

Report No. 33293

THE ISLAMIC REPUBLIC OF MAURITANIA COUNTRY ASSISTANCE EVALUATION

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Abbreviations

AAA	Analytical and advisory activities
ADF	African Development Fund
APL	Adaptable programmatic loans
ARDE	Annual Review of Development Effectiveness
CAE	Country assistance evaluation
CAS	Country assistance strategy
CFED	Centre de Formation et d'Echanges à Distance
CG	Consultative Group
CPAR	Country procurement assessment review
CPIA	Country policy and institutional assessment
ESW	Economic and sector work
EU	European Union
FDI	Foreign direct investment
FRSC	Fiscal Reforms Support Credit Project
GDLN	Global Distance Learning Network
GDP	Gross domestic product
HIPC	Heavily indebted poor countries
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome
HSIP	Health Sector Investment Program
IDA	International Development Association
IDF	Institutional Development Fund
IDI	Institutional Development Impact
MDG	Millennium Development Goals
MTEF	Medium-term expenditure framework
NGO	Non-governmental Organization
NPV	Net present value
ODA	Official development assistance
OED	Operations Evaluation Department
PER	Public expenditure review
PIU	Project Implementation Unit
PRSP	Poverty Reduction Strategy Paper
PRMC	Public Resource Management Credit
SME	Small and medium-scale enterprises
SNIM	Société Nationale Industrielle et Minière
SSA	Sub-Saharan Africa
UDP	Urban Development Program
UIPD	Urban Infrastructure and Pilot Decentralization
UNDP	United Nations Development Programme

Director-General, Operations Evaluation:

Mr. Vinod Thomas

Director, Operations Evaluation Department:

Mr. Ajay Chhibber

Senior Manager, OEDCR:

Mr. R. Kyle Peters

Task Manager, OEDCR:

Mr. Gerard Kambou

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Preface

This country assistance evaluation (CAE) provides an independent assessment of World Bank¹ assistance to Mauritania during the period 1992–2003. The CAE examines whether: (a) the objectives of Bank assistance were relevant; (b) the Bank’s assistance program was effectively designed and consistent with its objectives; and (c) the Bank’s program achieved its objectives and had a substantial impact on the country’s development during this period. Examining these questions allows the CAE to draw lessons and recommendations for future Bank assistance. Annex D describes the methodological approach.

The basis for the CAE consists of OED background papers, sectoral reviews, project assessments and interviews with past and present government officials, Mauritanian civil society, other donors, as well as Bank and IMF staff at headquarters and in Mauritania. The CAE team did not, however, have access to the full set of information from the Authorities, especially information regarding key macroeconomic variables, notably for the period 2000–2003. Therefore, assessments about recent macroeconomic performance and management are difficult to make and are somewhat tentative. A list of those interviewed is shown in Annex B. An OED mission visited Mauritania during January 2004.

The Regional response to the Management Action Record is attached as Annex C. Comments from the Government (Attachments 1 and 2) as well as OED’s response to these comments (Attachment 3) are also attached.

This CAE was written by Gerard Kambou (Task Manager, OEDCR) with the assistance of Roger Key (Consultant) on poverty reduction, Patrice Harou (Consultant) on rural development, and Pierre de Raet (Consultant) on the private sector. This evaluation also benefited from comments of René Vandendries (Consultant), Laurie Effron (OEDCR), and of two peer reviewers: Alice Galenson (OEDCR) and Arup Banerji (ECSHD). Danuta Danilova provided research assistance, and Silvana Valle provided administrative and editorial support.

¹ Throughout this report, World Bank is referred to as the Bank, which, in the case of Mauritania, also means International Development Association (IDA).

Summary of CAE Ratings

<i>Objectives</i>	<i>Outcome</i>	<i>Ratings</i>
<i>Sustainable Private Sector Economic Growth</i>		<i>Unsatisfactory</i>
<ul style="list-style-type: none"> • Macroeconomic stability • Private sector development • Rural development • Urban development 	<p>Macroeconomic stability improved but was not sustained and deteriorated sharply toward the end of the period (paras. 3.5–3.6).</p> <p>Strong private investment in the telecom sector, but overall impact of reforms is limited (paras. 3.8–3.12)</p> <p>Environmental management and awareness at the community level produced satisfactory results but rural poverty is high (paras. 3.15–3.16).</p> <p>Limited progress in job creation. Most significant project launched in FY02 (para. 3.20).</p>	
<i>Human Resource Development</i>		<i>Moderately Satisfactory</i>
<ul style="list-style-type: none"> • Education • Health • Access to infrastructure services • Gender 	<p>Substantial increase in school enrolment but slow progress on outcomes (para. 3.25).</p> <p>Health outcomes improved, but health status of the poor remains low (paras. 3.29–3.30).</p> <p>Slow progress with wide disparities between urban and rural areas (paras. 3.34–3.35).</p> <p>Progress in closing the gender gap in primary education, but income and literacy gaps remain significant (para. 3.38).</p>	
<i>Institutional Development and Governance</i>		<i>Unsatisfactory</i>
<ul style="list-style-type: none"> • Public sector reform and decentralization • Strengthen legal and judiciary system • Build capacity for public resource management 	<p>Reorganization of key ministries was unsuccessful and capacity at local level is weak (para. 3.46).</p> <p>Legal and judicial reforms had limited impact (para. 3.45).</p> <p>Fiscal transparency is inadequate (para. 3.43).</p>	
Overall		Unsatisfactory

Summary

Mauritania is a highly dualistic economy, with a modern sector consisting of mining, industrial fishing, and irrigated agriculture, contrasting sharply with a traditional subsistence sector of livestock and crop farming. Its population of 2.6 million, with per capita income of US\$430 (Atlas Methodology, 2003) is 60 percent urban, although poverty is disproportionately rural. Mauritania has poor social indicators: although there have been some improvements in the last decade, 69 percent of women and 49 percent of men are illiterate; life expectancy is 51 years, maternal mortality is 747 per 100 thousand and under-five mortality, 107 per thousand.

Between FY92 and FY03, 24 Bank operations for US\$491 million were approved, with an increasing trend, so that by the latter half of the period, Bank commitments averaged about US\$21 per capita, significantly above that of countries of comparable size and income level in the Africa region as well as above the IDA allocations. Mauritania also received substantial net ODA inflows from other sources, averaging about US\$76 per capita during this period. The sectoral allocation of Bank lending reflected a shift in the focus of the Bank's strategy from the 1980s towards education and health, which accounted for some 27 percent of total commitments, and urban development, at about 14 percent. The Bank continued to focus on agriculture and rural development, but lending to this sector was relatively lower. Adjustment lending was significant, accounting for about 29 percent of commitments over the period.

A major objective of the Bank's assistance program has been to help Mauritania to achieve sustainable, private sector-led economic growth anchored in activities in the rural and urban areas that would be most likely to involve the poor. Progress toward this objective has been mixed. Although macroeconomic stability improved in the early years of the period under review it has not been sustained. Beginning in 2000 budgetary performance weakened considerably, due to excessive government spending. But the full extent of the deterioration was not known because lack of fiscal transparency has made it difficult for the Bank to engage in dialogue with the authorities. Preliminary estimates of the recent picture suggest that the macroeconomic situation is highly unsatisfactory, although exact figures are not yet available.

Real GDP growth was robust and steady, averaging 4.4 percent in FY98–03, driven in part by private investment in the telecommunication sector and aid inflows; and the Mauritanian economy grew faster than most economies in the region. But growth was not broad-based and, hampered by rapid population growth (2.7 percent per year), per capita GDP growth was low. Moreover, although the incidence of poverty declined, from 51 percent in 1996 to 46 percent in 2000, its geographic distribution was uneven and the incidence of extreme poverty increased in Nouakchott, the main urban center, and in the Senegal River Valley where agriculture activities are concentrated.

Efforts to promote private sector development have met with limited success, and the foreign exchange market and financial intermediation are still inefficient; the

judiciary system is weak; utility reforms have been unsuccessful in fostering private sector participation; and private investment has been substantial only in the telecommunication sector. In rural areas, although the Bank's efforts to help the country to establish a demand-driven extension service system were unsuccessful, Bank support for decentralizing environmental management and awareness at the community level produced satisfactory results. It is too early to know whether recent efforts to increase agricultural value added and rural incomes will succeed. The most significant project aimed at urban development was launched recently, in FY02. The loan is exceptionally large (US\$70 million) and the project ambitious in its scope, but if it achieves its objectives it could have a major impact on urban poverty.

Bank assistance toward the second objective, human resource development and increased access of the poor to basic services, produced some positive results, but weaknesses remain. Bank assistance contributed to the increase in the gross primary school enrollment rate, from 46 percent in 1990 to 88 percent in 2001, a significant gain, and to substantial progress in narrowing the gender gap in primary school enrollment. Large challenges persist: rates of grade repetition remain high although they are declining, the primary completion rate is less than 50 percent, with wide disparities between urban and rural areas; and Mauritania's youth literacy rate is much lower than that of the Africa region (49.6 versus 78.5 percent, respectively). Many health, nutrition, and population indicators improved. In particular, infant and under-five mortality fell significantly. But maternal mortality, at 747 per 100 thousand, remains high and the health outcomes of the poor and vulnerable groups have been unsatisfactory. Child malnutrition prevalence is still high and access to improved water and sanitation services remains inadequate. Bank assistance contributed to the formulation of a population policy, but it was late in supporting sector-wide reforms.

The third objective, institutional development based on good governance, also had some positive results but, overall, this is an area where outcomes have been unsatisfactory. The Bank contributed to efforts to improve transparency by helping to strengthen the management and monitoring of public resources, but the lack of reliable and comprehensive information on budget execution continues to undermine fiscal transparency, which will be essential for ensuring that the anticipated oil revenues are managed efficiently and the benefits are shared equitably. The Bank also helped strengthen a number of policy-making institutions and supported the revision of key business legislation, such as the investment, commercial and mining codes. On the other hand, Bank support for the decentralization of public administration, greater participation of civil society in the development process, and strengthening judicial capacities had limited success; and, as a result of the Bank's heavy reliance on project implementation units, administrative capacity in government has remained weak.

The overall outcome of the Bank's assistance is rated as *unsatisfactory*, while the institutional development impact is rated as *modest*. The sustainability of the benefits of Bank assistance is rated, on balance, *likely* but there are important risks. Macroeconomic stability appears to have deteriorated sharply in recent years; accountability and transparency in the use of oil revenues are not assured; and the lack of competition in banking and other key economic activities is exacerbating the economy's duality.

In developing the future assistance strategy for Mauritania, it will be essential for the Bank to help Mauritania to formulate a more pro-poor growth strategy, with a stronger focus on reducing inequalities. This would include adopting an integrated approach to rural poverty, paying particular attention to the relatively neglected area of rural road improvements. In addition, greater attention needs to be given to removing the institutional constraints to private sector development, including by addressing the difficulties in obtaining foreign exchange in commercial banks, expanding access to credit beyond the few businesses associated with bankers, and helping to strengthen the judiciary system. In the area of human development, ensuring that resources and services reach their intended destination, particularly by addressing the needs of the poorest segments of the population is a priority for the Bank. The Bank should maintain a consistent focus on population issues, starting with analytic work on the proximate determinants of fertility, and proceeding to develop a clear strategy for supporting the demographic transition of fertility reduction that appears to be underway.

