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Report No: 60828-MR

PROJECT PAPER

ON A

SECOND ADDITIONAL CREDIT

IN THE AMOUNT OF SDR 4.5 MILLION
(US\$7.1 MILLION EQUIVALENT)

TO THE

ISLAMIC REPUBLIC OF MAURITANIA

FOR A

SECOND MINING SECTOR CAPACITY BUILDING PROJECT

April 25, 2011

Sustainable Energy Department
Oil, Gas and Mining
West Africa Country Cluster 3
Africa Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective March 31, 2011)

Currency Unit = Mauritania Ouguiya
MRO 275 = US \$1
US \$1,5855 = SDR 1

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

AF	Additional Financing
CAS	Country Assistance Strategy
DA	Designated Account
EITI	Extractives Industries Transparency Initiative
EIA	Environmental Impact Assessment
EMF-EMP	Environmental Management Framework – Environmental Management Plan
IDA	International Development Association (WBG)
IDB	Islamic Development Bank
IT	Information Technology
LED	Local Economy Development
MPEM	Ministère du Pétrole, de l’Energie et des Mines (Ministry of Petroleum, Energy and Mines)
PAD	Project Appraisal Document
PCU	Project Coordination Unit
PDAC	Prospectors and Developers Association of Canada
PDO	Project Development Objective
PEP	Public Expenditure Plan
PRISM	Projet de Renforcement Institutionnel du Secteur Minier (Mining Sector Capacity Building Project)
RPF	Resettlement Policy Framework
SEA	Sectoral Environmental Assessment
SIGE	Système d’Information et de Gestion Environnementale (Environmental Management Information System)
SIGM	Système d’Information et de Gestion Minière (Mineral Management Information System)
SNIM	Société Nationale Industrielle et Minière
SOE	Statement of Expenditure
SOM	School of Mines
WBG	World Bank Group

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ISLAMIC REPUBLIC OF MAURITANIA
Second Mining Sector Capacity Building Project

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ISLAMIC REPUBLIC OF MAURITANIA
Second Mining Sector Capacity Building Project

SECOND ADDITIONAL FINANCING DATASHEET

Basic Information – Second Additional Financing (AF)	
Country Director: Mary Kathryn Hollifield	Sectors: Mining and other extractive (100%)
Sector Manager/Director: Paulo De Sa	Themes: Other public sector governance
Team Leader: Morten Larsen	Environmental category: B (Partial Assessment)
Project ID: P124859	Expected Closing Date: November 15, 2013
Expected Effectiveness Date: August 1, 2011	Joint IFC:
Lending Instrument: Technical Assistance	Joint Level:
Loan	
Additional Financing Type: Scale Up	
Basic Information - Original Project	
Project ID: P078383	Environmental category: B (Partial Assessment)
Project Name: SECOND MINING SECTOR CAPACITY BUILDING PROJECT	Expected Closing Date: December 31, 2011 <i>(Selective extension of 3 contracts, geo-science and environmental audits, at a total amount of US \$1,700,000 is sought with this Project Paper. Proposed contracts closing date: October 1, 2012)</i>
Lending Instrument: Technical Assistance	Joint IFC:
Loan	Joint Level:
Basic Information – First Additional Financing (AF)	
Project ID: P100078	Environmental category: B (Partial Assessment)
Project Name: FIRST ADDITIONAL FINANCING FOR SECOND MINING SECTOR CAPACITY BUILDING PROJECT	Expected Closing Date: November 15, 2013
Lending Instrument: Technical Assistance	Joint IFC:
Loan	Joint Level:
Second AF Project Financing Data	
<input type="checkbox"/> Loan <input checked="" type="checkbox"/> Credit <input type="checkbox"/> Grant <input type="checkbox"/> Guarantee <input type="checkbox"/> Other: Proposed terms:	
Second AF Financing Plan (US \$m)	
Source	Total Amount (US \$m)
Total Project Cost:	7.1
Cofinancing:	-
Islamic Republic of Mauritania:	0
Total Bank Financing:	-
IBRD	7.1
IDA	7.1
New	-
Recommitted	-
Client Information	

Recipient:	Islamic Republic of Mauritania					
Responsible Agency:	Unite de Coordination du PRISM Ministere du Pétrole, de l'Energie et des Mines BP 199 Nouakchott Mauritania Tel: 222 4525 6861 Fax: 222 4525 6861 prism@prism.mr					
AF Estimated Disbursements (Bank FY/US \$m)						
FY	2012	2013	2014			
Annual	2.00	3.50	1.60			
Cumulative	2.00	5.50	7.10			
Project Development Objective and Description						
Original project development objective: <i>The objective is to strengthen the Government's capacity to regulate mining activities in its territory and thereby facilitate private investment in the mining sector, through: (i) fostering local economic development in mining areas, (ii) improving gathering and access to geological information, and (iii) strengthening the Government's institutional and technical capacity to manage mineral resources"</i>						
Revised project development objective: <i>The objective of the project is to strengthen the Recipient's capacity to manage national mineral sector activities in an environmentally, socially and economically sustainable manner</i>						
Project description: The second additional financing will scale up activities that have been successfully implemented during the initial stages of the project: (i) build local and regional capacity to benefit from and establish economic linkages with mine operations, (ii) strengthen national capacity to regulate and supervise mine operations, and (iii) expand the geological knowledge-base. Finally, (iv) a new activity of education and vocational training support will be added to help form a new generation of mining specialists.						
Safeguard and Exception to Policies						
Safeguard policies triggered:						
Environmental Assessment (OP/BP 4.01)				[X]Yes [] No		
Natural Habitats (OP/BP 4.04)				[X]Yes [] No		
Forests (OP/BP 4.36)				[]Yes [X] No		
Pest Management (OP 4.09)				[]Yes [X] No		
Physical Cultural Resources (OP/BP 4.11)				[]Yes [X] No		
Indigenous Peoples (OP/BP 4.10)				[]Yes [X] No		
Involuntary Resettlement (OP/BP 4.12)				[X]Yes [] No		
Safety of Dams (OP/BP 4.37)				[]Yes [X] No		
Projects on International Waterways (OP/BP 7.50)				[]Yes [X] No		
Projects in Disputed Areas (OP/BP 7.60)				[]Yes [X] No		
Does the project require any waivers of Bank policies?				[X]Yes [] No		
Have these been endorsed or approved by Bank management?				[X]Yes [] No		

Conditions and Legal Covenants:		
Financing Agreement Reference	Description of Condition/Covenant	Date Due Prior to effectiveness
4.01	Additional event of suspension: the Association has determined that: (i) the Recipient has failed to apply sound environmental or social standards or practices in its management or carrying out of activities in its mining sector; and (ii) as a result of such failure, a situation has arisen after the date of this Agreement which makes it improbable that the objectives of the Project will be achieved.	
Schedule 2, Section II.B.4	Recruitment of independent auditors	Effectiveness + 3 months

I. Introduction

1. This Project Paper seeks the approval of the Executive Directors to provide a second additional credit in an amount of US\$7.1 million equivalent to the Islamic Republic of Mauritania for the Second Mining Sector Capacity Building Project (PRISM 2 - P078383), (Original Credit Number 3810-0; first Additional Financing Credit Number: 3810-1).

2. The proposed additional financing would help finance the costs associated with scale up of highly successful activities which have contributed to a substantial increase in mine production and income-generating activities as well as social and economic benefits derived from Mauritania's mining industry. These activities include (i) local economic development in mining areas, (ii) geological data management, and (iii) capacity building of public mining institutions. Additionally, in response to the strong increase in sector activities and the resulting strong government and industry demand for skilled mine technicians, a new activity of education and vocational training support will be added. Accordingly, the additional financing will address the complete value chain of extractive industries¹.

3. The original project is financed by an International Development Association (IDA) Credit in the amount of US \$18 million equivalent which was complemented by a first additional credit of US \$5 million equivalent in support of the petroleum sector. There are no co-financing arrangements for the second additional financing. However, the Islamic Development Bank (IDB) has confirmed a parallel financing of US \$4 million towards geological and geo-physical surveys². A coalition of mine corporations has furthermore committed approximately US \$15 million to the enhancement of national mine education and training institutions. Private mine foundations for community development have also confirmed interest in adopting community development practices which have proven successful under the original credit. Both the IDB and the private sector have conditioned their support by the continued Bank engagement in the sector since the Bank is considered the leader of policy dialogue and sector governance support in the sector.

II. Background and Rationale for Additional Financing in the amount of US \$7.1 million

Country and Sector Context

4. Mauritania has a long history of a vibrant mining industry with Société Nationale Industrielle et Minière (SNIM) extracting iron ore for almost half a century. Starting from 2006, substantial gold and copper deposits have also been exploited by international ventures. Since then, production volumes have gradually increased for all three commodities. In dollar terms, the combined annual export value averaged some US \$1 billion for 2008 and '09. This figure climbed to US \$1.4 billion in 2010. By 2012, expansion of existing plants will further increase production to around US \$2 billion (assuming constant metal prices). Besides the impressive

¹ The "extractive industry value chain" refers to the five stages of natural resource exploitation: (i) access to resources, (ii) exploitation of resources, (iii) collection of taxes and revenues from resource exploitation, (iv) distribution of revenue and benefits, and (v) sustainable development.

