation of plan for the coastline of Nouakchott	270,000	Project coordinating unit	QCBS	Prior	Jan. 2007
12	Audit of project accounts	80,000	Project coordinating unit	LCS	Prior	July 2006
13	Steering of environmental training	40,000	Project coordinating unit	SSS	Prior	Sept. 2006
14	Steering of distance learning	40,000	Project coordinating unit	SSS	Prior	Nov. 2006
15	Steering of local training	80,000	Project coordinating unit	SSS	Prior	Nov. 2006

(b) Consultancy services estimated to cost above US\$100,000 per contract and single source selection of consultants (firms) for assignments estimated to cost above US\$50,000 will be subject to prior review by IDA.

(c) Short lists composed entirely of national consultants: Short lists of consultants for services estimated to cost less than US\$100,000 equivalents per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

## **Annex 9: Economic and Financial Analysis**

### **ISLAMIC REPUBLIC OF MAURITANIA: Public Sector Capacity Building Project**

1. The project will not finance investments with benefits quantifiable in economic terms, and so no cost-benefit analysis has been carried out.
2. Cost-effectiveness of the project is estimated as high, as the project finances activities that are essential for alleviating the deficiencies described in section A.1. The majority of the IDA Credit will go towards financing improvements of Public Finance Management and improvement of Government Human Resources Management. No feasible alternatives for reaching these project objectives have been found, based on the project preparatory studies and the tight alignment of project interventions with government policies and priorities.
3. Calculations of financial rates of returns are not applicable for this type of project.

**Annex 10: Safeguard Policy Issues**

**ISLAMIC REPUBLIC OF MAURITANIA: Public Sector Capacity Building Project**

The project will not finance activities triggering safeguards policies.

## Annex 11: Project Preparation and Supervision

### ISLAMIC REPUBLIC OF MAURITANIA: Public Sector Capacity Building Project

	Planned	Actual
PCN review	07/01/2003	10/14/2004
Initial PID to PIC	11/06/2003	11/06/2003
Initial ISDS to PIC	04/07/2004	04/07/2003
Appraisal	04/04/2006	04/04/2006
Negotiations	04/20/2006	04/25/2006
Board/RVP approval	07/06/2006	
Planned date of effectiveness	11/01/2006	
Planned date of mid-term review	06/01/2008	
Planned closing date	12/31/2009	

Key institutions responsible for preparation of the project are: The Prime Minister's Office supported by the Project Coordination Unit (PCU), MF, MIPT, MoCSE, MAED and the Ministry of Rural Development and Environment.

IDA staff and consultants who worked on the project included:

Name	Title	Unit
Christian Diou	Senior Municipal Engineer and Task Team Leader	AFTU2
Nicola Pontara	Senior Economist	AFTP4
Catherine Laurent	Senior Public Sector Management Specialist	MNSED
Alain Jean Catalan	Senior Financial Management Specialist	AFTFM
Nestor Coffi	Senior Financial Management Specialist	AFTFM
Robert Robelus	Senior Environmental Assessment Specialist	AFTS1
Amadou Oumar Ba	Senior Agricultural Specialist	AFTS4
Hélène Bertaud	Senior Counsel	LEGA
Renée Desclaux	Senior Finance Officer	LOAG2
Connie Kok Shun	Senior Program Assistant	AFTU2
Maya El-Azzazi	Program Assistant	AFTU2
Brahim Ould Abdelwedoud	Municipal Engineer	AFTU2
Hawa Cisse Wague	Economist	AFTP4
Moustapha Ould El Bechir	Procurement Specialist	AFTPC
Christian Vang Eghoff	Urban Development Specialist	AFTU2
Maimouna Touré	Team Assistant	AFMMR
<b>Peer Reviewers:</b>		
Yves Duvivier	Country Manager	MNCDZ
Guenter Heidenhof	Lead Public Sector Specialist	AFTPR
Roberto Chavez	Lead Urban Specialist	LCSFW

IDA funds expended to date on project preparation:

IDA resources: US\$283,340

Estimated Approval and Supervision costs:

Remaining costs to approval: US\$30,000

Estimated annual supervision cost: US\$80,000

## **Annex 12: Documents in the Project File**

### **ISLAMIC REPUBLIC OF MAURITANIA: Public Sector Capacity Building Project**

1. Etude sur la Modernisation de l'Administration Publique, KPMG-SENEGAL
2. Plan d'action pour la modernisation des finances publiques, SOFRECO-FRANCE
3. Plan d'action pour la réforme du cadre réglementaire du secteur privé, BEMECOF/GLN
4. Etude sur l'appui au programme de décentralisation, BDPA-FRANCE
5. Etude sur l'intégration de l'environnement au développement, GSI-CANADA
6. Dispositif institutionnel du PRCSP, PRCSP/05
7. Cadre logique et note d'orientation du PRCSP, PRCSP/05
8. Plan d'action annuel du PRCSP, PRCSP/05
9. Rapport décentralisation/déconcentration, PRCSP/06
10. Cadre Stratégique de Lutte Contre la Pauvreté, mars 2006, CDHLCPI/MAED
11. Programme National de Bonne Gouvernance, MAED/PNUD
12. Rapport du Comité Interministériel chargé de la Bonne Gouvernance, 2005
13. Rapport des journées de Concertation sur le rapport CIBG, 2005
14. Aide Mémoire des missions de préparation de la Banque mondiale 2003-2005



**Annex 13: Statement of Loans and Credits**  
**ISLAMIC REPUBLIC OF MAURITANIA: Public Sector Capacity Building Project**

**Statement of IDA Credits**

Project ID	Project Name	<u>Last PSR</u>		Fiscal Year	IDA	Undisb.	Difference Between	
		Supervision Rating					Expected and Actual	
		<u>Development</u> <u>Objectives</u>	<u>Implementation</u> <u>Progress</u>				<u>Disbursements</u> <sup>in</sup>	
						Orig.	Frm Rev'd	
P071881	MR-GDLC (FY02) - (CFED)	MS	MS	2002	3.30	0.95	0.39	0.39
P071308	MR-Edu Sec Dev APL (FY02) - (PNDSE)	S	S	2002	49.20	26.92	18.45	
P069095	MR-Urb Dev Prgm (FY02)	MS	MS	2002	70.00	47.87	34.20	
P078383	MR-Mining Sec TA SIL 2 (FY04)- (PRISM 2)	S	S	2004	18.00	13.04	2.38	
P078368	MR-HIV/AIDS MultiSec Cntrl (FY04)-(PMLS)	MS	MU	2004	21.00	13.30	-1.37	
P081368	MR-Com Based Rural Dev (FY04) - (PDRC)	S	S	2004	45.00	38.16	3.31	
P087180	MR-Higher Education (FY05)	MS	MS	2005	15.00	13.21	3.38	
P088828	MR-Irrigated Agr Integr Dev APL 2 (FY05)	S	S	2005	39.00	33.51	3.00	
P094278	MR-Health & Nutrition Support (FY06)			2006	10.00	10.00		
Total					270.50	196.96	63.74	0.39

**Statement of IFC's**

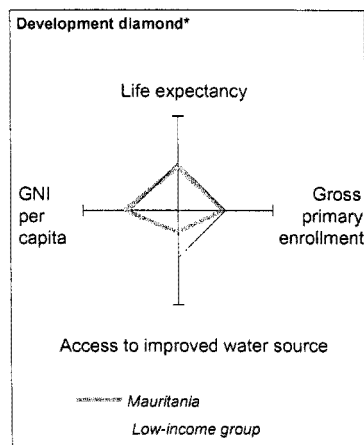
FY Approval	Company	Held				Disbursed			
		Loan	Equity	Quasi	Partic	Loan	Equity	Quasi	Partic
2000	GBM	5.25	0	0	0	0	0	0	0
2004	GBM	5	0	5	0	5	0	5	0
2005	GBM	9.18	0	0	0	9.18	0	0	0
	PAL-Tiviski	0.3	0	0	0	0.3	0	0	0
Total Portfolio:		19.73	0	5	0	14.48	0	5	0