Finally, governance issues deserve more emphasis. As the government expects to begin receiving oil revenue in 2006 and there are already issues of fiscal transparency, the Bank needs to condition its support on ensuring that the oil sector is managed transparently and the benefits reach all segments of the population. In line with the recommendations of the Extractive Industries Evaluation, the upcoming country assistance strategy also needs to discuss explicitly the sector's current and potential contribution to sustainable development in Mauritania and devote more attention to analytical and advisory services aimed at improving the institutional and governance framework.

Vinod Thomas
by Nils Fostvedt
Director-General
Operations Evaluation

1. Mauritania's Development Situation in 1992–2003

Background

1.1 Mauritania, with a land area of over 1 million square kilometers, is one of Africa's largest countries but 90 percent of the land consists of desert, and less than 1 percent is arable. The population of 2.6 million, with a gross national income per capita of US\$430 in 2003 (Atlas Methodology, 2003), has been growing at 2.7 percent in recent years. A series of severe droughts in the 1970s and 1980s brought widespread desertification, provoking a massive rural exodus and transforming the largely nomadic population into a sedentary one. By the end of the 1990s less than 10 percent of the population was nomadic and about 60 percent was urban-based, the majority of which lives in Nouakchott, the capital city. The ethnic composition, consisting of a majority of Arabic-speaking Moors and a minority black African population concentrated along the Senegal River valley in the south, reflects Mauritania's history and its unique location as a bridge between North and Sub-Saharan Africa, and is also a source of social tensions.

1.2 Until recently, its natural resources consisted of livestock, iron ores and fisheries. In 2001, oil was discovered offshore with production expected to begin in 2006. Despite the rapid urbanization, agriculture is a major source of employment for the population, especially women.¹ Mining, historically the main source of growth, has seen its share in GDP decline in recent years but iron ore exports remain the major source of foreign exchange, accounting for about 50 percent of exports. Mauritania's coastal waters are among the richest fishing grounds in the world. While fishing contributes a small share of GDP it accounts for about 45 percent of exports and is a growing source of government revenue. Thus, iron ores and fish account for almost all of the country's exports. Yet, located in the north, the mining and fisheries industries are not only highly capital intensive, they are also served by a modern transport system that provides little interaction with economic activity in the southern region, which is organized around traditional agriculture. Bridging this duality in the economy remains a severe challenge.

Economic Performance²

1.3 Mauritania entered the 1990s with a weak economy and few achievements. Recurring droughts and trade shocks, combined with poor economic management and political instability, resulted in low and erratic per capita growth, deteriorating living standards and a heavy debt burden. These factors, aggravated by the suspension by most donors of their assistance in response to the position taken by Mauritania during the 1991 Gulf crisis, culminated in a balance of payments crisis in 1992. In late 1992, the government embarked on an ambitious stabilization and adjustment program supported by the Bank and the IMF. The program included a large currency devaluation and major

¹ In 2001, about 55 percent of the economically active population was employed in agriculture; of these, 63 percent was female (down from 79 percent in 1980).

² The Country Assistance Evaluation (CAE) team did not have access to the full set of information from the Authorities regarding key macroeconomic variables and, therefore, assessments about macroeconomic performance and management are somewhat tentative.

structural reforms in trade, price liberalization, privatization, taxation, public expenditure management, civil service, and the social sectors. It was implemented with some determination and, for the period up to the end of the 1990s, economic performance strengthened, supported by stable policies. As a result, real GDP growth was robust, exceeding 5 percent in 1999, and above population growth. Consumer price inflation declined, and the external position strengthened (table 1.1). But, after periods of overall surplus in the budget, fiscal deficits emerged in 2000 and 2001 and may have worsened considerably in the past two years. While it reflected an increase in government capital and social expenditures, the rise in the fiscal deficit, with the attendant widening of the current account deficit, also highlighted continued macroeconomic fragility. Still, progress has been made in reducing poverty (table 1.2).

Table 1.1: Mauritania—Selected Economic Indicators

	1993–95	1996–98	1999	2000	2001	2002	2003 ^e	2004 ^p
Real GDP growth (%)	5.0	4.5	5.2	5.2	3.6	2.3	6.4	6.9
Inflation, CPI (%) [*]	6.6	5.7	4.1	3.3	4.7	3.9	5.5	10.4
Gross domestic Investment (% of GDP)	17.5	19	18.6	32.1	22.2	21.9	n.a.	n.a.
Fiscal balance (excluding grants, % of GDP)	-2.1	5.8	2.2	-4.4	-6.5	3.8	-36.4	-23.0
Current account balance (% of GDP) ^a	-13.1	-9.2	-4.3	-5.8	-9.3	-0.8	-22.5	-19.3
Current account balance (% of GDP) ^b	-4.8	-0.2	2.4	-2.6	-6.5	1.1	-22.3	-27.9
Debt service before debt relief (%)	34.1	34.2	36.4	32.2	28.5	30.1	n.a.	n.a.
Debt service after debt relief (%)	26.9	25.1	22.4	23.0	12.3	11.5	n.a.	n.a.
Gross reserves (months of imports)	1.3	3.9	5.8	6.9	5.5	5.8	n.a.	n.a.

Note: For consistency purposes, IMF data are used exclusively in table 1.1. Therefore, these data differ slightly from annex table 2, which uses official World Bank data for years 1992–1998.

a/ Excluding official transfers, and oil and mining-related activities. b/ Including official transfers, and oil and mining-related activities. e/ Estimate. p/ Projection. * Period average.

Source: IMF, Public Information Notice (PIN) No. 05/71, June 2, 2005; IMF staff reports.

Development Challenges

1.4 *The robust economic growth was driven by the non-traded goods sector.* In the second half of the decade the impetus for growth came from the services sector, especially telecommunication, transport, and commerce. In addition, boosted by aid-financed public investment, construction and public works have been strong. On the other hand, mining production and industrial fishing fluctuated sharply; manufacturing output grew modestly; and growth in agriculture and livestock was uneven. As a result, the shares of the tertiary and secondary sectors in GDP have increased, while the share of the primary sector has declined. The increased activity in the non-traditional sectors is encouraging, but sustainable growth cannot be led by non-traded services alone. Stimulating agricultural growth, in particular, will be necessary to reduce poverty.

1.5 *The export base remains un-diversified and private investment has been confined to a few sectors.* The export base is still concentrated on iron ore and fish. Non-traditional exports are still a very small part of total exports, at about 5 percent. As a result, Mauritania remains vulnerable to external price and demand shocks. Domestic investment was sluggish throughout the 1990s, averaging 18 percent of GDP. About 20 percent of the investment came from government capital expenditures, and the remainder

was a combination of investment by public enterprises and private companies. Owing to the privatization of the national telephone company and the sale of two cellular licenses, and oil-related investment, the investment to GDP ratio was high during 2000–03, averaging 30.3 percent annually. With this surge, Mauritania’s average investment ratio compares favorably with the average for Sub-Saharan Africa; but private investment has not been particularly strong outside of the telecommunication and oil sectors. Consequently, employment creation has been limited, and given the rapidly growing labor force, unemployment is high.

1.6 *Mauritania’s overall poverty situation improved in the 1990s but poverty remains widespread in rural areas.* The incidence of poverty declined from 57 percent in 1990 to 46 percent in 2000, with poverty falling among urban and rural households (table 1.2). However, the pace of poverty reduction was slower in the second half of the 1990s even though GDP growth rate accelerated, suggesting that rising income inequality may have lowered the growth elasticity of poverty. In addition, whereas poverty fell in other towns and in the non-river based rural areas, it rose in Nouakchott³, the main urban center, and in the Senegal River valley region where agricultural activities are concentrated. While droughts may have been an underlying factor, the sharp increase in extreme poverty in these areas calls for greater attention to the quality of the growth process.

Table 1.2: Mauritania—Incidence of Poverty (in percent)

	1990	1996	2000		1990	1996	2000
Below the poverty line				Geographic distribution			
Total population	57	51	46	Nouakchott	36	21	25
Urban households	--	30	25	River-based rural	74	60	72
Rural households	--	66	61	Nonriver-based rural	69	72	55
				Other towns	45	39	26
Extreme poverty				Inequality			
Total population	28	33	31	Gini coefficient	34	38	39
Nouakchott	13	8	12				
River-based rural	39	37	54				
Nonriver-based rural	39	53	39				
Other towns	18	22	13				

Source: The 2000 household survey; World Bank and IMF data.

1.7 *Mauritania has made gains on many social indicators but progress has been slow on several others.* Most notably, the gross primary education enrollment rate has increased substantially and the share of girls in total primary enrollment rose, narrowing the gap with boys. Progress was also made in the areas of child vaccination; life expectancy; and child mortality (table 1.3). Still, ranked 152 out of 177 countries in the 2004 Human Development Report of the United Nations Development Programme (UNDP), Mauritania remains a low human development country. In particular, the poorest quintiles of the population have limited access to education, health, and other social services.

³ Preliminary results of an ongoing household survey suggest that the incidence of poverty may have declined in Nouakchott during 2000–02, but also that inequality of income distribution increased markedly in that period.

Table 1.3: Mauritania—Social Indicators, 1980–2003

	1980	1990	2003*
Immunization, DPT (% of children ages 12–23 months)	..	33	83
Improved sanitation facilities (% of population with access)	..	30	33**
Improved water source (% of population with access)	..	37	37**
Life expectancy at birth, total (years)	47	49	51
Literacy rate, adult total (% of people ages 15 and above)	29	35	41
Mortality rate, infant (per 1,000 live births)	118	110	77
Mortality rate, under-5 (per 1,000)	175	162	107
School enrollment, primary (% gross)	37	49	88

Source: World Bank data.

* Or most recent year available. ** 2000/01 data.

1.8 *Aid and external debt remain high.* Aid inflows, consisting of concessional loans and grants, have been critical in helping Mauritania correct its balance of payments problems. Over the period 1993–2003, Mauritania received on average US\$253 million in net official development assistance (ODA) per annum, equivalent to 25 percent of GDP. *In per capita terms, net aid averaged US\$102 annually, compared with the Sub-Saharan Africa average of US\$26.3.* Bilateral aid decreased substantially in the latter part of the 1990s, and there has been a relative increase in aid from multilateral donors (table 1.4). The European Union (EU), the International Development Association (IDA), and the African Development Fund (ADF) are the leading sources of multilateral assistance. Net flows from Arab countries and agencies, which had been the main source of foreign aid in the 1980s, became smaller or negative after the Gulf war.

Table 1.4: Net Receipts of Development Assistance,^a 1992–2003

(US\$ millions, US\$ per person)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Bilateral	109.1	190.4	117.9	110.1	87.4	83.8	56.6	94.0	82.7	79.9	145.0	137.1
Multilateral,	91.1	134.7	149.5	120.2	184.9	154.2	108.2	124.8	129.3	187.7	200.2	105.7
<i>Of which: IDA</i>	12.2	27.1	33.3	28.8	34.1	31.8	21.1	16.0	53.1	48.1	38.9	41.6
Total incl. Others	200.2	325.1	267.4	230.4	272.3	238.0	164.7	218.8	211.9	267.6	345.3	242.7
Amount per capita	94.0	149.1	119.4	100.2	115.4	97.9	65.9	85.1	80.0	98.4	124.2	85.2

Source: OECD Geographical Distribution of Financial Flows to Aid Recipients.

a. Computed as disbursements minus repayments on earlier lending (for more details, see Annex Table 3a).