² IDB provided a credit of US\$5 million to the original credit while Japanese International Cooperation Agency (JICA) provided a grant of US\$2 million, both through parallel financing.

production growth rates (approximately 30% per annum since 2003), another derived outcome is a 20% annual growth rate in mine investors' exploration expenditure. Both of these achievements are results of the Government's legal and regulatory reform and general capacity building which was supported by PRISM 1 and 2.

5. 2010 saw the entry of two major mining corporations, Xstrata and Kinross, as they acquired important mine assets for development and expansion. Public announcements by the two corporations point to a fundamental change in the scale of operations in the country as production volume could increase five-fold within the next five to seven years, at a total capital cost of nearly US \$10 billion. In light of these developments, it is clear that extractive industries will remain at the very center of the economy in decades to come. The rapid expansion of sector activities represents a paradigm shift since the nationally-owned operator, SNIM, has changed from being the all-dominant industry-leader. Prior to 2006, the company generated more than 90% of the total production value of the sector. In 2010, the SNIM market share just exceeded 50%, and by 2015, SNIM is likely to be relegated to second or third place in terms of annual production volume³. The changing structure of the industry imposes new demands on Government's regulatory capacities since investors' service demands are increasing while civil society pressure for monitoring of operations and tax payments are also mounting.

6. The impacts of mine operations have become very visible and direct in regions surrounding the mines since mine developers have invested substantially in infrastructure facilities (roads, water and electricity) which supply mine sites as well as local residential needs. Health clinics and schools have also benefitted from improvements with a knock-on effect on the level of economic activity. Through the EITI process increasing tax contributions from the expansion of mine activities is observed, although developers' debt obligation and repayments have reduced the effective tax contributions during early years of operation, as is the case in all investment-intensive industries. However, 2011 marks the first year of full tax liabilities for the two copper and gold operations commencing in late 2006.

7. The importance of the mineral sector is also reflected in the current CAS (FY 2007-2011) objectives aiming at achieving economic and social development based on private sector development and natural resources. The project is specifically contributing to the following three pillars of the CAS: Pillar 2 "anchor growth in the economic environment of the poor", Pillar 3 "develop human resources and generalize access to social services, and in particular Pillar 4 "improve good governance and capacity building". The project contribution to these pillars is nested in (i) promotion of, mainly private sector, investments in sustainable exploitation of natural resources, (ii) support to the integration of these investments into the social and economic development of the mine regions, and (iii) support to the School of Mines in forming the next generation of mine specialists.

8. Nonetheless, new investments of the proposed magnitude will impose enormous challenges to the Mauritanian economy and management of the mining sector. Infrastructure developments, although predominantly financed by the mine corporations, will have to be carefully planned for the purpose of integrated economic and social planning. New skill sets will

³ The diminishing role of SNIM is in relative terms since the company is expanding by some 30% over the coming years, but other larger-scale developments are expected to eclipse SNIM's scale of operation

be required for the labor market. Most importantly, regulatory oversight and sector governance must be strengthened in order to ensure appropriate performance by operators and strong management of government revenue collection as well as expenditure planning.

The Original Credit and Project Objectives

9. The original credit – US\$18 million equivalent - was approved by the Board on July 8, 2003, became effective on October 17, 2003, and is progressing in a satisfactory manner. An initial additional financing component of US\$5 million was approved on July 6, 2006 in support of extension of project scope to the petroleum sector. The closing date of the original credit, together with the first additional financing, was extended from March 15, 2009, to December 31, 2010, and subsequently to December 31, 2011. On February 7, 2011 the Regional Vice Presidency approved as a policy exception an extension of project closing date to November 15, 2013, for first and proposed second additional financing, which is 20 months beyond the maximum 3 years’ timeframe for additional financing. The need for a closing date extension was a consequence of the political instability in-country in 2008 and 2009 which caused a delay in project execution of approximately 20 months. Legal amendments for the first additional financing are processed in parallel with, but independently of the second additional financing.

10. The original objective of the project was “*to strengthen the Government’s capacity to regulate mining activities in its territory and thereby facilitate private investment in the mining sector, through:*

- 1. fostering local economic development in mining areas,*
- 2. improving gathering and access to geological information, and*
- 3. strengthening the Government’s institutional and technical capacity to manage mineral resources”*

Project Performance and Status of Implementation

11. Over the past 12 years the Bank, through PRISM 1 and 2, has supported the Recipient’s extensive sector strengthening. The strengthening initiatives have been highly successful judged by the sharp increase in investor interest and production activities. Investors are praising the legal code and the regulatory framework for clarity and consistency. These aspects have been determining factors for investors’ decision to engage in Mauritania. Legal and regulatory support has been at the core of the PRISM activities with gradual improvements of the contractual framework for mine investment and operations. Intensive capacity building among ministry staff and strengthened management systems represent the second pillar of successful PRISM support. In sum, PRISM activities have been integral components of a highly successful sector reform program led by the Recipient.

12. Direct project achievements to date include: (i) computerized management systems have been installed and operationalized for award and tracking of exploration and mine titles as well as for environmental monitoring. (ii) Geological data has been collected and analyzed (though widespread dissemination is still pending). (iii) Local economic development activities have exceeded the end of project targets in terms of community-driven micro projects and an impact assessment is underway to demonstrate results on the ground. (iv) In the petroleum sector, a

computerized database management system has been designed for concession management with expected roll-out in 2011. The Hydrocarbons Law was revised in 2010, PRISM 2 is supporting the completion of the implementing regulation. In addition, Mauritania is participating in the Extractive Industries Transparency Initiative (EITI). Mauritania has submitted its first Validation Report to the EITI Board which was deemed “close to compliant” with a deadline for remediation in June, 2011. In sum, Mauritania has substantially advanced all parts of the extractive industries value chain, also referred to as the EITI++ which spans from award of licenses over tracking of performance and revenue collection to the final objective of sustainable social and economic development deriving from the extractive industries.

13. Progress towards achievement of results indicators is highly satisfactory for the original solid minerals project with all indicators being achieved – except the tracking of household income level in mine regions for which a follow-up survey is presently under preparation. Petroleum sector indicators are less advanced, but progressing on track for achievement by credit closure in 2013. Progress to date on all indicators is presented in the results monitoring table in Annex 1.

14. Implementation progress of mining as well as petroleum sector components is deemed satisfactory with the large majority of mining sector activities being fully completed while petroleum sector activities have accelerated since the second half of 2010 thanks to signing and initiation of key interventions. The original mining sector component has eclipsed a disbursement rate of 85% while the petroleum sector component has disbursed 29%. The first additional financing in 2006 provided resources for the petroleum sector support in response to expected large-scale oil and gas exploitation. Notwithstanding, only one field, the Chinguitti oil field has gone into operation, and current production stands at less than 10% of original capacity which was estimated at 75,000 barrels per day. Other oil and gas explorations have not yielded the results which were expected in the beginning of the 2000s, as a result, none of these have advanced to production. In consideration of the declining relevance of the petroleum sector, the second additional financing will not cover this area. On the other hand, activities supported by the first additional financing will continue in parallel with the proposed mining sector activities since the petroleum sector prospects remain relatively good although in a longer timeframe than what was earlier expected.

15. Lessons learnt from activities to date indicate that internal coordination in the MPEM is strong and results from sector-specific activities (e.g. cadastre management, regulatory strengthening, etc.) have been most successful. On the other hand cross-sectoral coordination and inter-ministerial collaboration could be further improved. A renewed focus will be given to cross-sectoral issues such as environmental management, tax calculation and collection. Other instruments include reinforced collaboration with relevant bank project (Community-Based Rural Development Project, Urban Development Project, and Public Sector Capacity Building Project)

16. The Project is in full compliance with all legal covenants and has no unresolved audit issues. Audits are up-to-date and procurement guidelines are followed consistently. It is also confirmed that all mandatory core indicators in the results framework are incorporated and progress is monitored. All safeguard requirements are also in compliance.

17. The rapidly expanding mining industry and the resulting increased demand for sector governance and management of mineral resources provide strong justification for sustained Bank support to the sector. Alternatives to the second Additional Financing were considered (e.g. preparation of a new, separate project) but rejected to take advantage of the strong implementation performance of the PRISM 2. Moreover, since proposed activities would mostly scale up existing interventions, additional financing was considered the most appropriate instrument.

III. Proposed Changes

18. Although PRISM2 has substantially contributed to attracting sector investments and increasing mineral exports, these sector performance indicators cannot be solely attributed to the project. Therefore, while the overall goal of the project's intervention will remain unchanged, i.e. capacity building of mineral sector agencies, the Project Development Objective (PDO) will be adjusted to simplify the PDO and to focus on what this Technical Assistance project can be reasonably held accountable for. It is proposed to revise the Project Development Objective as follows:

“The objective of the project is to strengthen the Recipient’s capacity to manage national mineral sector activities in an environmentally, socially and economically sustainable manner.”