## Annex 14: Country at a Glance

### ISLAMIC REPUBLIC OF MAURITANIA: Public Sector Capacity Building Project

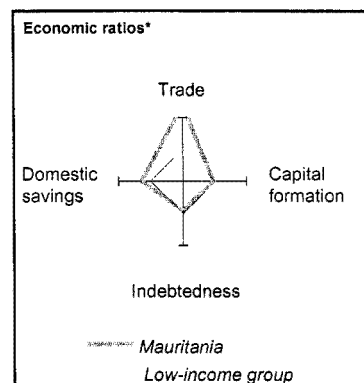
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POVERTY and SOCIAL	Mauritania	Sub-Saharan Africa	Low-income
<b>2004</b>			
Population, mid-year (millions)	2.7	719	2,338
GNI per capita (Atlas method, US\$)	570	600	510
GNI (Atlas method, US\$ billions)	1.6	432	1,184
<b>Average annual growth, 1998-04</b>			
Population (%)	2.4	2.2	1.8
Labor force (%)	3.2	1.0	2.1
<b>Most recent estimate (latest year available, 1998-04)</b>			
Poverty (% of population below national poverty line)	46	..	..
Urban population (% of total population)	62	37	31
Life expectancy at birth (years)	54	46	58
Infant mortality (per 1,000 live births)	87	101	79
Child malnutrition (% of children under 5)	30	..	44
Access to an improved water source (% of population)	35	58	75
Literacy (% of population age 15+)	41	65	61
Gross primary enrollment (% of school-age population)	88	95	94
Male	89	102	101
Female	85	88	88



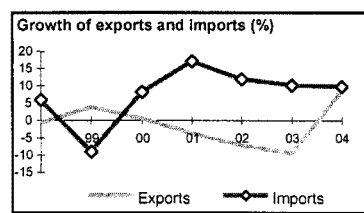
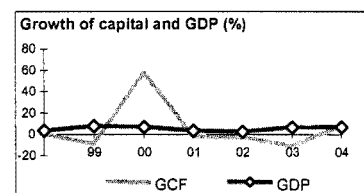
#### KEY ECONOMIC RATIOS and LONG-TERM TRENDS

	1984	1994	2003	2004	
GDP (US\$ billions)	0.83	1.0	1.3	1.5	
Gross capital formation/GDP	21.3	20.7	19.5	21.5	
Exports of goods and services/GDP	39.7	42.0	26.8	29.4	
Gross domestic savings/GDP	-2.7	16.9	21.3	25.4	
Gross national savings/GDP	..	21.2	5.4	19.4	
Current account balance/GDP	-26.1	-3.6	-18.0	-35.6	
Interest payments/GDP	4.3	7.0	1.1	0.9	
Total debt/GDP	158.5	216.5	133.8	123.3	
Total debt service/exports	20.1	22.2	28.8	21.0	
Present value of debt/GDP	..	..	48.5	41.1	
Present value of debt/exports	..	..	131.3	104.6	
<b>(average annual growth)</b>					
GDP	2.2	4.8	6.4	6.9	11.8
GDP per capita	0.0	2.3	3.8	4.3	9.2
Exports of goods and services	-2.1	-3.1	-9.5	8.5	53.9



#### STRUCTURE of the ECONOMY

	1984	1994	2003	2004
<b>(% of GDP)</b>				
Agriculture	28.6	27.0	20.0	18.3
Industry	25.4	31.1	30.4	33.6
Manufacturing	..	11.6	10.2	10.1
Services	46.0	41.9	49.6	48.1
Household final consumption expenditure	75.6	66.6	63.0	59.7
General gov't final consumption expenditure	27.1	16.5	15.7	14.9
Imports of goods and services	63.7	45.8	63.9	69.7
<b>(average annual growth)</b>				
Agriculture	3.3	1.3	6.0	-2.7
Industry	2.8	2.5	5.6	5.6
Manufacturing	0.0	-6.5	6.8	6.3
Services	3.5	7.9	6.6	10.5
Household final consumption expenditure	4.2	4.9	22.2	7.0
General gov't final consumption expenditure	-3.2	7.2	3.8	8.4
Gross capital formation	-4.2	8.5	-10.8	8.3
Imports of goods and services	-5.2	4.7	10.1	9.8

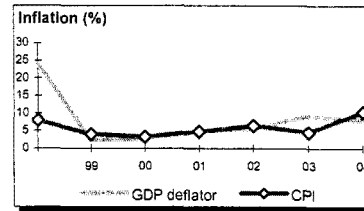


Note: 2004 data are preliminary estimates.