1.9 As Mauritania borrowed heavily in the 1970s to finance an unsuccessful industrial expansion program and in the 1980s to finance mining investments, its foreign debt increased rapidly. The outstanding foreign debt stock reached a peak of US\$2.6 billion in 1998, with debt service absorbing 28 percent of export earnings. Following debt relief on Cologne terms in 1999, Mauritania qualified for additional debt relief under the heavily indebted poor countries (HIPC) Initiative in February 2000. In June 2002, Mauritania reached the completion point for debt relief under the enhanced HIPC Initiative and will receive, under this framework, debt service relief equivalent to US\$622 million in net present value (NPV) terms. A recent internal Bank document determined that Mauritania's NPV of debt-to-exports ratio and debt service-to-exports ratio are well below its indicative debt-burden thresholds, suggesting that it is a low debt-distress country. Still, as OED review of the HIPC Initiative has argued, Mauritania's weak export growth and un-diversified productive base underscore the importance of

improving export performance, closely monitoring the debt level and applying prudent debt management policies to ensure long-term debt sustainability.⁴

2. The World Bank’s Assistance and Strategy in 1992–2003

Objectives

2.1 The Bank’s assistance program in Mauritania in the decade 1992–2003 evolved in two distinct phases. In the first phase, covering the period 1992–1997, the Bank’s overriding objective was helping the country attain long-term sustainable economic growth with equity. Two country assistance strategies for FY92–94 and FY95–97 guided the Bank’s assistance during this period, with a focus on (i) private sector-led economic growth, (ii) human resource development, and (iii) economic management and capacity building. In the FY95–97 strategy, the third area would be broadened to include institutional development and governance objectives. A strong macroeconomic agenda aimed at restoring internal and external balances underpinned the Bank’s interventions.

2.2 From 1997 onward, helping to achieve growth with a particular focus on poverty reduction became the Bank’s stated overarching objective. The first country assistance strategy, covering the period FY97–00, was well articulated with an explicit poverty reduction orientation. In addition to the above three areas, emphasis was placed on interventions targeted to the vulnerable. The next country assistance strategy was not presented until FY02, which means that the Bank operated without a strategy in FY01–02. Not only did Bank lending continue during these years, but it was very high.

2.3 At the time of preparation of the 2002 assistance strategy, Mauritania was implementing the strategy set out in the PRSP that the Bank and the Fund had endorsed in 2001. The FY02 Country Assistance Strategy encompassed the four pillars of the PRSP: (i) accelerating private sector-led growth, (ii) anchoring growth in the sphere of the poor, (iii) developing human resources and ensuring universal access to basic infrastructure and services, and (iv) promoting institutional development based upon good governance. Thus, in the 2002 strategy, the earlier emphasis on safety nets was replaced with the concept of “growth anchored in the sphere of the poor”, which highlights the need for growth to be grounded on activities that would be most likely to involve the poorer segments of the population.

Relevance of Overall Strategy

2.4 With Mauritania suffering from severe internal and external imbalances in the early 1990s, the initial focus of Bank’s assistance in getting the macroeconomic fundamentals in place was highly relevant. The Bank’s later efforts to diversify and accelerate competitive agriculture growth and integrate livestock into the economy reflected a clear recognition that overcoming the duality in the economy would require a strategy aimed at increasing output and incomes in the rural sector. In this context, the

⁴ *Debt Relief for the Poorest: An OED Review of the HIPC Initiative*, World Bank, 2003.

Bank's assistance appropriately moved from a narrow focus on agriculture to a broader rural development strategy. In the process, attention was paid to ensuring that growth was environmentally sustainable. The strategy also recognized that growth was not enough to combat poverty; achieving improved living standards among all segments of the population required that investments in productive sectors be complemented by a strategy aimed at directly promoting human capital development. In this regard, the Bank appropriately focused on raising the efficiency and effectiveness of education, and improving access to health services and water supply and sanitation. Efforts were also made to address the social dimensions of adjustment through social protection measures.

2.5 Consistent with the large demographic shifts that Mauritania was experiencing, the strategy progressively adopted a focus on urban development. The Bank appropriately supported labor-intensive activities to create employment for the urban poor while expanding their access to basic infrastructure and social services. As the strategy evolved, the Bank strengthened its focus on institutional development and good governance, recognizing their importance for creating an environment conducive to private sector investment. In sum, the elements of the Bank's strategy were relevant to Mauritania's development situation. The strategy was coherent and consistent with the government's priorities, and reflected the evolution of thinking about poverty within the Bank. With the advent of the PRSP, the country assistance strategy became closely aligned to government policy.

2.6 Although the Bank's overall strategy was relevant, several criticisms could be raised. The Bank was slow in developing a more pro-poor growth strategy. The rural development strategy was based on an appropriate diagnosis of the constraints in the rural sector but it did not pay adequate attention to inter-sectoral linkages, particularly with respect to transport. In the human development sectors, the strategy was late in addressing overall health sector reform, population issues were not sufficiently emphasized, and inequities in the health and education sectors were not addressed adequately. The strategy recognized the need for restructuring the banking sector, but the formulation of the reforms overlooked the extent of concentration in the sector, which has remained oligopolistic and characterized by a high degree of connected lending. Finally, the emphasis placed on governance issues has been inadequate. While reforms have focused on public expenditure management, the promotion of transparency, an essential tool for building good governance, received limited attention until recently. These shortcomings are discussed in the rest of the report.

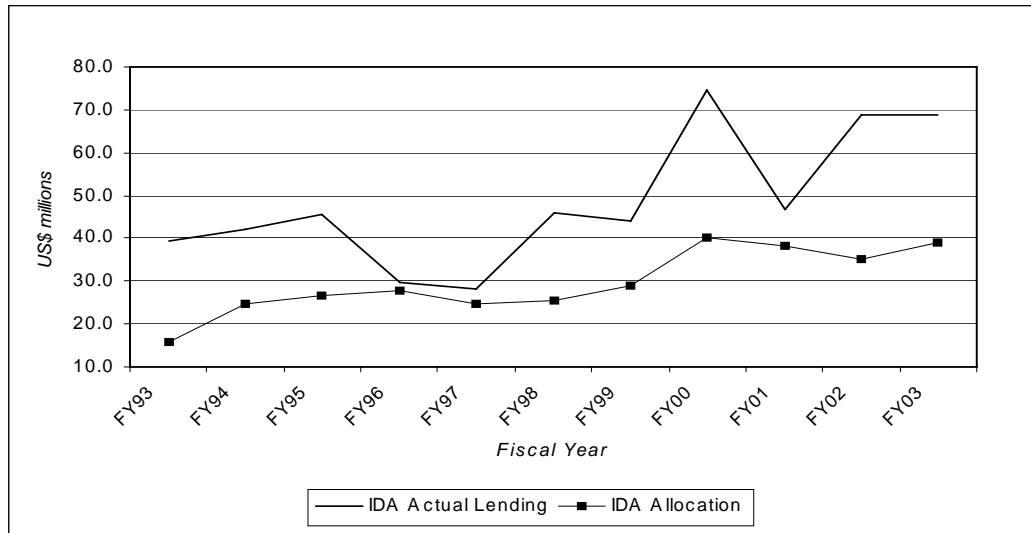
Lending Services

2.7 Bank lending over the 1992–2003 period was significant, totaling US\$491 million. Though fluctuating from year to year, lending exceeded agreed IDA allocations throughout the period (figure 2.1). Since FY95, actual lending has consistently exceeded the amounts envisaged in the high case scenarios even when the triggers for the high case lending were not fully met.⁵ Several unplanned projects were financed, including a

⁵ For example, in the FY97 country assistance strategy, triggers for the high case assistance included opening water and electricity to private investment, which was not successfully achieved.

social protection project in FY93, a regional hydropower project in FY97, a fiscal reform operation and an environmental project in FY00.⁶ Finally, in FY02, a very large urban project was approved.

Figure 2.1: IDA Lending vs. Allocation



2.8 The sectoral allocation of lending did reflect the shift in the focus of the Bank's strategy towards education, health, and urban development (annex table 3C). The combined share of health and education in total commitments increased to 27 percent from 12 percent in the 1980s, and the share of urban development rose to nearly 14 percent. The Bank maintained a focus on agriculture and the rural sector but its share of lending was relatively lower. Adjustment lending accounted for 29 percent of total commitments over the period, and was particularly high in the first half of the 1990s, when it represented 51 percent of total lending.

2.9 Table 2.1 presents annual average IDA commitments on per capita basis in a sample of African countries for the period 1980–2002.⁷ It shows that Bank lending to Mauritania has not only been rising; since FY95, it has been significantly higher than in countries of comparable population size in the Africa region. There is evidence that Mauritania attracted this level of commitments because of its relatively high country policy and institutional assessment (CPIA) ratings. Indeed, OED 2003 Annual Review of Development Effectiveness (ARDE) found that “Bank lending over the period 1999–2003, both overall and on a per capita basis, was concentrated in countries that had relatively good policy environments.” But the lending did not seem to have adequately taken into account Mauritania's rising foreign indebtedness, which necessitated relief under the enhanced HIPC Initiative. Lending in support of urban development, in particular, was exceptionally large. Whereas the FY97 country assistance strategy had

⁶ Classified as an environmental project, the Cultural Heritage project, supported by a Learning and Innovation Loan (LIL), was rather designed to determine how to safeguard and enhance the cultural heritage of Mauritania, an objective that was not identified in the country assistance strategy.

⁷ Sample includes Sub-Saharan African (SSA) countries with population greater than 1 million but less than 5 million.

planned for a relatively small investment loan to support the government's urban development program, the loan approved in FY02 was US\$70 million, by far the largest single investment project ever approved for Mauritania.

Table 2.1: IDA Commitments per Capita in Selected SSA Countries, 1980–2002 (in US\$)

<i>Country/Fiscal Year</i>	<i>80/91</i>	<i>92/94</i>	<i>95/97</i>	<i>98/02</i>
Central African Republic*	9.8	2.8	1.6	2.4
Congo, Republic of	2.4	11.7	1.0	4.9
Eritrea*	0.0	2.5	2.1	16.4
Gambia, The	10.8	8.1	0.0	15.1
Guinea-Bissau	14.1	5.7	9.9	9.1
Lesotho	4.7	6.0	4.8	4.3
Mauritania	8.8	11.5	19.5	20.8
Sierra Leone*	2.1	15.2	6.7	5.2
Togo	11.7	2.3	7.4	5.3

Post-conflict countries.

Source: World Bank data, April 2004.

2.10 *Assessment of closed projects.* During the period 1992–2003, OED reviewed a total of 21 closed Bank-financed projects in Mauritania, representing US\$383 million in commitments (table 2.2). Outcome was rated satisfactory for 71.4 percent of the closed projects. This is similar to the Bank-wide average of 70.8 percent but above the Africa Region average of 57.9 percent. When the analysis is conducted in terms of the value of commitments, Mauritania's satisfactory rate rises to 86.7 percent, higher than both the Bank average of 76.6 percent and the Africa Region average of 64.3 percent. The institutional development impact of 25 percent of the closed projects was judged to be substantial, and the sustainability of 57.1 percent of the closed projects was rated likely. Overall, Mauritania's ratings have improved compared to the 1980s and the early 1990s. This was due, in part, to the actions taken by the Bank to restructure problem projects, strengthen the capacity of project implementation units (PIUs), and reinforce supervision, but also to the Government's growing commitment to and ownership of the assistance program. Still, efforts are needed to improve the institutional development impact of Bank assistance.

Table 2.2: Mauritania—OED Project Ratings, Exit FY92–03

<i>Country</i>	<i>Total evaluated (\$M)</i>	<i>Total evaluated (No.)</i>	<i>Outcome % sat. (\$)</i>	<i>Outcome % sat. (No.)</i>	<i>Inst. dev. Impact % subs. (\$)</i>	<i>Inst. dev. impact % subs. (No.)</i>	<i>Sustainability % likely (\$)</i>	<i>Sustainability % likely (No.)</i>
Mauritania	383.3	21	86.7	71.4	18	25.0	64.4	57.1
AFR	32,954.5	926	64.3	57.9	30	29.1	41.3	37.4
The World Bank	235,358.8	3,107	76.6	70.8	43	38.7	66.4	56.4

Source: World Bank data, April 2005.