19. The proposed additional financing will follow the original project components structure: (i) Local Economic Development in Mining Areas, (ii) Geo-information and Development, (iii) Capacity Building in Public Mining Institutions, and (iv) Project Coordination and Management and will add a new component: (v) Support of the School of Mines and Vocational Training. The petroleum sector support, financed through the first additional financing will not be affected by the proposed second additional financing. PDO indicators will be revised accordingly. The revised Results Framework is presented in Annex 1 to update the indicators in line with the full scope of activities and to strengthen the tracking of all sub-components of the project.

20. The scale-up of the original project components will expand activities to regions which have seen a recent influx of mine investments and will roll out tested and proven community development models in collaboration with foundations sponsored by private mine operators. In this context, lessons learnt from parallel Bank-financed projects (Community-Based Rural Development Project and Urban Development Project) will be integrated to further refine adaptation to local needs. The support to geo-information and capacity building will deepen individual and institutional capacities in response to the rapidly expanding sector operations and entrance of new investors. Environmental management and systematic monitoring of operators' performance will receive special attention as the pool of operators has grown rapidly in recent years with a resulting demand for improved oversight mechanisms. Finally, the new component of support to the School of Mines and vocational training will support government efforts of establishing a sub-sector of the national education and training sector to accommodate the demands from the industry for a skilled workforce. This component will be carefully coordinated with Bank-financed projects supporting higher education and technical/vocational training. A more detailed description of project sub-components is found in Annex 3. The following table

provides an overview of original project components compared to scaled-up and new activities funded by the additional financing.

Table 1: PRISM 2 Project Components – Description of original and scaled-up/new activities

Original Project/+ First AF Status	Second Additional Financing/ Scale-up activities
<i>Component 1: Local Economic Development in Mining Areas</i>	
<p>1.1 Development and diversification of local economic activities On-going - Activities over and above initial targets are on-going</p> <p>1.2 Improved service delivery in the Zouerate-Nouadhibou corridor Completed</p> <p>1.3 Hydro-geological studies Completed</p> <p>1.4 Strengthening of development management capacity Completed in original target areas</p> <p>1.5 Supervision of local economic development On-going</p>	<p>1.1 Development and diversification of local economic activities SME and community-level capacity building to be extended to new areas with mining activities. Micro project procedures to be rolled out to new regions and with expected private sector funding.</p> <p>1.2 Improved service delivery in the Zouerate-Nouadhibou corridor Impact assessment to be undertaken as part of the government's overall socio-economic M&E System</p> <p>1.3 Hydro-geological studies Not continued under proposed AF</p> <p>1.4 Strengthening of development management capacity Capacity building for participatory community development and public expenditure planning at local level to prioritize investment needs and integrate mine operators' investments with public investment needs for infrastructure and social services.</p> <p>1.5 Supervision of local economic development On-going Refinement of existing M&E framework for tracking of socio-economic impacts in mining areas</p>
<i>Component 2: Geo-information and Development</i>	
<p>2.1 Airborne geophysical surveys Completed</p> <p>2.2 Geological surveys Completed</p> <p>2.3 Hydro-geological mapping and water database of Mauritania Largely completed</p> <p>2.4 Synthesis of geological data and mineral resources information</p>	<p>2.1 Airborne geophysical surveys Not continued under proposed AF</p> <p>2.2 Geological surveys Capacity building will be provided to the units responsible for geological and environment data management</p> <p>2.3 Hydro-geological mapping and water database of Mauritania Not continued under proposed AF</p> <p>2.4 Synthesis of geological data and mineral resources information</p>

Original Project/+ First AF Status	Second Additional Financing/ Scale-up activities
<p>On-going</p> <p>2.5 Supervision of the geological infrastructure component Completed</p>	<p>Further work on integration and super-position of datasets will be conducted in order to identify target areas for detailed analysis.</p> <p>2.5 Supervision of the geological infrastructure component Not continued under the proposed AF</p>
Component 3: Capacity Building of Public Mining Institutions	
<p>3.1 Mining sector promotion unit Completed</p> <p>3.2 Mining cadastre unit follow-up Completed</p> <p>3.3 Environmental management of the mining sector Largely completed</p> <p>3.4 Institutional strengthening of the Directorate for Mining and Geology Largely completed</p> <p>3.5 Training programs Largely completed</p>	<p>3.1 Mining sector promotion unit Design of promotion strategy and material based on new geological analyses</p> <p>3.2 Mining cadastre unit follow-up Included under sub-component 3.4</p> <p>3.3 Environmental management of the mining sector Support to the newly established “Police des mines” for mines inspection methodologies and for follow-up to the highly profiled environmental audits of the dominant operators</p> <p>3.4 Institutional strengthening of the Directorate for Mining and Geology Refinement of reporting formats for companies’ operational performance and design of database for supervision of operators. Integration of data management in the ministry.</p> <p>3.5 Training programs Continued training programs and public awareness creation</p>
Component 4: School of Mines and Vocational Training	
N/A	<p>4.1 Coordination and advisory services to SOM development</p> <p>4.2 Curriculum development and research/professional outreach programs</p> <p>4.3 Training of trainers</p> <p>4.4 Peer review of SOM execution</p> <p>4.5 Coordination of vocational training programs</p>
Component 5: Project Coordination and Management	
Project management arrangements will remain unchanged; additional funding will be provided for the duration of implementation (through 2013).	

21. The closing date of the original credit remains December 31, 2011. Notwithstanding, it has become clear that three key contracts under the original credit are likely not to be concluded by the closing date, i.e. “Interpretation and Synthesis of Geo-Scientific Data”, “Supervision of Geo-Scientific Data Interpretation”, and “Environmental Audits of Major Mine Operations”. The present Project Paper proposes to extend the closing date under the original Credit for the three captioned contracts to October 1, 2012.

22. As mentioned earlier, approval has been given for a revised closing date until November 15, 2013, of the first additional financing. Extension was necessitated by the country-wide moratorium of operations in 2008-09 in response to political instability. Remaining activities pertain to regulatory strengthening, petroleum sector promotion, and staff training. The proposed closing date for the second additional financing is November 15, 2013

23. Table 2 below summarizes cost allocation by sub-component for the original project and proposed additional financing (excluding the unallocated amount of US \$300,000).

Table 2: Costs by component (in US \$ million)

Component	Original cost (1st AF included) (US \$)	2nd Additional Financing (US \$)	Revised cost (US \$)
1. Local Economic Development in Mining Areas	6,600,000	1,750,000	8,350,000
1.1 Development and diversification of local economic activities	1,700,000	1,000,000	2,700,000
1.2 Improved service delivery in the Zouerate-Nouadhibou corridor	700,000	N/A	700,000
1.3 Hydro-geological studies	2,700,000	N/A	2,700,000
1.4 Strengthening of development management capacity	1,400,000	450,000	1,850,000
1.5 Supervision of local economic development	150,000	300,000	450,000
2. Geo-information and Development	5,150,000	1,200,000	6,350,000
2.1 Airborne geophysical surveys	IDB-financed	N/A	N/A
2.2 Geological surveys	2,400,000	550,000	2,950,000
2.3 Hydro-geological mapping and water database of Mauritania	700,000	N/A	700,000
2.4 Synthesis of geological data and mineral resources information	1,180,000	650,000	1,830,000
2.5 Supervision of the geological infrastructure component	870,000	N/A	870,000
3. Capacity Building of Public Mining Institutions	4,070,000	1,500,000	5,570,000
3.1 Mining sector promotion unit	1,200,000	500,000	1,700,000
3.2 Mining cadastre unit follow-up	300,000	N/A	300,000
3.3 Environmental management of the mining	1,270,000	N/A	1,270,000

sector			
3.4 Institutional strengthening of the Directorate for Mining and Geology	600,000	450,000	1,050,000
3.5 Training programs	700,000	550,000	1,250,000
4. School of Mines and Vocational Training		1,050,000	1,050,000
4.1 Advisory services to SOM development	N/A	200,000	200,000
4.2 Curriculum development	N/A	200,000	200,000
4.3 Training of teachers	N/A	200,000	200,000
4.4 Peer review of SOM execution	N/A	250,000	250,000
4.5 Coordination of vocational training programs	N/A	200,000	200,000
5. Project Coordination and Management	1,950,000	1,300,000	3,250,000
6. First Additional Financing in Support of Petroleum Sector	5,000,000		5,000,000
6.1 Legal and regulatory framework	950,000	N/A	950,000
6.2 Institutional capacity building	1,150,000	N/A	1,150,000
6.3 Environmental management	700,000	N/A	700,000
6.4 Data management/ petroleum cadastre	1,300,000	N/A	1,300,000
6.5 Sector strategic assessments/ miscellaneous	900,000	N/A	900,000

24. Implementation arrangements under the proposed additional financing would remain the same as under the on-going project. The current Project Coordination Unit (PCU) has efficiently implemented the existing project. The PCU is fully staffed with a project coordinator and a deputy coordinator, procurement specialist, financial management and disbursements staff, monitoring and evaluation officer and a geologist. The PCU staff and arrangements will be maintained throughout the duration of the additional financing.

25. The Recipient has adopted a Project Execution Manual (PEM) for the purpose of the implementation of the original project, with updates reflecting the first and second additional financing. The PEM will continue to be used throughout the duration of the project. Annual Work Plan and Budgets for each year of the project implementation are developed by the PCU in consultation with relevant agencies, and this arrangement will remain without changes.