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

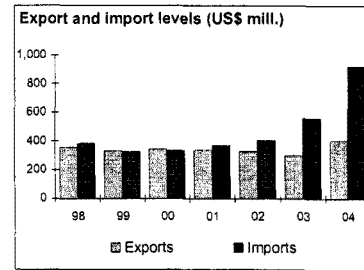
## PRICES and GOVERNMENT FINANCE

	1984	1994	2003	2004
<b>Domestic prices</b>				
<i>(% change)</i>				
Consumer prices	..	4.1	4.6	10.4
Implicit GDP deflator	10.9	6.8	9.2	7.9
<b>Government finance</b>				
<i>(% of GDP, includes current grants)</i>				
Current revenue	..	24.7	29.5	29.2
Current budget balance	..	6.7	-10.2	-2.6
Overall surplus/deficit	..	-3.1	-10.2	-2.6



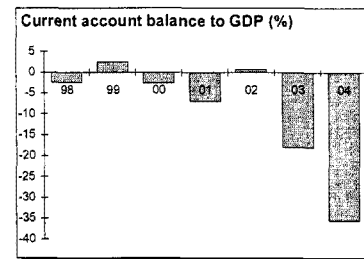
## TRADE

	1984	1994	2003	2004
<i>(US\$ millions)</i>				
Total exports (fob)	299	393	303	408
Iron ore	144	163	172	193
Fish	148	207	145	146
Manufactures	..	..	..	..
Total imports (cif)	302	328	564	925
Food	76	95	110	114
Fuel and energy	43	36	125	122
Capital goods	85	73	61	68
Export price index (2000=100)	..	115	104	107
Import price index (2000=100)	..	101	100	100
Terms of trade (2000=100)	..	114	105	107



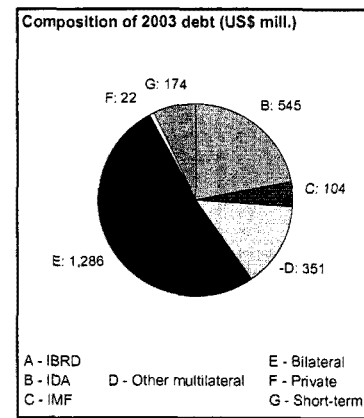
## BALANCE of PAYMENTS

	1984	1994	2003	2004
<i>(US\$ millions)</i>				
Exports of goods and services	322	431	328	429
Imports of goods and services	480	470	753	1,196
Resource balance	-158	-39	-425	-767
Net income	-39	-53	66	101
Net current transfers	86	55	117	121
Current account balance	-218	-37	-239	-545
Financing items (net)	211	26	..	..
Changes in net reserves	6	11	..	..
<b>Memo:</b>				
Reserves including gold (US\$ millions)	81	44	32	39
Conversion rate (DEC, local/US\$)	63.8	123.6	265.0	265.6



## EXTERNAL DEBT and RESOURCE FLOWS

	1984	1994	2003	2004
<i>(US\$ millions)</i>				
Total debt outstanding and disbursed	1,322	2,223	1,780	1,887
IBRD	49	13	..	..
IDA	55	301	545	546
Total debt service	67	102	126	126
IBRD	7	9	0	0
IDA	0	3	10	10
Composition of net resource flows				
Official grants	..	..	..	..
Official creditors	77	..	86	..
Private creditors	20	0	0	0
Foreign direct investment (net inflows)	9	2	214	242
Portfolio equity (net inflows)	0	..	..	..
World Bank program				
Commitments	0	20	0	0
Disbursements	5	35	42	42
Principal repayments	3	9	6	6
Net flows	2	26	36	37
Interest payments	4	3	4	4
Net transfers	-2	23	32	33















**Annex 15: Map IBRD 34639**  
**ISLAMIC REPUBLIC OF Mauritania: Public Sector Capacity Building Project**



# MAURITANIA PUBLIC SECTOR CAPACITY BUILDING PROJECT

-  PILOT PROJECT CITIES
-  PRIMARY ROADS
-  SECONDARY ROADS
-  TRACKS
-  RAILROADS
-  REGION CAPITALS
-  AIRPORTS
-  PORTS
-  REGION BOUNDARIES
-  INTERNATIONAL BOUNDARIES



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