2.11 *Assessment of ongoing projects.* Two of the 12 active Bank projects (16.7 percent) in Mauritania are considered at risk, compared with the averages of 24.9 percent and 17.6 percent for the Africa region and the Bank, respectively. About 9.7 percent of commitments are at risk, compared to 24.7 percent and 16.6 percent for the Africa region and the Bank, respectively (annex table 4b).

Economic and Sector Work

2.12 Economic and sector work (ESW) became increasingly important in the Bank's assistance program, especially from 1997 onward as the focus of Bank strategy turned to issues of poverty reduction, broad-based economic growth, and competitiveness. During 1992–95, ESW consisted of a few major reports, including the FY94 Public Expenditure Review (PER) and the FY95 Poverty Assessment, prepared by the Bank. After FY95, a different approach to ESW was undertaken: a large number of smaller, government-led AAA products were prepared. The ESW effort in the 1998–2002 period was extensive: some 19 pieces of ESW were prepared, most of them under the direction of the government with Bank support. The studies dealt with a broad range of topics including taxation, trade reforms, regulation, public expenditure management, and sector strategies for rural development, education, livestock, mining, and fisheries.

2.13 An internal assessment of Mauritania's AAA program was undertaken in 2002. The assessment covers the period FY00–03, and only two tasks in the program were formally assessed. The AAA program was rated satisfactory. However, the assessment noted the lack of selectivity and coherence in the program; it found that tasks were supply-driven with no unifying thread. OED's review of the ESW program over a longer period of time (FY92–03) also found that the studies undertaken were broadly consistent with the Bank's core objectives during this period; but several unplanned tasks were carried out, while key planned studies were not prepared. Sector work in support of the growing lending in the education and health sectors was thin, especially in health. Analytical work on poverty reduction and private sector development, two major areas of focus of the Bank's strategy, was also surprisingly limited. Moreover, there was no mechanism for assessing the quality of the ESW prepared under the direction of the Government.

2.14 There were also major gaps in core diagnostic work: at the end of the 1990s, core diagnostic work consisted only of the FY94 PER and the FY95 Poverty Assessment. It was not until FY03 that an economic memorandum (CEM) and a financial accountability assessment (CFAA) review were prepared, and the next PER and poverty assessment were launched, while the country procurement assessment review (CPAR) is still outstanding. This core diagnostic work is critical for the formulation of the Bank's strategy and the planned transition to programmatic lending. The cross-country empirical evidence that the efficiency and composition of public expenditures are critical determinants of growth and poverty underscores the importance of periodic reviews of public expenditures.

2.15 Interviews with former and present Government officials indicate that the Government places a high value on the Bank's ESW and judges positively the quality of dialogue and the technical advice it has received from the Bank. OED's review found that the ESW effort has helped to deepen dialogue around the key economic and social issues facing Mauritania. At the same time OED found that dialogue was limited to government officials. International consultants carried out most of the studies prepared under government supervision, with limited contribution from Mauritians; and dissemination has been inadequate, beyond government officials.

Aid Coordination

2.16 Mauritania has been a Consultative Group (CG) country since 1985, and CG meetings have provided a framework for donor coordination, in which the Bank assumed a central position and responsibility. Cooperation with the Fund has been good, though it has been hindered by the recent macroeconomic situation. There was a reasonable division of labor, with the Bank taking the lead in public expenditure analysis and the Fund providing advice to the government on overall macroeconomic policy as well as technical assistance in areas such as tax policy, exchange rate management, and banking supervision. But the Bank's focus on macroeconomic adjustment in the mid-1990s was felt by some UN agencies to have been at the expense of a more explicit poverty focus. Most donors interviewed expressed a strong disappointment at their limited involvement in the preparation and assessment of the PRSP progress reports.⁸

2.17 In the sectors where the Bank has adopted a sector wide approach, its leadership has helped assure consistency of policies and investments, especially in education, where the Bank has sustained a long-term dialogue on the financing of education. However, implementation of a recent project in the area of rural development, where the Bank appears to have financed a duplicative investment because of lack of communication with other donors, has underscored the need for greater coordination at the local level.

2.18 The PRSP has provided a framework for the Government to play an active leadership role in donor coordination. Capacity at the Ministry of Economic Affairs and Development (MAED), the government agency responsible for the overall policy dialogue with donors, is being strengthened so that it can coordinate external assistance effectively. The Bank, through the resident mission, is taking part in these efforts; and Bank missions are increasingly consulting with other donors. Given the breadth of the government poverty agenda and the need for the Bank to be selective in its interventions, donor coordination will remain important and the Bank will need to continue to play an active role in this process.

3. Progress in Achieving the Bank's Major Objectives

3.1 The Bank's assistance program in Mauritania in 1992–2003 pursued three main objectives: (i) sustainable private sector led-growth that is anchored in the sphere of the poor; (ii) human development with access to education, health, and basic services; and (iii) institutional development based on good governance. This chapter assesses the contribution of the Bank's assistance to progress made and the results achieved under these objectives.

⁸ OED has recently completed, jointly with the Independent Evaluation Office (IEO) of the IMF, a review of the PRSP process. The Mauritania case study for the PRSP review notes the limited participation of other donors and civil society in the PRSP process. See *Poverty Reduction Strategy Initiative: Findings of 10 Country Case Studies of World Bank and IMF Support*, World Bank and IMF, 2005; and "OED Review of the Poverty Reduction Strategy (PRS) Process: Mauritania Case Study," Background Paper, Operations Evaluation Department, World Bank, 2004.

Objective 1: Sustainable Private Sector-led Economic Growth Anchored in the Sphere of the Poor

3.2 Achievement of this objective required progress in three areas: macroeconomic stability; private sector development; and anchoring growth in the spheres of the poor, which involved rural sector and urban development. The Bank's lending in support of these objectives was substantial, but progress has been mixed. Although macroeconomic stability improved in the early years of the period under review it was not sustained. Real GDP growth was robust and steady. Driven in part by private investment in telecommunication and aid inflows, Mauritania's economy grew faster than those of the Africa region in recent years (table 3.1). But, despite the strong growth, the economy did not generate employment and increase the incomes of the vast majority of the poor. Although the 2000/01 household survey shows an overall decline in poverty (table 1.2), there was a sharp increase in extreme poverty in Nouakchott and the Senegal River Valley, and unemployment is widespread.⁹

3.3 That growth was not pro-poor could be traced to three factors. First, the growth effort was hampered by rapid population growth. While poverty was falling by about one percentage point a year during the 1990–2000 period, population was growing at a much faster rate, with the result that the absolute number of the poor increased.¹⁰ Second, growth was not broad-based: in particular, it was not supported by sustained expansion in the agriculture and livestock sectors where most of the poor are found. Third, private sector investment, normally the driving force for economic growth, has been modest outside of the telecom and oil sectors. These findings are discussed further below.

Table 3.1: GDP Growth Performance

	90-94	95-97	98-03
GDP growth (annual %)			
Mauritania	3.2	3.7	4.4
Sub-Saharan Africa	0.6	4.2	3.1
Low income	3.3	5.6	5.0
GDP per capita growth (annual %)			
Mauritania	0.7	1.0	1.7
Sub-Saharan Africa	-2.1	1.4	0.7
Low income	1.1	3.4	3.0

Source: SIMA database as May 3, 2005.

Macroeconomic Stability

3.4 The Bank's assistance in pursuit of macroeconomic stability focused on improving resource mobilization and public expenditure management. The Bank pursued these objectives with a public resource management credit (PRMC) and a fiscal reform credit (FRSC). An Oil Shock Supplemental Loan was provided to mitigate the impact of

⁹ The 2000/01 household survey estimated the unemployment rate at 29 percent at the national level, 39 percent in Nouakchott, and 38 percent in other cities.

¹⁰ The household survey also reports that the absolute number of the poor increased from 1.1 million in 1990 to 1.25 million by 2002.

the unexpected increase in oil prices in 1998–99. The FRSC, provided under the Higher Impact Adjustment Lending (HIAL) initiative, and the Oil loan were unplanned.¹¹ Nonetheless, the three credits were consistent with the private sector-based growth objective. Both the PRMC and FRSC addressed weaknesses in public expenditure management and resource mobilization, based on the analysis contained in the FY94 PER. A third PER, which was planned for FY98, was not delivered and this left a gap in guiding future operations.

3.5 Mauritania’s macroeconomic environment improved in the second half of the 1990s, reflected in single-digits inflation rates, a stable exchange rate, and growing foreign reserves (table 1.1). This stability owed a lot to the pursuit of prudent fiscal policies. The fiscal deficit was reduced sharply from 11 percent of GDP in 1993 to a surplus averaging 4.7 percent of GDP in 1996–97 and 2.2 percent in 1998–99. This fiscal improvement was facilitated, in part, by a surge in fish license fees since 1996, which resulted from the opening of deep-sea fishing to European vessels. However, beginning in 2000, fiscal performance has weakened. The government has recently reported that the fiscal situation deteriorated significantly in 2003 and 2004, due to overspending. The full extent of this deterioration is now emerging, and although the exact figures are not yet available, it is expected to show a very precipitous increase in the fiscal deficit; the past under-reporting reflects a lack of fiscal transparency that characterizes government budgetary procedures.

3.6 The Bank’s contribution to fiscal consolidation has been limited. The reforms supported by the PRMC and FRSC contributed to broadening the tax base, lowering marginal tax rates on company and private income, and simplifying tax administration. The tax ratio has not, however, risen. In 1993–97, the ratio of tax revenue to GDP averaged 17.4 percent; in 1998–2002, this average fell to 14.3 percent, well below the Sub-Saharan Africa average of 18 percent. In contrast, the ratio of non-tax revenue to GDP averaged 8 percent and 11.4 percent over the same periods, reflecting the growing dependence of budgetary revenue on fishing licenses. Similarly, although these Bank’s operations helped contain the growth of current expenditures, particularly the wage bill, improve expenditure planning, and enhance the poverty focus of government expenditures in the early 1990s, they have been ineffective in fostering solid budgetary institutions to guarantee the permanence of these achievements. The fact that there is no transparent accounting of contingent liabilities of the public sector and other quasi-fiscal activities suggests that the institutional context in which fiscal policies are formulated remains inadequate. In short, to a significant extent, the improvement in fiscal balances in the 1990s was achieved without sustainable progress toward fiscal consolidation.

Private Sector Development

3.7 The Bank’s assistance in support of private sector development aimed at improving the overall business environment, enhancing financial intermediation,

¹¹ OED evaluation of the HIAL initiative found that it was yielding positive results and, based on these findings, OED encouraged the Africa Region to continue with this approach. See “Higher Impact Adjustment Lending (HIAL): Initial Evaluation,” Operations Evaluation Department, World Bank, 1999.

reducing the cost of doing business, and reforming public enterprises. To these ends, a private sector adjustment credit was launched in FY95 to support reforms aimed at liberalizing the exchange rate and trade regime, improving the legal and judiciary framework, and increasing the efficiency of financial intermediation. And four investment credits focused on reforms in the water supply and sanitation, electricity, and telecommunication sectors. But a study examining Mauritania's regulatory and institutional environment for private sector development was only completed in FY03.