26. The proposed Additional Financing will finance 100% of eligible expenditure. In contrast to the original credit and first Additional Financing which separated costs by different categories, the proposed second Additional Financing will operate with only two categories, i.e. "Grants" and one combined category including all eligible expenditure, as reflected in Table 3 below.

Table 3: Second Additional Financing Disbursement Categories

		Total Combined Financing (in SDRs)	Total Combined Financing (in US \$)	% eligible (including taxes)
1	Eligible	4,050,000	6,400,000	100%

	expenditure (Goods, works, Consultants, Training, and operational costs)			
5	Grants	250,000	400,000	100% of amounts disbursed
7	Unallocated	200,000	300,000	
	TOTAL	4,500,000	7,100,000	

27. Nonetheless, for illustrative purposes Table 4 presents the costs by categories in line with the original credit.

Table 4: Second Additional Financing Illustrative Disbursement Categories Allocations

		Total Combined Financing (in SDRs)	Total Combined Financing (in US \$)	% eligible
1	Works	N/A	N/A	N/A
2	Goods	800,000	1,200,000	100%
3	Consultants' services	1,700,000	2,800,000	100%
4	Training and workshops	750,000	1,100,000	100%
5	Grants	250,000	400,000	100%
6	Operating costs	800,000	1,300,000	100%
7	Unallocated	200,000	300,000	100%
	TOTAL		7,100,000	

28. Procurement for second additional financing activities will be carried out in line with the guidelines for procurement of goods and works and for consultants' selections published in May 2004, revised in October 2006 and May 2010. Procurement for the original and first additional credit will adopt the same procurement guidelines for all procurement not yet initiated. Likewise, prior review thresholds will be consolidated in line with the harmonized threshold in IDA-financed projects in the country. To this end, an amendment of the legal documents providing for the original credit and first additional financing will be signed. Procurement capacities have been assessed and are in line with Bank requirements. A Procurement Plan for the first 18 months has also been prepared and reviewed.

29. A financial management assessment was carried out in March 2011 in the context of the preparation the additional financing for PRISM 2. The conclusion of the assessment is that the financial management system in place, subject to the reinforcement measures, satisfies the

Bank's minimum requirements under OP/BP10.02, and therefore is adequate to provide, with reasonable assurance, accurate and timely financial management information on the status of the project required by World Bank. It is expected that the auditor of the PRISM 2 under recruitment will also audit the additional financing resources. The fiduciary aspects of the current operation will be handled by the qualified fiduciary team of PCU who has strong knowledge and experience in Bank's fiduciary procedures; which is one of the strengths of the financial management arrangement for this additional financing operation.

30. A new segregated designated account (DA) in US \$ to be opened at a commercial bank acceptable to the Bank will be established for the additional financing. Ceiling of the designated account will be US \$950,000. The project will continue to use Statement of Expenditure (SOE) and/or Summary Sheet to document project expenditures, and SOE thresholds for various expenditure types under the original project will continue for the additional financing.

IV. Appraisal Summary

Economic considerations

31. The project is a capacity building project and, as such, does not lend itself easily to quantitative investment analysis. However, numerous economic indicators illustrate the benefits to Mauritania of the rapidly expanding industry activity. Total mineral sales have gone from appr. US \$175 million in 2003 to more than US \$1.4 billion in 2010. Taxes have followed an even stronger incline with total receipts increasing from US \$15 million in 2003 to about US \$135 million in 2010. Direct efficiency gains within the sector administration are illustrated by the permit fees paid by mining companies. Since 2007 the annual revenue from fees has multiplied by ten from US \$500,000 to US \$5 million. While fiscal and economic benefits to date are largely derived from successful sector promotion and the entrance of new operators, future increases are expected to originate from improved tax calculation (as initial tax holidays expire) and the creation of stronger linkages between the local economy and mine operations. These aspects are directly supported by the additional financing.

Risks

32. Overall project risks are rated to be "*Moderate driven by likelihood*" for preparation as well as implementation. The project is a continuation of existing project activities and the PCU has ample experience of Bank fiduciary procedures. However, at country-level, fiduciary weaknesses pose a certain risk to project execution. The Bank plans to provide continued training and undertake risk-based supervision missions to help build capacity and ensure that adequate controls are in place for all fiduciary aspects. The long and open Bank engagement with sector agencies has produced a firm consensus on policy direction and sector priorities which guides the activities. Civil society has engaged strongly in the extractive industries in the interest of (i) mitigating/managing negative impacts of mine operations and (ii) ensuring transparency in revenue management. Under the auspices of the national EITI committee, a platform for consultation among civil society, government and the private sector has been established. This platform has engendered a common understanding of the actual fiscal contribution from the extractive industries. The project is also directly supporting environmental audits of the mine

operations and strengthening of the management system to supervise technical, environmental and social performance obligations.

Safeguards

33. The current Project Environmental Category (B) would not change under the additional financing. The additional financing does not trigger any new policies. To date, safeguards compliance of the project is satisfactory. Three instruments were prepared prior to the original credit in order to guide safeguard activities during project implementation, i.e (i) a Sectoral Environmental Assessment (SEA), (ii) a Resettlement Policy Framework (RPF) and (iii) Environmental Impact Assessment of the Future Nouakchott University Campus (EIA). All documents have been updated and disclosed prior to appraisal to reflect the additional financing and to provide a clearer link between current sector issues and activities supported under the project. Additionally, an Environmental Management Framework – Environmental Management Plan to guide safeguard issues pertaining to the micro projects and construction of the technical school⁴ has been prepared and disclosed prior to appraisal. Construction of a School of Mines in Nouakchott, which is also associated with the project, is envisaged at the university campus; the EIA prepared for the Higher Education Project in 2004 has been updated and re-disclosed. There are no land acquisition/involuntary resettlement issues on the Nouakchott university campus, as the land is owned by the Government and is free of any tenants and claims. An additional remedy has been included in the Financing Agreement, which allows the Association to suspend the withdrawal of funds from the Credit Account or accelerate the repayment of the Credit when the Association has determined that: (i) the Recipient has failed to apply sound environmental or social standards or practices in its management or carrying out of activities in its mining sector; and (ii) as a result of such failure, a situation has arisen after the date of this Agreement which makes it improbable that the objectives of the Project will be achieved.

Policy Exceptions

34. A policy exception to Operational Policy 13.20 governing Additional Financing for Investment Lending was granted by the Regional Vice President on February 7, 2011, to allow extension of original closing date beyond three years for the first additional financing and for the second additional financing. No other policy exceptions are being sought. The project implementation structure is fully in place and operational, all manuals are in compliance with the Bank requirements. Safeguards documents have been prepared in line with the relevant OPs/BPs and have been publicly disclosed.

⁴ The location of the technical school has yet to be determined

Annex 1: Results Framework and Monitoring

MAURITANIA: SECOND MINING SECTOR CAPACITY BUILDING PROJECT

Revisions to the Results Framework		Comments/ Rationale for Change
PDO		
<i>Current (PAD, First AF)</i>	<i>Proposed</i>	
<p>The objective is to strengthen the Government’s capacity to regulate mining activities in its territory and thereby facilitate private investment in the mining sector, through:</p> <ol style="list-style-type: none"> 1. fostering local economic development in mining areas, 2. improving gathering and access to geological information, and 3. strengthening the Government’s institutional and technical capacity to manage mineral resources 	<p>Revised: The objective of the project is to strengthen the Recipient’s capacity to manage national mineral sector activities in an environmentally, socially and economically sustainable manner.</p>	<p>The PDO has been revised in alignment with current good practice to focus the PDO only on results for which the project can be reasonably held accountable for rather than higher level sector goals.</p>
PDO indicators		
<i>Current (PAD, First AF)</i>	<i>Proposed change*</i>	
Training of mining-related personnel and at least 100 representatives in social development issues	Revised: Included under direct beneficiaries. Target increased to 750 by end of project	Training priorities have been redefined
Increase in average annual investment in the mining sector	Revised: Above target. Moved from “PDO Indicator” to “Intermediate Results Indicator” as part of government’s sector monitoring system.	Will be monitored as part of the government’s sector monitoring system. The project contributes to a target of 10% annual increase maintained
Increase in average mineral exports	Revised: Above target. Moved from “PDO Indicator” to “Intermediate Results Indicator” as part of government’s sector monitoring system.	Will be monitored as part of the government’s sector monitoring system. The project contributes to a target of 10% annual increase maintained
35 sub-projects completed under the micro project program	Revised: Initial target achieved. Target number increased. Moved from “PDO Indicator” to “Intermediate Results Indicator”	Household income indicator reflects sub-project execution at PDO level
20% Increase in household income in areas where local economic development	Continued	