3.8 Mauritania's overall business environment showed improvements in some respects during the 1992–2003 period. A recent OED review¹² found that major public enterprises have been either restructured or privatized; the regulatory framework has improved; and bank credit to the private sector has increased. Foreign direct investment (FDI) as a share of gross capital formation increased from 3.3 percent in 1990 to 11.2 percent in 2001, well above the average of 3.9 percent for low-income countries as a group.¹³ However, outside of the oil and telecommunication sectors, the supply response from the private sector, including FDI, has been modest. Output growth in the manufacturing sector has been weak, and private sector participation in the delivery of services has been minimal. The limited supply response reflects the persistence of problems in several areas, including a segmented foreign exchange market, inefficient financial intermediation, weak judicial system, limited competition in key economic sectors, and infrastructure bottlenecks.

3.9 Bank assistance produced mixed results. First, the measures aimed at improving the operation of the foreign exchange market have not been sufficient to eliminate market segmentation. Investors, especially micro-entrepreneurs, continue to experience difficulties in obtaining foreign exchange from commercial banks. Moreover, the banking sector was consolidated in the context of a highly un-competitive market structure. With a few extended family-owned investment groups dominating key economic activities, such as banking, construction, and transport, the restructuring of the banking sector into the ownership of these groups acted to reinforce the concentrated market structure. As a result, financial intermediation has remained inefficient; loan concentration ratios are very high; and, while credit availability has improved in recent years, access to credit is limited to a few business groups and privileged individual borrowers. Bank assistance recognized the need for viable small and medium-scale enterprises (SMEs) to emerge and expand, given their ability to generate employment opportunities. But the lack of access to financial services remains a severe constraint to their development; and the planned financial sector study, which was to help formulate a strategy to address these issues, had been delayed to FY05.

3.10 Second, the Bank's efforts to improve the legal framework did not fully succeed in making the reforms work on the grounds. Key business legislation has been revised to simplify procedures for business activities. For example, the commercial and civil procedure codes as well as the mining code have been streamlined. In 2002, the

¹² "Project Performance Re-Assessment Report: Mauritania—Public Enterprise Sector Adjustment Program Project," Operations Evaluation Department, World Bank, 2004.

¹³ World Development Indicators, World Bank, 2003.

Government adopted a new investment code designed to provide incentives and security to both local and foreign investors. However, the application of the revised codes has been slow due to long delays in passing the necessary implementation decrees. As a result, the business environment still lacks a clear set of rules.

3.11 Third, public utilities reforms are still incomplete. Bank assistance made a significant contribution to the privatization of the telecommunication sector. It supported the establishment of an independent regulatory authority and the separation of the post and telecom activities. The telecom sector was successfully privatized and yielded a dramatic expansion in service coverage. But, while the postal company has undergone structural restructuring, it has not yet achieved financial viability. The energy/water and sanitation project launched in FY02 facilitated the split of the water and electricity state enterprise into two entities, each with a legal and statutory framework. However, the reforms have been unsuccessful so far in attracting private sector participation. An attempt in 2002 to privatize the electricity company failed.¹⁴

3.12 Prior to these regulatory reforms, the Bank's two interventions in the water and energy sector met with limited success. The outcome of the FY92 water supply project was unsatisfactory. The project did not achieve its objectives of improving the water supply system, increasing the supply of safe and affordable water, and strengthening the national Water and Electricity Company (SONELEC). The FY97 power project appears to have made progress in improving the efficiency and reliability of the power system. But, indicators are scarce and installed capacity has expanded very slowly.

Anchoring Growth in the Sphere of the Poor

3.13 The Bank's assistance in pursuit of this objective had two main elements: integrated rural development and urban development. In the area of rural development Bank support focused on developing the livestock potential, diversifying agricultural production, increasing the productivity of small farmers, and protecting the environment. Urban development was pursued through interventions aimed at increasing the supply of and access of the poor to basic infrastructure, generating employment and facilitating the development of micro and small enterprises. The Bank provided six loans in pursuit of these objectives, and undertook several analytical studies.

3.14 *Rural development.* The Bank supported the objective of rural development through an extension service project aimed at smallholder farmers, a natural resource management project, and an integrated agriculture development project, the latter two designed as adaptable programmatic loans (APL). Beginning with the FY94 Fisheries Sector Review and Country Environmental Strategy, the ESW grew to include a strategy for rural sector development and studies on livestock and artisanal fisheries.

3.15 The performance of the agriculture sector has been uneven. In 1992–97, output growth was strong, averaging about 17 percent, but the high growth rates occurred in

¹⁴ The closing date of this project, initially planned for December 2003, had to be extended so that another attempt to privatize the electricity company could be undertaken.

rebound from droughts. In 1998–2002, under less favorable rainfall, agricultural growth was negative, averaging -3.8 percent per year. Agriculture still engages over half the workforce but produces only about 5 percent of GDP. After stagnating in 1992–96 with an annual average growth rate of 2.2 percent, livestock production has increased in recent years, growing at 3.1 percent on average in 1998–02, but backward and forward linkages with the rest of the economy are weak. Artisanal fishing was also characterized by slow growth, with production growing by only 0.4 percent in 1992–97 and 2.1 percent in 1998–02. As a result, the primary sector has contributed only modestly to GDP growth and poverty reduction. After declining in the mid-1990s, poverty increased sharply between 1996 and 2000 in the river-based rural areas (table 1.2).

3.16 The contribution of the Bank’s assistance to the rural development objective has been modest. The extension service project did not achieve its objective of establishing a sustainable, demand-driven national agricultural extension service system. The natural resource management project helped strengthen the capacity of rural communities to manage their natural resources in a sustainable manner. It supported village investments, which increased incomes; and promoted the creation of decentralized rural institutions. Overgrazing and deforestation continue, however; and, although experience suggests that in environments prone to desertification, priority investments should be set in the context of community driven natural resource management plans to enhance environmental awareness, this was not the case under the initial phase of the project. Furthermore, while the project established village development associations to manage common natural resources, it bypassed the communal institutions responsible for implementing the national decentralization policy. Designed to increase areas under irrigation, diversify production into potentially exportable crops, improve linkages with livestock production, and improve the delivery of extension services to small farmers, the integrated agricultural development project appears to be making progress. Available data point to increases in rice yields, diversification toward fruits and vegetables, and exports; but it is too early to tell whether the project will succeed in stimulating agricultural growth.

3.17 Improvements in road infrastructure are often necessary to support agricultural growth. Most of the beneficiaries interviewed during field visits identified the lack of adequate roads as a major constraint to agricultural production. Rural roads are in poor condition, and transport networks for agriculture produce are inadequate and unevenly distributed across the country. High transport costs, stemming primarily from the fact that road transport had not been effectively liberalized, together with the lack of adequate rural roads, reduced the impact of the Bank’s interventions. Bank assistance was designed under the assumption that the road constraints would be mitigated by programs supported by other donors, which did not happen to the extent expected. EU, the lead donor in the transport sector, has concentrated its interventions on the main roads.

3.18 *Urban development.* Bank support for urban development began with the Construction Capacity and Employment Project in FY93, followed by the Urban Infrastructure and Pilot Decentralization (UIPD) Project in FY96. Both projects were designed to create employment in urban areas through labor-intensive public works and small enterprise development. In addition, the UIPD project was to support a pilot decentralization phase designed to improve the capacity of local governments to manage

urban infrastructure assets and mobilize revenues. In FY02, the Urban Development Program (UDP) Project, an APL, was launched. Lending was underpinned by the FY95 Poverty Assessment, which outlined a strategy for urban development, and a medium-term expenditure framework (MTEF) in FY02. The municipal development study programmed in the FY94 country assistance strategy was not undertaken, however.

3.19 Comprehensive data on income and employment trends are scarce, but figures from the 2000/01 household survey suggest that the urban poor continue to face considerable difficulties in finding remunerative employment owing to the lack of investment and job creation in the private sector. In recent years, faced with declining real rural incomes, people have moved to the main towns, particularly Nouakchott, in search of jobs, but most have ended up in the informal sector or in open unemployment. This has contributed to the increase in the incidence of poverty in Nouakchott.

3.20 The contribution of Bank assistance to urban development has been modest. The outcomes of the CCE project and the UIPD project were rated satisfactory. But the main impact of the CCE project has been on mitigating the social cost of adjustment through short-term employment creation. The UIPD project, which led to the creation of AMEXTIPE, a public works executing agency, contributed to the creation of temporary employment and introduced a number of instruments to support municipal administration. But efforts to strengthen private sector construction firms were unsuccessful. The ongoing UDP project builds on past experience and addresses key long-term issues facing the poor, such as access to credit; it is, however, quite ambitious in scope. Yet, because of its size (US\$70 million), the project represents a large concentration of the Bank's lending efforts. If it turns out well, it could have a major impact on urban poverty; but if it fails to achieve its objectives, it could have an adverse effect on the Bank's assistance program.

3.21 In summary, Bank support led to modest improvements in macroeconomic stability for most of the period, but recent budgetary performance has deteriorated very sharply and significantly, threatening internal and external stability, and the achievement of macrostability is considered highly unsatisfactory. The outcome of Bank support is considered less than fully satisfactory in the areas of promoting private sector development, increasing agricultural growth, generating productive employment, and improving the living standards of the rural and urban poor. The robust GDP growth has not achieved a significant reduction in extreme poverty, which rose in the capital city and in river-based rural areas. Based on these results, the outcome of Bank assistance in pursuit of the objective of sustainable private sector-led growth anchored in the sphere of the poor was, on balance, unsatisfactory (table 3.2).

Table 3.2: Summary Outcome Rating

<i>Objectives</i>	<i>Outcome</i>
Sustainable Private Sector-Led Economic Growth Anchored in the Sphere of the Poor	Unsatisfactory
• Improve Macroeconomic Stability	Highly unsatisfactory
• Improve Environment for Private Sector	Moderately satisfactory
• Anchoring Growth in the Sphere of the Poor	Moderately satisfactory

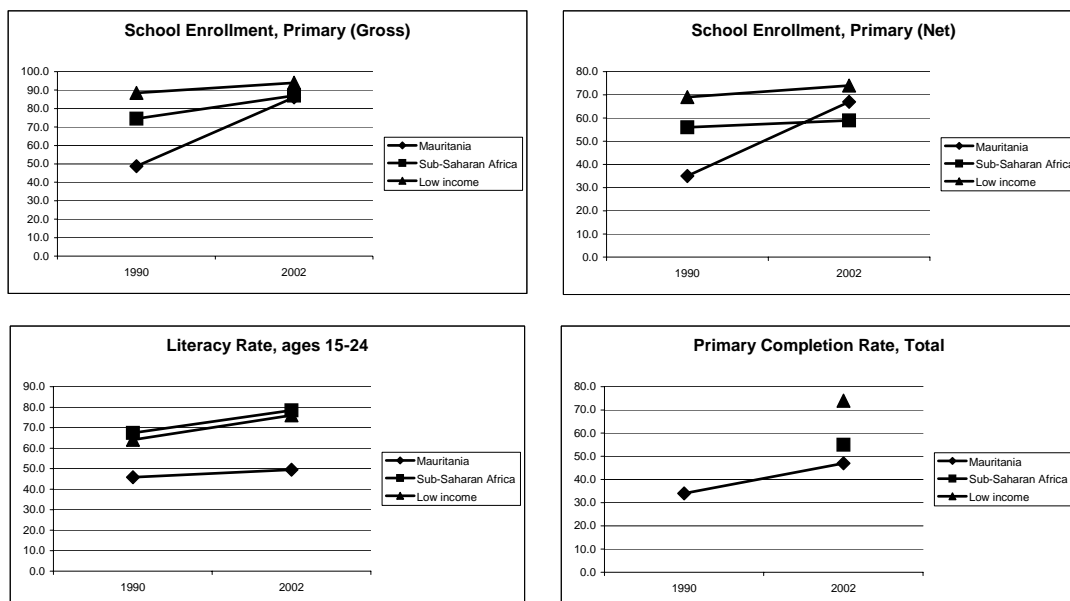
Objective 2: Human Resource Development

3.22 The Bank's support to the human development objective aimed at improving education and health outcomes, addressing specific constraints in these sectors, improving access of the poor to basic services, mobilizing resources for social services, and taking into account the situation of women through gender mainstreaming.