Revisions to the Results Framework		Comments/ Rationale for Change
activities are implemented		
Hydrocarbons Law and regulations have been revised in line with international practice	Continued	
Direct project beneficiaries	Continued: In compliance	Absolute number increased
Direct female project beneficiaries	Continued: Close to compliance	Gender ratio maintained (Male:Female): Training: 70:30 Micro-projects: 30:70
N/A	New indicator: Supervision and Compliance Database established for tracking of mine operators' performance	Key indicator for enhanced sector management and supervision of operators' adherence to obligations
Intermediate Results indicators		
<i>Current (PAD, First AF)</i>	<i>Proposed change*</i>	
Decision by private companies to proceed with the development of two mines	Continued: Achieved	Target achieved. New investment decisions are beyond the scope of the AF
Railway and harbor facilities in NW Mauritania available to regional economic operators	Continued: In compliance	
Time required to process a mining title by the Mining Cadastre	Revised: In compliance. Indicator elevated from "Intermediate Results Indicator" to "PDO Indicator"	Efficiency of the Mining Cadastre Service is a key indicator of sector management capacity
Knowledge about availability of water in target mining areas	Revised: Publication of geo-data and hydrological data	Initial target achieved. Data dissemination is intended for private sector promotion
Model Production Sharing Agreement to be applied to new petroleum permits has been revised and modernized	Continued: Achieved	Target achieved and activity completed
Environmental Unit in charge of petroleum to be created	Continued: In progress	

Revisions to the Results Framework		Comments/ Rationale for Change
Strategic Environmental Assessment for petroleum to be completed	Continued: Achieved	Financed through parallel Petroleum Governance Initiative TF
Environmental regulations for petroleum sector have been prepared with stakeholder participation and are effective	Continued: In progress	
Sector Databank and Information System for the petroleum sector has been established	Continued: In progress	
Strategic sector studies have been completed for the petroleum sector	Dropped	Draft versions have been abandoned because the petroleum sector has not attained the expected importance as a consequence of production figures which are only 10% of the original expectations
Petroleum cadastre established and fully functional	Continued: In progress	
N/A	New indicator: M&E Database established for tracking of socio-economic indicators in mining areas	Expanded socio-economic M&E system (HH incomes, school enrollment, infrastructure, etc.) will inform on mining sector social development impact
N/A	New indicator: # of communes participating in micro project program and/ or local public expenditure plans	Improve tracking of mining sector's contribution to broader development
N/A	New indicator: Regulatory framework established for mining school autonomy	Track performance of School of Mines
N/A	New indicator: Curriculum developed for Mining Sector Governance Program	Track performance of School of Mines
N/A	New indicator: Number of School of Mines teachers trained in delivery of core courses	Track performance of School of Mines

Revisions to the Results Framework		Comments/ Rationale for Change
N/A	New indicator: Student survey satisfaction rate	Track outcome of School of Mines

RESULTS MONITORING FRAMEWORK

Project Development Objective (PDO): <i>The objective of the project is to strengthen the Recipient's capacity to manage national mineral sector activities in an environmentally, socially and economically sustainable manner.</i>											
PDO Level Results Indicators*	Core	Unit	Baseline 2003	Baseline 2010	Cumulative Target Values**			Frequency	Data Source/ Methodology	Responsibility for Data Collection	Description (indicator definition etc.)
					YR 1 (2011)	YR 2 (2012)	YR3 (2013)				
Indicator One: Time required to process a mining title by the Mining Cadastre	<input type="checkbox"/>	No. of days	N/A	21 days	maintain in compliance with national law	maintain in compliance with national law	maintain in compliance with national law	6 months	Report	Direction du Cadastre	National Law requires titles to be issued in less than 30 days.
Indicator Two: % of operators annually reporting to central compliance database on performance standards (environmental, social, operational, fiscal)	<input type="checkbox"/>	% of operators being reported	1 operator	3 operators (appr. 5%)	M&E system in place	45% of licensees	60% of licensees	6 months	M&E Reports	Police des mines	Reporting template, database, annual report
Indicator Three: Increase in % in household income in areas where local economic development activities are implemented	<input type="checkbox"/>	MRO and socio-economic indicators	MRO 89,000 HH/month	N/A	20% - MRO 108,000	5% annual increase in income	5% annual increase in income	Bi-annual	Soc-eco survey	PRISM + SAE	Currently only income level is tracked. Target is to track other socio-economic indicators
Indicator Four: <i>Hydrocarbons Law and regulations have been revised in</i>	<input type="checkbox"/>	<i>Yes/No</i>	<i>Law of 19XX</i>	<i>Law approved 2010</i>	<i>Regulations drafted</i>	<i>Regulations approved</i>		<i>6 months</i>	<i>Ministry report</i>	<i>Direction des Hydrocarbures</i>	

<i>line with international practice</i>											
Indicator Five: Direct project beneficiaries	<input checked="" type="checkbox"/>	No.	0	Training: 250 M: 750	Training: 350 M: 900	Training: 550 M: 1,100	Training: 750 M: 1,100	6 months	Report	PRISM	(i) T training (ii) Micro projects
Indicator Six: Direct female project beneficiaries	<input checked="" type="checkbox"/>	%	N/A	T: 20% M: 65%	Train: 30% Micro: 70%	Train: 30% Micro: 70%	Train: 30% Micro: 70%	6 months	Report	PRISM	(i) T training (ii) Micro projects

INTERMEDIATE RESULTS

Intermediate Result (Component One): Local Economic Development in Mining Areas

Intermediate Results Indicators	Core	Unit of Measure	Baseline 2003	Baseline 2010	Cumulative Target Values**			Frequency	Data Source/ Methodology	Responsibility for Data Collection	Description (indicator definition etc.)
					No	Draft Database	Database operational				
1. M&E Database established for tracking of socio-economic indicators in mining areas		Yes/No	N/A	N/A	No	Draft Database	Database operational	6 months	Reports	Service des Affaires Environnementales	
2. Micro projects completed under the small grants program:	<input type="checkbox"/>	No. of projects	0	41	51	60	75	6 months	Project progress report	PRISM	Including completion reports for each micro project
3. Communes/villages participating in micro project program and/or local investment	<input type="checkbox"/>	No. of communes	0	8	11	14	15	6 months	Project progress report	PRISM	Two activities: (a) Micor project promotion and (b) local investment

planning											for public authorities
Intermediate Result (Component Two): Geo-information and Development											
Intermediate Results Indicators	Core	Unit of Measure	Baseline 2003	Baseline 2010	Cumulative Target Values**			Frequency	Data Source/ Methodology	Responsibility for Data Collection	Description (indicator definition etc.)
4. Mining Sector Monitoring System reports on regularly: - Increase in average annual investment in the mining sector - Increase in average annual mineral exports		%	US \$ 13.5 million	US \$33.5 million	10% - US \$36.5 million	10% - US \$40 million	10% - US \$44 million	Annual	Ministry report	Direction de la Geologie et des Mines	Projected increase : US \$13.5*1.1 ¹⁰ = US \$35 million
		%	US \$176	US \$1,400 million	10% - US \$1,540 million	10% - US \$1,700 million	10% - US \$1,850 million				Projected increase : US \$176*1.1 ¹⁰ = US \$456 million
5. Publication of geo-data and hydrological data	<input type="checkbox"/>	Yes/No	No	No	No	Yes	Yes	6 months	Report	SIGM	10 synthesis maps on hydro-geology and mineral resources plus accompanying notices; GIS map and raw survey data
6. Sector Databank and Info System for	<input type="checkbox"/>	Yes/No	N/A	No	Final design agreed	Yes	Yes	6 months	Report	Direction des Hydro-carbures	

<i>the petroleum sector has been established</i>											
Intermediate Result (Component Three): Capacity Building of Public Mining Institutions											
Intermediate Results Indicators	Core	Unit of Measure	Baseline 2003	Baseline 2010	Cumulative Target Values**			Frequency	Data Source/ Methodology	Responsibility for Data Collection	Description (indicator definition etc.)
					Yes – Achieved	Yes – Achieved	Yes – Achieved				
7. Decision by private companies to proceed with the development of two mines		Yes/No	No	Yes - Achieved	Yes – Achieved	Yes – Achieved	Yes – Achieved	ICR			Two mines operational since 2006
8. Railway and harbor facilities in NW Mauritania available to regional economic operators	<input type="checkbox"/>	Yes/No	No	Yes - Achieved	Yes – Achieved	Yes – Achieved	Yes – Achieved	6 months	Report	Direction de la Géologie et des Mines	Negotiations on-going with Xstrata
9. <i>Petroleum cadastre established and fully functional</i>	<input type="checkbox"/>	Yes/No	N/A	No	Yes	Yes	Yes	6 months	Report	Direction des Hydrocarbures	Target achieved and activity completed
10. <i>Environmental Unit in charge of petroleum to be created</i>	<input type="checkbox"/>	Yes/No	N/A	No	Yes	Yes	Yes	6 months	Report	Direction des Hydrocarbures	
11. <i>Environmental regulations for petroleum sector have been prepared with stakeholder</i>	<input type="checkbox"/>	Yes/No	N/A	No	Draft	Yes	Yes	6 months	Report	Direction des Hydrocarbures	

<i>participation</i>											
12. Strategic Environmental Assessment for petroleum to be completed	<input type="checkbox"/>	Yes/No	N/A	No	Yes - Achieved	Yes – Achieved	Yes – Achieved	ICR			SESA completed through parallel PGI financing
13. Model Petroleum Production Sharing Agreement has been revised and modernized:	<input type="checkbox"/>	Yes/No	N/A	Yes	Yes - Achieved	Yes - Achieved	Yes – Achieved	ICR			Model PSA approved in 2010
Intermediate Result (Component Four): Support to School of Mines and Vocational Training											
Intermediate Results Indicators	Core	Unit of Measure	Baseline 2003	Baseline 2010	Cumulative Target Values**			Frequency	Data Source/ Methodology	Responsibility for Data Collection	Description (indicator definition etc.)
14. Regulatory framework established for school autonomy		Yes/No	N/A	No	Mandates and procedures established	Peer review framework	Yes	6 months	SOM Board	SOM Secretariat	SOM Statutes, fiduciary procedures
15. Curriculum development		Yes/No	N/A	No	Draft	Yes	Yes	6 months	SOM Board	SOM Secretariat	Finance, governance, accounting course
16. Number of lecturers trained		Number	N/A	0	3	5	10	6 months	SOM Board	SOM Secretariat	Training in delivery of core curriculum
17. Student survey satisfaction rating		%	N/A	0	N/A	TBD	TBD	6 months	SOM Board	SOM Secretariat	Survey methodology to be determined by QA reviewer

Annex 2: Operational Risk Assessment Framework

MAURITANIA: SECOND MINING SECTOR CAPACITY BUILDING PROJECT

Project Development Objective(s)						
<p><i>The objective of the project is to strengthen the Recipient's capacity to manage national mineral sector activities in an environmentally, socially and economically sustainable manner.</i></p>						
PDO Level Results Indicators:	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding: 2px;">1. Time required to process a mining title by the Mining Cadastre</td> </tr> <tr> <td style="padding: 2px;">2. % of operators annually reporting to central compliance database on performance standards (environmental, social, operational, fiscal)</td> </tr> <tr> <td style="padding: 2px;">3. Increase in % in household income in areas where local economic development activities are implemented</td> </tr> <tr> <td style="padding: 2px;">4. Hydrocarbons Law and regulations have been revised in line with international practice</td> </tr> <tr> <td style="padding: 2px;">5. Direct project beneficiaries (of which % female)</td> </tr> </table>	1. Time required to process a mining title by the Mining Cadastre	2. % of operators annually reporting to central compliance database on performance standards (environmental, social, operational, fiscal)	3. Increase in % in household income in areas where local economic development activities are implemented	4. Hydrocarbons Law and regulations have been revised in line with international practice	5. Direct project beneficiaries (of which % female)
1. Time required to process a mining title by the Mining Cadastre						
2. % of operators annually reporting to central compliance database on performance standards (environmental, social, operational, fiscal)						
3. Increase in % in household income in areas where local economic development activities are implemented						
4. Hydrocarbons Law and regulations have been revised in line with international practice						
5. Direct project beneficiaries (of which % female)						

Risk Category	Risk Rating	Risk Description	Proposed Mitigation Measures
Project Stakeholder Risks			
Stakeholders	Medium-L	<p>The mining sector in Mauritania attracts great attention from large parts of the society in light of its pivotal role in the economy. Under the auspices of the national EITI committee, a platform for consultation among civil society, government and the private sector has been established. This platform has engendered a common understanding of the actual fiscal contribution from the extractive industries. Notwithstanding, there is a concern that government is not receiving its fair share of profits. Parts of this dissatisfaction can be explained by limited appreciation of the long development and construction period which are necessary in extractive</p>	<p>The EITI platform will be used by the project to expand on EITI++ dialogue</p> <p>Active dissemination of sector developments and comprehensive consultation sessions will be supported</p>

		industries. Local communities have high expectations to immediate economic and social benefits without appreciating the long gestation period required for developments of extractive industries. Hence, unfulfilled short-term expectations may lead to local resentment.	Potential local reservations are best avoided through demonstration of early results. Thus, local economic development programs will be front-loaded, and previous results better communicated
Implementing Agency Risks			
Implementing Agency Risks (including FM & PR Risks)	Medium-I	A Project Coordination Unit has gained strong experience of operation since the initial PRISM 1 project in 1997 with minimum staff changes. The PCU supports the ministry in all fiduciary aspects and enjoys good cooperation with the ministry. However, at country-level, fiduciary weaknesses pose a certain risk of affecting project execution.	The Bank plans to provide continued training and undertake risk-based supervision missions to help build capacity and ensure adequate controls are in place for financial transactions and that there is accuracy in financial reporting, audit and disbursement. The EITI platform will also be used to disseminate policies, objectives and outcomes.
Project Risks			
Design	Low	The project design follows naturally from the PRISM 2, comprising well-tested approaches which have proven successful. Challenges rest on stepped-up ambitions in areas of consultation and local ownership.	Consultations are expected to engender wider stakeholder ownership and local awareness
Social & Environmental	Low	The project is technical assistance with one well-defined community-driven small grants program. Policy frameworks and management plans are in place to address environmental and social issues, should they arise. However, the small size of grants (<\$20,000) limits the complexity of management plans. The safeguards documents have been updated to the extent possible (based on current knowledge of design) to assess impacts of the construction of two schools of mines	Update of Resettlement Policy Framework, Sectoral Environmental Assessment, and Environmental Impact Assessment for NU campus, plus prepare and disclose new Environmental Management Framework/Environmental Management Plan and adherence to the defined principles and

			methodologies Impact assessments of the planned school constructions will be further refined once detailed design is available
Program & Donor	Low	<p>The proposed project design is well nested in the Bank project portfolio with direct linkages to other flagship project, e.g. Community-Based Rural Development, Public Sector Capacity Building and Education Sector Support Projects.</p> <p>The long history of Bank involvement in the sector has built up good donor relations. The project team is also closely cooperating with private foundations.</p> <p>Islamic Development Bank has given verbal confirmation of parallel financing</p>	Consultation through the formal coordination fora plus bilateral collaboration.
Delivery Quality	Low	<p>PRISM 1 and 2 showed excellent delivery record relative to project indicators and as evidenced by the sharp increase in sector production as well as reinvestments (see PRISM 2 ISR).</p> <p>M&E capacities at the PCU and in ministries require further improvement as sector activities increase in scale and scope.</p>	<p>Results frameworks will be designed in parallel with national M&E systems.</p> <p>The EITI committee will be a key partner in design and oversight</p>

Risk Rating: Preparation	Risk Rating: Implementation	Comments
Medium-L	Medium-L	The project is a continuation of existing project activities. Counterpart staff are identified and have prior Bank project experience. Country context may destabilize project implementation in case of political changes

Annex 3: Detailed Description of New Activities

MAURITANIA: SECOND MINING SECTOR CAPACITY BUILDING PROJECT

Component 1. Local Economic Development in Mining Areas

Activities financed under the local economic development (LED) will support government and local authorities in translating mine investments into sustained economic activity in the project-affected areas and in spurring diversification of the local and national economy. With the expected surge in investment inflows to the sector, it is imperative that the local and national economy take proactive steps to create synergies with the mine developers in terms of infrastructure and social service investments. Moreover, economic development must be facilitated to optimize benefits deriving from mine operations, such as job creation, development of local sub-contracting and supply to the mine, industrial diversification, business development, etc.

1.1 Development and diversification of local economic activities

(a) Local business development (US \$250,000)

The original PRISM 2 credit has recorded strong success in promotion of diversified business development in the Nouadhibou-Zouerate corridor. This component intends to take the achievements one step further by offering training modules for local entrepreneurs in topics such as business planning, financial management and technical skills. The local business development initiative rests on two parallel targets: (i) offering higher quality and more diversified goods and services to the local consumers and (ii) exploiting the potential for supplying and servicing the mine sites so as to increase local and national content in mine operations. Experience from Mauritania and other mining countries shows that the best prospects for augmenting local sub-contracting are found in catering services and maintenance and construction works. The training modules will be conducted on site to assure highest participation of local beneficiaries and will be composed of general business competencies and targeted courses which suit the particular business needs in the given areas. Agricultural extension services which were first implemented through the original credit will also be refined and be included as part of the technical support.

(b) Micro project administration (US \$ 750,000)

More than 50 micro projects in the Nouadhibou-Zouerate corridor have been successfully executed during the original credit with an additional batch of some 20 micro projects to be implemented in 2011. Modalities have been firmly established with concise proposal and documentation requirements and field presence through a satellite project office in Zouerate. The office administrator provides on-the-ground support to project beneficiaries as well as local authorities. The project team has received requests from government authorities as well as mine operators to expand the micro project program to other locations where communities are affected by mine operations. The current component will focus on refining administrative modalities and implementation procedures in order to disseminate know-how and possibly manage programs financed by external sources (private mine operators have expressed interest) with community commitments but who do not possess the community development expertise. It is also envisaged that the component will finance a limited amount of seed funds to launch new programs in a timely manner. Update of the administrative procedures will be done with due consideration to the results and lessons from the Bank-financed Community-Based Rural Development Project.