3.23 *Education.* The main objectives of Bank assistance in the education sector were to expand access, improve the quality, and strengthen the effectiveness of education. The Bank's assistance increased rapidly, evolving from a project to a sector approach, with a focus on primary education. During the FY92–02 period, the Bank launched three projects, focused on technical educational and vocational training (FY93), basic education, with particular emphasis on girls' education (FY95); and the entire government's education sector development program (FY02). Analytical work included a study of Mauritania's education system and a MTEF for the education sector.

3.24 Mauritania has made substantial progress in expanding access to education. Progress in increasing primary school enrollment and in narrowing the gap between boys and girls has been particularly significant. The gross primary school enrollment rate has increased rapidly and closed the gap with the Africa region and low-income countries. The net primary enrollment ratio increased from 35 percent in 1990/91 to 67 percent in 2001/02, exceeding the Africa region average. Secondary and higher education enrollment rates also increased, though not as rapidly as those in primary education. But the evidence suggests that progress in improving education outcomes has been less rapid. Rates of grade repetition remain high although they are declining, and rates of survival to higher grades are still low. Primary completion rate is less than 50 percent with wide disparities between urban and rural areas; and the youth literacy rate rose to only 49.5 percent in 2002 from 45.8 percent in 1990, a rate that is significantly lower than the African region average of 78.5 percent (figure 3.1).

Figure 3.1: Education—Efficiency and Outcomes



Source: World Bank data and World Economic Indicators.

3.25 The contribution of Bank assistance to primary education was significant. The targets for school construction, teacher recruitment, and textbooks were exceeded under the successful basic education project, resulting in a rapid expansion in primary school enrollment. The gross enrollment ratio reached 92 percent in 2002/03, a significant gain, though below the target of 100 percent by 1999/2000. The focus on girls' education permitted the rise in the enrollment of girls to 49 percent of total enrollment in 2001 from 46 percent in 1996. The repetition and dropout rates declined during this period of rapid expansion, though the project targets were not achieved. The project was also designed to expand access to and improve the quality of secondary education, improve the quality and management of higher education, and promote private sector provision of education. These objectives were met. However, student learning outcomes, a key measure of the quality of education, were not part of the project design and so it is not possible to tell whether student learning has improved. In addition, although the outcome of the technical and vocational training project was rated satisfactory, the project did not focus on areas of high market demand such as electronics, telecommunication and computers. These, as well as the slow progress in raising literacy rates, are major gaps that the ongoing education sector program project seeks to address.

3.26 In its 2002 evaluation of progress towards the Millennium Development Goals (MDGs), the UNDP concluded that Mauritania can reach the MDGs related to primary education, including that of gender equity.¹⁵ This will be a major achievement given that the gross enrollment ratio was only 46 percent in 1990. But further progress in improving the efficiency of the education system will be needed. The Presidential decision in 1999 to shift from a predominantly Arabic language system to a French-Arabic system is a further challenge. Although this decision has received the support of most donors, including IDA, it has raised new challenges, including the supply of bilingual teachers and teaching materials.

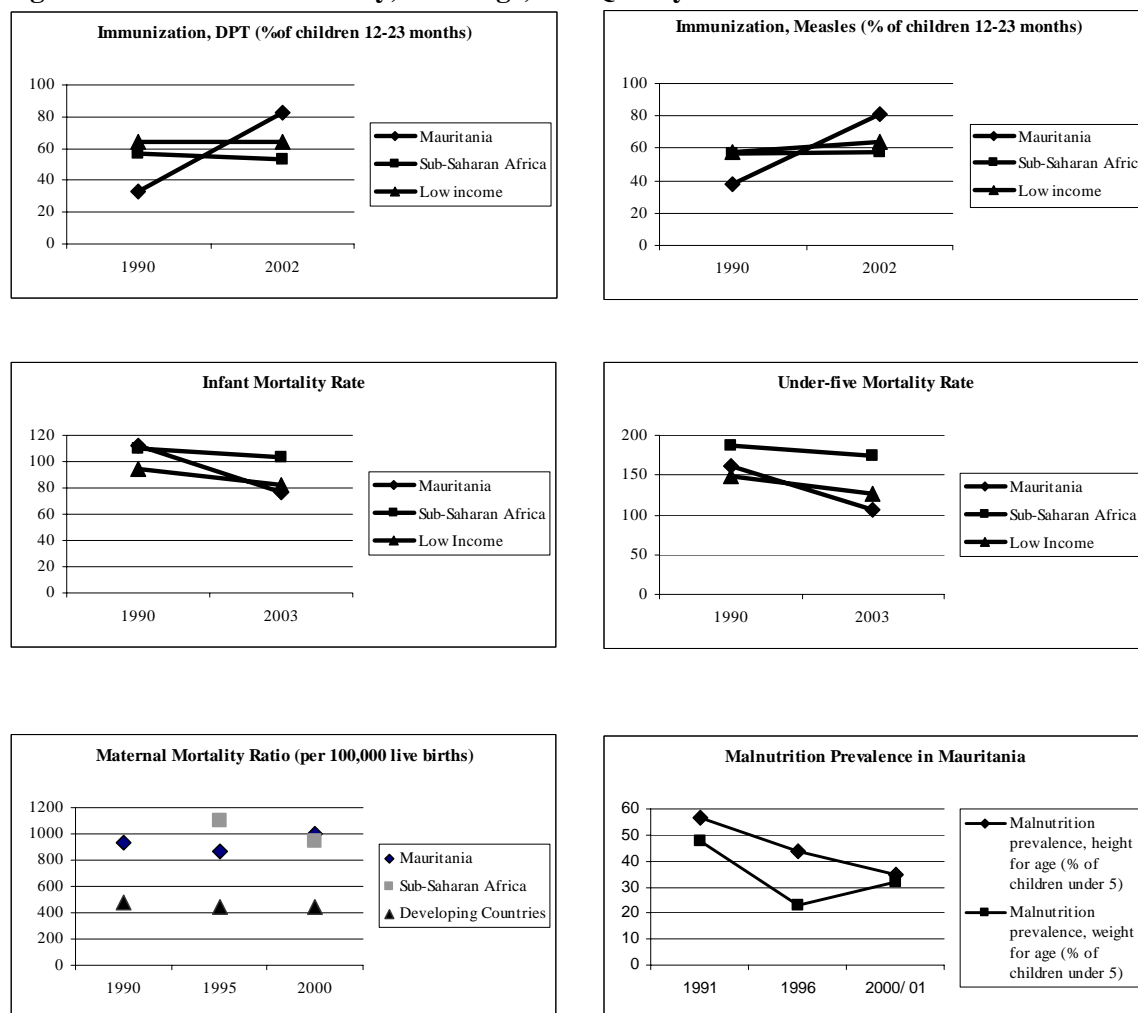
3.27 *Health.* The initial focus of Bank assistance in the health sector was on developing a national population policy, improving the delivery of basic health, and family planning services. This focus was subsequently broadened to expanding health coverage, strengthening the effectiveness of primary health care facilities, averting the rapid spread of HIV/AIDS, and achieving financial sustainability in the sector. The Bank's assistance consisted of a health and population project (FY92), a Health Sector Investment Program (HSIP) project (FY99) and a nutrition project (FY99). Analytical work has been very limited. It was only with the completion of the Demographic Health Survey in 2000 that a clear picture of health status emerged.

3.28 Mauritania has made progress in improving the health status of the population, as indicated by the sharp decline in infant and under-five mortality (figure 3.2), the increase in life expectancy from 49 years in 1990 to 51 years in 2002, and the decline in the total fertility rate from 6 percent in 1990 to 4.1 percent in 2003. However, despite the recent gains, the demographic and health situation continues to be characterized by rapid population growth, high burden of illness and high maternal and child mortality,

¹⁵ *Rapport sur Les progrès dans la mise en oeuvre des Objectifs de Développement pour le Millénaire en Mauritanie*, PNUD (UNDP), Nouakchott, décembre 2002.

especially among the poorer socio-economic groups whose health outcomes have remained poor. –

Figure 3.2: Health—Mortality, Coverage, and Quality



Source: World Bank and UNICEF data.

3.29 The Bank's contribution to Mauritania's health, nutrition and population outcomes has been mixed. The health and population project had a satisfactory outcome. A population policy was developed; and cost recovery initiatives resulted in increased availability of affordable essential drugs as well as in increased utilization of health facilities. HSIP targeted key determinants of health outcomes and achieved positive results. Between 2000 and 2003, child mortality declined steadily. But available evidence suggests that the poor still have limited access to effective and affordable drugs and other services because of weaknesses in financing and delivery of primary health care. Under-five mortality rates are substantially higher in households with an illiterate

mother (152 per thousand) and in the Senegal River Valley (146 per thousand), where the incidence of poverty is highest.¹⁶

3.30 A significant proportion of maternal and child mortality can be attributed to the poor nutritional status of mothers and children, which the ongoing nutrition project seeks to improve. But progress has been slow and uneven (figure 3.2). And outside the health sector, access of the poor to water and sanitation services did not receive adequate attention, despite their well-known impact on child mortality (para. 3.34). In its 2002 evaluation, UNDP concluded that Mauritania was unlikely to reach the health MDGs, in part because of the slow progress in improving the health outcomes of the poor.

3.31 *Financing for basic social services.* Bank assistance placed emphasis on increasing financial resources for social services by rationalizing government expenditure and re-orienting it towards the social sectors. The Bank's approach evolved from an early emphasis on loan conditionality to developing annual public expenditure programs, three-year rolling public investment programs (PEPs) and MTEFs as a way of achieving a more transparent, efficient and poverty-focused public expenditure program. This effort, supported by the PRMC and the FRSC, was based on the analysis contained in the FY94 PER and FY95 Poverty Assessment.

3.32 Public expenditures for health and education as a share of GDP have risen over time. But, as table 3.3 shows, the most dramatic increases in social spending have occurred with the advent of HIPC resources in 2002. Moreover, the poor have received a disproportionately smaller share of social expenditures. In education, wide disparities in the resources available at the school level are reported, with schools in poor communities disfavored. As of 2000/01, about a quarter of rural communities and almost 30 percent in the Senegal River region reported that their community did not have a school. These include the most impoverished areas. In the health sector, an incidence analysis of health expenditure by income quintiles shows that the poorest quintile of the population benefits from only 5 percent of health expenditure while the best-off 40 percent receive 65 percent of the benefits. These inequities represent a major constraint to the accumulation of human capital by the poor.

Table 3.3: Public Expenditures^a (as % of GDP)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Education	3.7	4.1	4.1	4.3	4.8	5.1	5.0	5.3	4.5	4.6	5.5
Health	1.0	1.2	1.5	2.0	1.7	1.7	1.7	1.7	1.6	2.0	2.9
Poverty	0.0	0.6	0.7	1.1	0.5	0.5	0.8	0.7	1.3	1.7	2.2
Total	4.7	5.9	6.3	7.4	7.3	7.3	7.5	7.7	7.4	8.3	10.6

a. See footnote 2, p.1.