1.2 Improved service delivery in the Zouerate-Nouadhibou corridor

(Not continued under the proposed additional financing)

1.3 Hydro-geological studies

(Not continued under the proposed additional financing)

1.4 Strengthening of development management capacity

(a) Development planning at regional level (US \$250,000)

A regional “public expenditure plan 2020” will be prepared for selected areas and communes in the Inchiri Province (Wilaya) which is host to two large-scale mine operations (Tasiast and Akjoujt gold and copper mines). The local PEP’s will meet an immediate local demand spurred by an inflow of investments but will also serve as a role model for replication in other parts of the country. The province saw the first influx of investment and migrants when the Tasiast and Akjoujt mines commenced operation in 2006. The town of Akjoujt is estimated to have grown from some 15,000 to 50,000 inhabitants between 2005 and 2010. A second wave of migrant workers, dependents and other business people is expected to arrive with the expansion of the Tasiast mine and potential developments of other very prospective mine sites in the province. The PEP will help develop a strategy for absorbing the expected inflow of people by undertaking a comprehensive assessment of investment needs for infrastructure and social services. The expansion of mine operations will also require substantial investments in infrastructure (road, water and possibly railway and port facilities). The PEP will aim at merging the public investment needs with the mine operators’ investment plans so as to open up infrastructure investments for combined usage. The PEP will also assess sustainability issues related to financing maintenance costs of the public goods and services as well as needs for local capacity building in order to manage and sustain the investments. Comprehensive consultation and training activities are also planned in conjunction with this activity. Linkages to the Bank-financed Urban Development Project are sought,

(b) Support to community consultation and participation processes (US \$200,000)

The Bank has generated ample experience of inclusive consultation with communities affected by mine operations, and especially marginalized groups such as women, elderly and ethnic minorities. International best-practice will be tailored to national demands and sensitivities in order to establish ready-to-use manuals for government authorities as well as private investors. The manuals are expected to become important tools for successful execution of other project components and for potentially private investors’ community engagement.

1.5 Supervision of local economic development (US \$300,000)

Monitoring and evaluation of the impact of mine investments in the affected communities and local economy is a crucial part of ensuring that mine investments and operations are contributing to economic and social development in positive and sustainable manner. At international level, investor commitment to comprehensive baseline studies of economic and social indicators has improved greatly in recent years, but too often the focus is turned towards one-off compensation arrangements without any consideration of longer term impacts and sustainability of community investments. Even in the event of strong investor engagement in continuous M&E of impacts, there is often a hesitation or suspicion among local communities and civil societies of biased

reporting and the depiction of overly positive impacts. The M&E component will support relevant government and local authorities in defining an appropriate M&E system to capture impacts through regular reporting. The activities to be funded will seek engagement and collaboration with private investors (possibly through the International Council for Minerals and Metals) in compilation and tracking of indicators. The component will also finance government representatives to participate in data collection so as to ensure a balance between private and public sector participation in the M&E surveys. The increased government participation is expected to reinforce civil society confidence in the reporting. The component will also support awareness creation and active participation from civil society interests.

Component 2. Geo-information and development

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

2.1 Airborne geophysical surveys

(Not supported under Additional Financing)

2.2 Geological surveys

(a) Support to SIGE and SIGM (US \$250,000)

Under the Department of Mines and Geology two agencies are charged with database management and analysis of geological and environmental information, Service de la Géologie and Service de l'Environnement Minier, respectively. The backbone of the database management are two dedicated information systems, Système informatique de gestion environnemental (SIGE) and Système informatique de gestion minière (SIGM). While the systems have proven useful for sector management and promotion and as a reference point for investors, the rapidly changing sector context and the growing complexity of geological and environmental datasets require a comprehensive system update. Likewise, staff is in need of training. Technical assistance will assess system functionality, provide on-the-job training and redesign software components in collaboration with ministry staff. In parallel, critical hardware purchases will also be financed.

(b) Publication and dissemination of geological survey (US \$300,000)

While the geological knowledge of Mauritania is comprehensive, it is recognized that the full scope of the data has not yet been clearly communicated to the wider investment community or local businesses. Technical assistance will support the MPEM in further publication of key aspects, such as characterization of high potential mineral groups, hydrological survey data, etc. MPEM will also study options for web-based data dissemination.

2.3 Hydro-geological mapping and water database of Mauritania

(Not supported under Additional Financing)

2.4 Synthesis of geological data and mineral resources information

Interpretation of geo-physics (US \$650,000)

A comprehensive geological knowledge base has been compiled over the years. The knowledge base comprises various dimensions of information, including geo-physical, geological and geo-chemical parameters. In order to better target prospective zones of geological and mineralogical interest, the various dimensions need to be interpreted in an integrated manner. It is the objective of this activity to identify potential zones for more detailed surveying. An international consultant will be recruited, but in consideration of the capacities and experience that ministry staff have build up over the years, the work will be carried out as a cooperative effort which would combine global expertise with local knowledge.

2.5 Supervision of the geological infrastructure component

(Not supported under Additional Financing)

Component 3. Capacity building of Public Mining Institutions

The newly established “Police des mines” is tasked with overall coordination of inspecting mine operators but resources and knowledge are sourced from other departments and ministries, including the Ministry of Environment, tax authorities and others. The full range of these ministries will be the primary beneficiaries of this sub-component.

3.1 Mining Sector Promotion Unit

(a) Mining sector promotion initiatives (US\$ 300,000)

The project will also support design of a sector promotion strategy in order to enhance the awareness of the geological potential and the depth of geo-data already available in Mauritania. The promotion strategy would have both a domestic and an international angle so as to target local businesses as well as international investors. A road-show and series of workshops will be designed for a local audience, i.e. small mining enterprises and geological consulting companies. Existing information brochures and promotion material will be updated for participation at selected international minerals investment such as the Prospectors and Developers Association of Canada (PDAC), as well as regional investment promotion events specific to the minerals sector.

(b) Public awareness and stakeholder participation (US \$200,000)

The additional financing will support consultancy services to develop a public awareness program for areas where mining activities are taking place. The purpose is to inform citizens and government officials of the laws and regulations pertaining to the mining sector, and to facilitate community consultation, as provided in the relevant legislation. A detailed community consultation and sensitization toolkit will be developed with literature in the local language to explain, in simple terms, the rights and obligations of mine operators and communities under the legislation. An important aspect of the consultation toolkit will be to explain to local communities the benefit streams that could accrue to communities, as well as the mitigation of

negative impacts and influences. At national level, the project will collaborate with the national EITI committee on public awareness campaigns.

3.2 Mining cadastre unit follow-up

(Included under sub-component 3.4)

3.3 Environmental management of the mining sector

Environmental audits of the three largest operators in Mauritania are carried under the original credit. Follow-up activities to this work will be included under sub-component 3.4 below.

3.4 Institutional strengthening of the Directorate for Mining and Geology

(a) Integration of M&E systems for supervision of operators' performance (US c\$300,000)

The Ministry of Energy, Petroleum and Mining has developed, with support from PRISM 1 and 2, an electronic database for management of environmental matters (Système informatique de gestion environnementale – SIGE). A comprehensive pool of environmental (and to some extent social) characteristics is compiled in SIGE. Notwithstanding, the SIGE lacks integration with other sector databases and reporting templates. As a result, currently SIGE is not capable of monitoring performance of individual operators over time. It is envisioned to design internal portals of data transfer from the existing cadastre management system to the SIGE so as to obtain key information and performance obligations for individual mine title holders. The updated SIGE will be capable of tracking and reporting on social and environmental performance of the operations and recording the benefit streams arising from mine activities.

The Additional Financing will support redesign and implementation of database and reporting templates. Appropriate IT upgrades will be purchased as will essential equipment for conducting field missions, regular and surprise site inspections. Moreover, the original PRISM 2 credit is presently financing environmental audits of the largest mine operators with the intention to verify whether or not agreed performance obligations and management plans are properly implemented. Conclusions of the audits are expected only in third quarter of 2011, but pertinent recommendations will be adopted under the support activities. It will be of crucial importance to instill financial and operational viability in the database and reporting procedures to ensure that adequate financing mechanisms are in place for sustaining its operations after project closure and to ensure that users at central and local level are capacitated and incentivized to maintain the upgraded SIGE.

(b) Regulatory strengthening of mining operations (US\$ 150,000)

Whilst the Mining Law was revised in 2008, it has become clear that various concerns have not been addressed. For that reason, further revision and clarification is envisioned in the short term. The additional financing will provide funding for technical assistance to prepare revisions to the legal text as well as specific regulations that have yet to be addressed, *inter alia*: (i) occupational health and safety regulations for mining; (ii) divisions of authority between provincial and central authorities and across sector agencies, such as the division of responsibility between MEPM and the Ministry of Environment; (iii) division of benefits with the local authorities; and (iv) detailed regulations on mines inspection.

3.5 Training in mine site inspections and reporting (US \$550,000)

Associated to the redesign and upgrading of information systems, on-the-job training will be provided to government staff tasked with inspection responsibilities. Local authorities will also be expected to contribute to reporting of operators' performance. Likewise, mine operators will be required to file regular self-reporting templates. Regional workshops will be organized to ensure that procedures are properly disseminated and understood by the respective users. Other aspects of sector governance will also be covered.

Component 4. School of Mines and technical training support

Government of Mauritania has decided to establish a School of Mines (SOM) in response to the current demand for specialized sector professionals and not least the expectation of increasing future needs for qualified employees at current and projected mine operations. To this end, Government is collaborating closely with private and public mine companies as well as development partners with the objective to launch the first in-take of some 25-40 students in October, 2011. The School of Mines will be composed of an academic program (5 years) and a technical diploma program (3 years) which will produce the following candidates:

Academic program (at Nouakchott academic campus):

- Mine engineers
- Mine geologists
- Electro-mechanic engineers

Technical diploma program (in Akjoujt, close to operating copper/gold mine):

- Welders
- Fitters
- Mechanics
- Masons

The time table envisions opening of the academic degree program in October, 2011 while the diploma program has a start date of January, 2013. The academic program will consist of a two-year single-stream curriculum before a final three-year specialization in the three engineering disciplines listed above. The initial lecturing will take place in rented facilities which will accommodate the initial limited number of students and the predominantly theoretical teaching methods. Construction of a permanent engineering campus will commence in spring 2011 and be implemented in parallel with the academic program. The targeted construction completion date is September 2013, in time for opening as the first class of students enter the Third Year cycle at which time specialization will commence.

The diploma program will require immediate access to workshops and laboratory facilities, commencement of courses is, thus, determined by the construction schedule for the required facilities. Subject to detailed design, construction is expected to be completed late 2012 or early 2013. The center for the technical diploma program will be located in proximity to the operating copper/gold mine in Akjoujt although exact location is not yet known, some 250 km from Nouakchott. The capacity of the technical school will be approximately 50 students per year. Management of the facilities as well as daily operation of the diploma program will be

supervised by a resident director, but overall program and curriculum management will be led by a Nouakchott-based SOM director general.

The bulk of the capital costs will be derived from corporate sponsorships, while operational expenditures are projected to accrue from a sales tax on mineral sales. Resources from the Bank would target fiduciary aspects, quality assurance of study program, training of trainers and supplementary course programs whose audience would also include sector specialists from ministries and sector agencies.

4.1 Coordination and advisory services for oversight of School of Mines development (US \$200,000)

Additional staff is urgently needed for coordination of SOM development and project management. Currently, a small administration of one senior professor and two staff are responsible for all administrative and executive tasks related to supporting the inter-ministerial supervision committee. One additional senior staff will be recruited in order to separate the planning and coordination work between curriculum development on the one hand and construction supervision and facilities management/ administration on the other. The job title for the latter tasks will be Facilities and Development Manager. Besides daily supervision of construction works and related administrative issues, the Facilities and Development Manager will lead the process of staff recruitment as well as student enrollment. Another important task pertains to coordination between the academic program located in Nouakchott and the technical diploma program which is under construction in Akjoujt.

Legal statutes have been prepared for the SOM, defining its legal structure and principles of governance. However, the project will finance detailed procedures which have yet to be developed for the functioning of the Board of SOM (Conseil d'Administration). The legal support would also facilitate recurrent Board meetings and its operations. Advisory services will be provided for operational procedures which are considered crucial for SOM's autonomy and its quality of operations. These include development of procurement procedures including mandate and functioning of the SOM Staff Selection Committee. Financial management manual, internal reporting procedures and auditing requirements will also be supported. Other operational issues may also need to be addressed such as public funding mechanism, regional collaboration, etc.

4.2 Curriculum development and research/professional outreach programs (US \$200,000)

Core curriculum of the academic and technical diploma programs will be financed by private sector contributions, but supplementary course modules will be financed by the Bank on (i) financial principles of mine development and operation, (ii) governance, legislation and policy-making in the mining sector, (iii) principles of mine taxation. The Bank has a comparative advantage in these topics since similar activities have been supported elsewhere in the region and beyond. The audience will not be limited to enrolled students but also include the wider sector interests. In this way, SOM will engage in research and outreach activities which serve a broader audience than the academia.

Equipment purchases may also be included under Bank support, subject to financial constraints. Priority purchases would include library infrastructure and population as well as essential laboratory equipment.

4.3 Training of trainers (US \$200,000)

Support will be extended to training of SOM staff with emphasis on up-grading/up-dating lecturers' teaching skills in line with the curriculum to be taught. Limited support may also be given to administrative staff in order to ensure streamlined school management. Training and skills development will be executed as overseas exchange programs of limited duration or in-country training delivery. Visiting professors and twinning programs will also be eligible for funding based on approved operational plans for SOM. It is also an explicit objective for the SOM to engage in regional collaboration with peer institutes in (francophone) West Africa so as to create regional centers of excellence in specialized subjects and mobilize a critical mass of student demand and external resource mobilization. Regional partnership programs will be supported through protocols for student exchange programs and delivery of lectures with a regional audience.

4.4 Peer reviewer of School of Mines execution (US \$250,000)

A key ambition behind the formation of a School of Mines which is operating autonomously from the existing national education system is the interest in maintaining a high quality of teaching and eventually highly qualified graduates from the SOM. This sub-component will finance an external panel of experts to conduct regular assessments of the SOM. Assessments will be based on mutually agreed performance parameters including evaluation of teaching techniques, review of grading system and graduate competencies, inspection of facilities and resources available for lecturers and students. Survey methodologies will also be designed for tracking satisfaction rates among students, graduates and employers. The review mechanism serves multiple stakeholder groups ranging from students, employers (including Government of Mauritania) and regional academic institutions which have an interest in assuring consistency in school performance before and during regional partnership arrangements which may lead to commonly accepted accreditation programs.

4.5 Coordination of vocational training programs (US \$200,000)

In addition to the formation of a highly skilled workforce to steer the future development of the Mauritanian mining industry, operators and developers have an imminent need for technically competent workers for mine construction/ expansions as well as exploration activities and mine operation. The envisioned workforce will not require higher technical education, but a strong set of competencies and knowledge of specialized work practices will be needed. Such specialized training modules are usually of a duration of one to six months and taught at vocational training centers. Existing training centers in Mauritania do not meet the anticipated demands, either because of capacity constraints (SNIM training center in Zouerate can only accommodate SNIM's own personnel) or because of inadequate or obsolete training programs and facilities. The sub-component will support initiatives of collaboration between companies and training centers in developing tailor-made training programs which meet company employment needs. Initiatives of collaboration have commenced where companies aim to make use of existing training facilities but provide additional equipment, curriculum and teaching skills/ experts to conduct the training programs on a "Lease-Operate-Transfer" basis. The training centers will benefit from the programs through up-grade of equipment and curriculum as well as staff capacity building. The subcomponent will assist, through consultancies, in match-making between industry demands and training supply, in defining accreditation programs and in

assuring continuity of training programs. This sub-component will be closely aligned with Technical and Vocational Education and Training project in terms of integrating improved school management structures, training of trainers and other pertinent cross-cutting issues.

Component 5. Project execution and administration (US \$1,300,000)

The Additional Financing will continue to support the dedicated Project Coordination Unit which has been functional throughout the PRISM 1 and 2 operations. The PCU is responsible for all fiduciary arrangements pertaining to the project as well as administration of contracts. The PCU operates in close collaboration with the Ministry of Industry and Mines on management of Project activities and integration into the wider sector reform and strengthening. Emphasis will be placed on smooth transitioning of Project tasks to the relevant ministry departments and development of an action plan for sustaining Project outcomes after the closing date in November, 2013, which cannot be extended as per the policy exception for final extension of closing dates.

Table 5. Summary table of activities and costs

<i>Component</i>	<i>US \$</i>
<i>1. Local Economic Development in Mining Areas</i>	<i>1,750,000</i>
Development and diversification of local economic activities	
<i>(a) Local business development</i>	250,000
<i>(b) Micro project administration and execution</i>	750,000
Strengthening of development management capacity	
<i>(a) Development planning at regional level</i>	250,000
<i>(b) Support to community consultation and participation processes</i>	200,000
Supervision of local economic development	300,000
<i>2. Geo-information and Development</i>	<i>1,200,000</i>
Geological surveys	
<i>(a) Support to SIGE and SIGM</i>	250,000
<i>(b) Publication and dissemination of geological survey</i>	300,000
Synthesis of geological data and mineral resources information	
<i>Interpretation of geo-physics</i>	650,000
<i>3. Capacity Building of Public Mining Institutions</i>	<i>1,500,000</i>
Mining sector promotion unit	
<i>(a) Mining sector promotion initiatives</i>	300,000
<i>(b) Public awareness and stakeholder participation</i>	200,000

<i>Component</i>	<i>US \$</i>
Institutional strengthening of the Directorate for Mining and Geology	
<i>(a) Integration of M&E systems for supervision of operators' performance</i>	300,000
<i>(b) Regulatory strengthening of mining operations</i>	150,000
Training programs	550,000
4. School of Mines and Vocational Training	1,050,000
Advisory services to SOM development	200,000
Curriculum development	200,000
Training of teachers	200,000
Peer review of SOM execution	250,000
Coordination of vocational training programs	200,000
5. Project Coordination and Management	1,300,000
6. Unallocated	300,000
Total	7,100,000

MAURITANIA

- SELECTED CITIES AND TOWNS
- ⊙ REGION CAPITALS
- ⊗ NATIONAL CAPITAL
- ~ RIVERS
- MAIN ROADS
- RAILROADS
- REGION BOUNDARIES
- - - INTERNATIONAL BOUNDARIES