3.33 Bank assistance has been effective in enabling the Government to prepare MTEFs for the education and health sectors. The results of the MTEFs have translated into increases in budgetary allocations in the context of the 2002 budget. However, one

¹⁶ In contrast, the under-five mortality rate was 66 per 1000 in households with mothers that had secondary education and 106 per 1000 in Nouakchott.

objective of the FRSC, namely to protect social expenditures, was partially achieved. OED rated the outcome of the PRMC and FRSC moderately satisfactory in part because the objective of redirecting more resources to the social sectors was met with only partial success¹⁷. This appears to be due to the limited institutional and implementation capacity in government, particularly at the Ministry of Health.

3.34 *Access of the poor to basic services.* Bank assistance to increasing access of the poor to infrastructure services (water, sanitation, and energy) was pursued through the public utilities projects reviewed earlier. Progress has been slow, with disparities between urban and rural areas. The proportion of the population with access to safe drinking water was only 37 percent in 2000, unchanged from 1990. This is below the SSA average of 58 percent. Only 34 percent of the urban population and 40 percent of the rural population had access to safe drinking water. A major concern in urban areas is the high retail price of water: estimated at more than one dollar per cubic meter, the average price of water in Nouakchott is one the highest in Africa. Access to sanitation services improved slightly: the proportion of the population with access to sanitation facilities increased to 33 percent in 2000 from 30 percent in 1999, but this is significantly below the SSA average of 54 percent. Only 19 percent of the rural population had access to sanitation facilities compared to 44 percent in urban areas.

3.35 The Bank's contribution to the supply of basic services has been modest. The FY92 water supply project was unsuccessful in its efforts to provide affordable safe water to the urban poor in Nouakchott. The power project has not resulted in a significant expansion in installed capacity and average costs have not declined. The energy, water, and sanitation project helped restructure the regulatory framework but has not been effective at attracting private sector participation. As a result, services have not expanded. In its 2002 assessment, the UNDP concluded that Mauritania can achieve the water supply MDG but this will require further improvements in the institutional environment and increased investments, which have been slow to materialize.

3.36 *Gender mainstreaming.* The Bank's assistance program also aimed at improving the situation of women. Several projects had a gender focus. The health and population project was centered on upgrading the status of women and improving maternal and child health. The nutrition project works through women's cooperatives to address child malnutrition; and the basic education project sought to eliminate the gender gap in primary education. The Bank also supported efforts to strengthen the economic power of women through its rural development projects. But the ESW devoted to gender issues has been very limited, consisting mainly of a regional study on rural women in the Sahel prepared in FY95. The Women in Development assessment programmed in the FY92 country assistance strategy was not undertaken.

¹⁷ Government has recently reported a very large increase in poverty spending, but details on the extent to which this spending was well targeted are not available, nor is information about the sustainability of the spending.

3.37 Available data confirm Mauritania's progress in closing the gender gap in primary education, and provide evidence that the improvements in education may have induced a demographic transition of fertility reduction. But, the data also point to the slow progress in narrowing the gap in adult illiteracy and earnings (table 3.4).

Table 3.4: Mauritania—Gender Indicators

<i>Selected Gender Indicators</i>		<i>1993</i>	<i>2001</i>
Total fertility rate (births per woman)		5.8 ^a	4.6
Life expectancy at birth (years)	Female	53.3	53.5
	Male	50.1	50.3
Adult literacy rate (%)	Female	25.3	30.7
	Male	48.6	51.1
Combined Gross Enrollment Rate at all levels (%)	Female	29.5	40.0
	Male	39.5	45.0
Share of earned income (%)	Female	37	36
	Male	63	64
Estimated earned income (PPP US\$)	Female	..	1,429
	Male	..	2,566
Female economic activity rate as % of male rate		78	74
Percentage of National Assembly seats held by women		0	3
UNDP Gender-related Development Index		0.338	0.445

a. Extrapolation between 1990 and 1995 estimates.

Source: UNDP Human Development Reports.

3.38 Bank assistance contributed to the progress observed in recent years. The health and population project promoted open discussion on reproductive health and women's issues in the country and the basic education project targeted effectively girl's education. The gender gap in adult literacy remains significant, in part, because of the great disparity between men and women at the beginning of the 1990s. The gender gap in earned incomes is also very large and has increased slightly in recent years, reflecting the lack of employment opportunities, especially in agriculture where most women are employed.

3.39 In summary, Bank support was successful in expanding access to primary and secondary education, and in narrowing the gap in primary school enrollment between girls and boys. In addition, the rapid increase in primary enrollment was achieved at the same time that repetition and drop out rates were falling. However, despite this progress, the literacy rate has remained relatively low. In health, Bank support contributed to the decline in infant and child mortality. But while many health, nutrition and population indicators improved, access of the poor to health services has been less than fully satisfactory. And the Bank has been even less successful at increasing access of the population to safe drinking water and sanitation, a major determinant of health outcomes. On the basis of these results, the outcome of Bank assistance under the human resource development objective was moderately satisfactory (table 3.5).

Table 3.5: Summary Outcome Rating for Human Development Objective

<i>Objectives</i>	<i>Outcome</i>
Human resource development	Moderately Satisfactory
<ul style="list-style-type: none"> • Raise access, improve efficiency and effectiveness of education system 	Moderately satisfactory
<ul style="list-style-type: none"> • Improve access and quality of health services 	Moderately satisfactory
<ul style="list-style-type: none"> • Improve access to basic services 	Moderately unsatisfactory
<ul style="list-style-type: none"> • Gender mainstreaming 	Moderately satisfactory

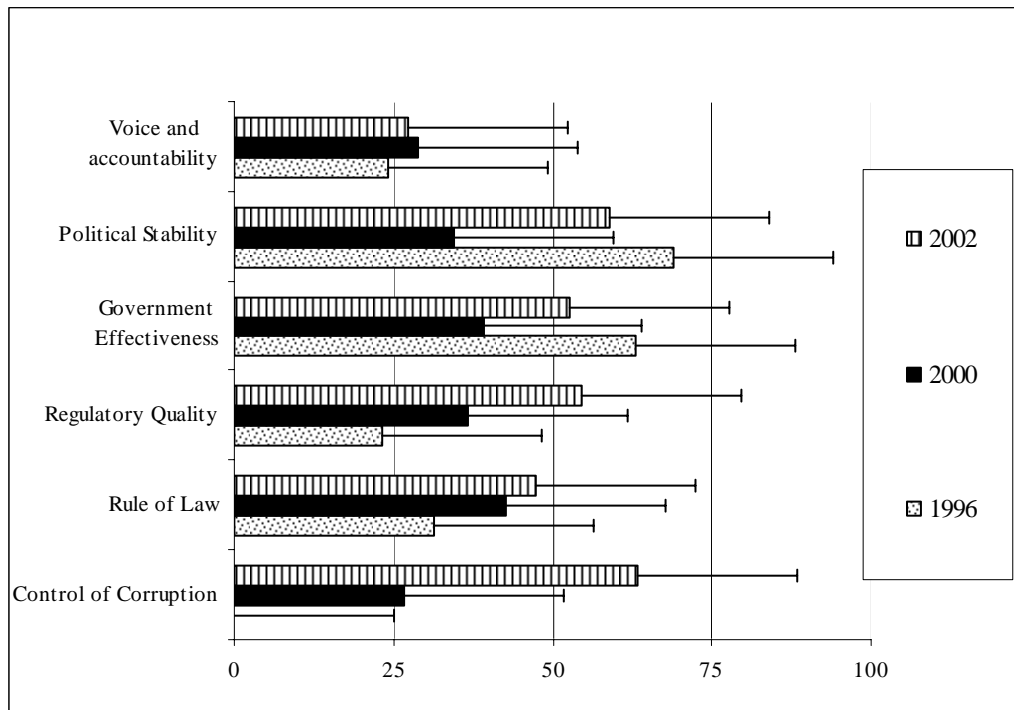
Objective 3: Institutional Development Based on Good Governance

3.40 The objectives of the Bank’s assistance in this area were to reform the public sector and decentralize public administration; strengthen the legal and judiciary system; improve the management of public resources and accountability; and capacity building. These objectives were pursued through a combination of adjustment and investment lending, complemented by three stand-alone capacity building projects focused on private sector, mining, and global distance learning (GDLN). Analytical work in support of lending was very limited. The FY94 PER drew attention to the need for sustained government commitment to institutional development and governance, but the Institutional Development Note planned in the FY94 country assistance strategy was not delivered.

3.41 The World Bank Governance Indicators 1996–2002 shows uneven progress across the six dimensions of governance in Mauritania.¹⁸ Progress appears to have been pronounced on the measures of “control of corruption” and “regulatory quality,” but less consistent on the measures of “government effectiveness,” and political stability, which the Bank did not pursue. Progress was relatively less rapid on the measures of “rule of law”; but remained modest on “voice and accountability” (figure 3.3). The indicators show that Mauritania compares favorably to the regional average on five out of the six measures of governance, although it compares poorly to the regional average on measures of “voice and accountability.”

3.42 Notwithstanding these indicators, the recent developments on the fiscal situation suggest that the lack of fiscal transparency is a major issue. Moreover, the Bank is currently revising Mauritania’s CPIA ratings, which are expected to show a significant decline on fiscal management and related issues. These events indicate that there is still considerable progress to be made before Mauritania can claim to have a system of effective governance.

¹⁸ See “Governance Matters III: Governance Indicators for 1996–2002,” World Bank Policy Research Paper No. 3106, World Bank Institute, World Bank, 2003; and also www.worldbank.org/wbi/governance/govdata2002/

Figure 3.3: Governance Indicators for Mauritania in 2002, 2000, and 1996

Comparison between 2002, 2000, 1996 (top-bottom) Country's Percentile Rank (0-100).

Source: Kaufmann, D., R. Kraay, and M. Mastruzzi, 2003: Governance Matters III: Governance Indicators for 1996–2002.

3.43 The contribution of Bank assistance to these results has varied. The Bank's contribution to the control of corruption has been limited. Its focus has been on strengthening the management and improving the monitoring of public resources. Designed to achieve this objective, the PRMC and FRSC helped initiate the MTEF process, which was expected to establish more transparent patterns of public expenditure. But, as a recent IMF report concluded, progress is required in many areas before Mauritania can achieve a high degree of fiscal transparency.¹⁹ There is still no reliable and comprehensive information on budget execution. Yet, given that oil is likely to become a major source of income (box 3.1) the need for a broader framework to ensure the transparent use of the anticipated oil revenues is critical. More than any other natural resource, fuel and minerals have exerted a detrimental effect on economic growth by impairing institutional quality in other countries, so it is important that Mauritania manages this new resource well. But, progress in this area has been slow so far due, in part, to the government's reluctance to engage in a dialogue on the use of these resources.

¹⁹ See "Islamic Republic of Mauritania: Report on the Observance of Standards and Codes (ROSC), Fiscal Transparency Module," Fiscal Affairs Department, IMF, December 2002.

Box 3.1: Oil in Mauritania

Exploration: Following several exploration campaigns, oil fields were discovered in Chinguitti and Thiof off the coast of Mauritania in 2001. Production from the Chinguitti field is set to start in early 2006, with reserves estimated at 123 million barrels. Production from the Thiof field, whose recoverable reserves are thought to be more important, is expected to follow soon, though its commercial viability has yet to be fully assessed; while exploration campaigns on potential fields are set to intensify. The oil sector is likely to become a major source of income for the economy, offering Mauritania the opportunity to make significant progress toward poverty reduction.

Government strategy for managing the oil sector: The government recently outlined its strategy for managing this sector, covering communication and the utilization of oil revenue. In the area of communication, the elements of the government's strategy are to (i) provide all the information necessary for macroeconomic and budget management (e.g., production, investments, and employment); (ii) share this information with the Bank and the IMF; (iii) accelerate the implementation of governance reforms and the modernization of public administration; and (iv) develop a communication strategy for the public that would present oil exploitation to the population as an instrument for wealth creation.

Concerning the utilization of oil revenue, the government's strategy will be to ensure that allocation is in line with national priorities as defined in the PRSP. The priority sectors will be: human resource development, including education, health, and nutrition; the modernization of the public sector and decentralization; and infrastructure development. In addition, three funds would be set up as follows: (i) a risk management fund to mitigate the effects of oil shocks or natural disasters on the government budget; (ii) an inter-generational fund to finance public expenditure in the post-oil period; and a development fund to provide assistance to other countries to the extent feasible.

Bank response: In its initial response, the Bank stated that the exploitation of fuel in general and the optimal management of government revenues would be key elements of good governance, and stressed that the implementation of an exemplary communication policy will strengthen the international image of Mauritania and benefit the economy. The Bank encouraged the government to (i) consider joining the Extractive Industries Transparency Initiative (EITI), which promotes transparency in every aspect of extractive industries; (ii) officially give the consortium exploiting the Chinguitti oil field its consent for the disclosure of all pertinent information regarding their operations in Mauritania; and (iii) communicate simultaneously the same information to the public. Regarding the management of the government share of oil production, the Bank drew attention to the problems that the establishment of a national company would create.

3.44 The Bank's contribution to improvements in regulatory quality has been mixed. The FY95 private sector adjustment credit helped reduce the excessive regulation in trade and business. The import licensing system has been liberalized; key business legislation, such as the investment and commercial codes, has been revised to streamline procedures; and a one-stop investment window has been established. But governance issues appear to have received little attention in the restructuring of commercial banks. The resulting banking system is highly concentrated in the hands of a few industrialists, and access to credit for anyone outside of a small circle of firms, especially micro-entrepreneurs, is problematic.

3.45 The Bank's contribution to the promotion of the rule of law has been modest. In pursuit of this objective, as part of the new emphasis on private sector development, laws on the organization of the judiciary were revised, the professions of court auxiliaries were liberalized and their statutes were revised, a training program for judges and auxiliaries

was implemented, and the commercial registry was computerized. But these reform measures were limited in their scope and depth and so the judicial system is not working efficiently.

3.46 The Bank's contribution to efforts to improve government effectiveness has been mixed. The PRMC and FRSC yielded some improvement in economic management capacity: the Inter-ministerial Committee on Economic Policy was strengthened, and tax administration has been reinforced. A mining project strengthened capacity to promote and manage applications for exploration permits. But progress has been negligible in many other areas. OED rated the institutional development impact (IDI) of the two private sector development projects modest because application of the revised business legislation has been slow, the formulation of a financial sector strategy to promote access of SMEs to credit was not carried out, the Chamber of Commerce was not strengthened, and capacity to manage and monitor fishing resources was not developed. The IDI of the PRMC and FRSC was also rated modest. In particular, the reorganization of five key ministries, as a first step towards a complete revamping of the public administration, was unsuccessful. In the area of decentralization, revenue raising and administrative capacity at the local level is still weak.

3.47 In 2002, the Bank launched the GDLN Project to improve Mauritania's access to global knowledge and information relevant to its economic development and policy reforms. The project supported the creation of Centre de Formation et d'Echanges à Distance de Mauritanie (CFED). But, although in its early start-up phase, the CFED is considerably underused.²⁰

3.48 A factor underlying the modest IDI has been that the implementation of Bank-financed projects was carried out by PIUs, in parallel to normal ministerial structures. Not only were government procedures circumvented, the staff had minimal involvement in project management. In addition, compared to regular civil servants, PIUs had better conditions of services including higher salaries, thus distorting the incentives system. Although the PIU approach demonstrated that it could be highly effective in implementing projects, the Bank's heavy reliance on the PIUs has retarded capacity building in government.

3.49 Finally, the Bank's attempts to increase dialogue between government and civil society have been largely unsuccessful. An Institutional Development Fund (IDF) grant designed to strengthen civil society so as to enhance its participation in the national poverty alleviation efforts did not achieve its objectives, and the outcome of the grant was rated unsatisfactory. Weak government commitment to civil society participation was an important factor behind the lack of progress in this area.

²⁰ This finding is consistent with OED evaluation of the Bank's Knowledge Initiative, which found that distance learning centers, such as the CFED, that currently rely heavily on GDLN, face utilization rates below that required to achieve financial sustainability. See *Sharing Knowledge, Innovations and Remaining Challenges: An OED Evaluation*, World Bank, 2003.

3.50 Summing up, the Bank's assistance toward institutional development and governance produced less than satisfactory results. Some progress was made in strengthening public resource management and policy-making institutions, and in improving regulatory quality. But fiscal transparency remains inadequate, Bank support for legal and judiciary reforms had limited impact; in the areas of decentralization and administrative capacity, the outcome has been very modest; and support to civil society has been unsuccessful. The outcome of Bank's assistance under the institutional development and governance objective was unsatisfactory (table 3.6).

Table 3.6: Institutional Development and Governance: Summary Outcome Rating

<i>Objectives</i>	<i>Outcome</i>
Institutional Development and Governance	Unsatisfactory
<ul style="list-style-type: none"> • Reform public sector and Decentralize public administration 	Moderately unsatisfactory
<ul style="list-style-type: none"> • Strengthen the Legal and Judiciary System 	Moderately unsatisfactory
<ul style="list-style-type: none"> • Improve management of public resources/Capacity building 	Unsatisfactory

Overall Rating

3.51 The overall outcome of the Bank's assistance program in Mauritania over the 1992–2003 period is rated *unsatisfactory*. The Bank's strategy was relevant to Mauritania's development situation, and the assistance program has had some success. However, the outcome of Bank support has been less than satisfactory in a number of areas as discussed above and summarized in table 3.7 below.

Table 3.7: Overall Outcome Rating

<i>Objectives</i>	<i>Outcome</i>
Overall	Unsatisfactory
<ul style="list-style-type: none"> • Sustainable Private Sector-Led Growth Anchored in the Spheres of the Poor 	Unsatisfactory
<ul style="list-style-type: none"> • Human Resource Development 	Moderately satisfactory
<ul style="list-style-type: none"> • Institutional Development and Governance 	Unsatisfactory

Sustainability and Institutional Development Impact

3.52 *Sustainability*. The sustainability of the benefits of Bank assistance program is rated, on balance, *likely*. Although the sustainability of certain aspects is considered unlikely or non-evaluable, as discussed below, most of the benefits are considered to be resilient to risks.

3.53 The sustainability of results in the macroeconomic area seems unlikely. Although the government has implemented a vast array of reforms, recent developments suggest that to secure a more stable macroeconomic environment, Mauritania would need to base the pursuit of stable policies on strong institutional underpinnings and greatly improve public expenditure management. With oil revenues expected in 2006, Mauritania faces

the risk that an influx of foreign exchange from oil exports could lead to an appreciation of the exchange rate and make the non-oil sectors uncompetitive.

3.54 The progress made so far in private sector development is likely to be sustainable. The program of public enterprise reforms has been sustained by the government; and the successful privatization of the telecommunication sector will demonstrate the importance of competition as well as strengthen the role of the private sector in the economy. The reduction and simplification of the corporate tax regime implemented recently indicate that the business environment is likely to continue to improve. The private sector still faces, however, a fair amount of regulatory risk that is also compounded by weaknesses in the judicial system; and the inadequate infrastructure and transport services remain important obstacles to business. But, as of now and with the support of donors, the government was taking steps to address these areas of weak performance, such as privatizing the national energy company.

3.55 In the rural and urban sectors, the sustainability of the two rural development APLs and the UDP project is rated non-evaluable. These projects are in their initial phases and it is too early to tell whether their outcomes would be sustainable.

3.56 In the human development sectors, the sustainability of achievements in education, health, population, and gender mainstreaming is likely. There is strong government commitment to human resource development and growing ownership of the reforms, as part of efforts to achieve the MDGs. This commitment is very clear in education, especially in the area of primary education, where consistent progress has been made toward the MDGs. In health, there is also evidence of growing government commitment to the assistance program, particularly since the latter has adopted a sector investment program approach. The government's commitment to population and gender issues is also apparent; it has reiterated its support for actions aimed at reducing the gender gap in education, raising the socio-economic status of women, and integrating family planning in the primary health care package. Finally, in the area of basic services, the government is committed to completing the reforms in the public utilities sector.

3.57 In governance and institutional development, the small gains achieved so far are likely to be sustainable, but there are risks. Capacity constraints and political considerations present risks that will affect progress toward fiscal transparency. Intense international pressure will help to ensure that the emerging oil sector is managed transparently; but, government policies regarding the oil sector are not clear, and do pose some risks to economic development. Government commitment to market-friendly policies suggests that improvements in regulatory quality will continue, but concentration of economic power in the hands of a few industrialists poses a risk to efforts to establish a framework for market competition. The political commitment to decentralization, expressed formally through the PRSP and reflected in ongoing efforts to deconcentrate public services, is offset by a weaker government commitment to a participatory process inclusive of civil society.

3.58 *Institutional development impact (IDI)*. Most of the Bank-financed projects during the 1992–2003 period had an institutional development component, reflecting the

importance of strong institutions for successful economic management. But progress in promoting institutional development has been slow, with few achievements. In addition, the use of PIUs (para. 3.48) and the lack of local involvement in recent ESW (para. 2.15) have both undermined capacity building. Recognizing that its reliance on PIUs has undermined the capacity building effort the Bank has announced a shift toward a strategy focused on capacity building in the public sector. Institutional development impact is rated *modest*.

Bank Performance

3.59 The Bank has played an important role in Mauritania's economic and social progress over the 1992–2003 period. The assistance strategies were largely relevant, feasible, and consistent with the Government's priorities. Early on, when Mauritania was facing a balance of payments crisis, the Bank's assistance focused on stabilization to restore macroeconomic balances before moving on to address the structural impediments to growth. The ESW prepared in the early 1990s was of high quality and provided the analytical underpinnings to Bank's lending.

3.60 The lending in the early part of the period under review adhered to the Bank's strategy, in its sectoral allocations and objectives. In education, in particular, the Bank's assistance evolved rapidly and appropriately toward the sector approach and was supported by relevant analytical work. The Bank's earlier support for public enterprise reforms formed the basis for infrastructure and regulatory reforms, enabling the Bank to play a critical role in the privatization of the telecommunication sector. The Bank maintained its focus on the agriculture sector and, in recent years, has shifted its emphasis toward developing a framework for rural development.

3.61 The design of Bank-financed projects was generally adequate, although some, like the private sector adjustment credit, were very ambitious with many components; and implementation has been sustained, though with delays. Project supervisions were reinforced, with a greater involvement of the resident mission. In sum, Bank performance in the 1992–2003 decade has been good in many respects.

3.62 But the Bank's assistance also had shortcomings. The Bank adopted a pro-poor growth strategy relatively late, beginning only with the 1997 country assistance strategy (para. 2.6). The implementation of country strategies after FY94 deviated from plans, with lending exceeding levels planned under the high case assistance scenario even when the triggers for the high case lending had not been fully met. During FY00–02, the Bank operated without a new country assistance strategy, and lending rose sharply in per capita terms with no clear justification. During this period, the Bank approved an exceptionally large urban development project (para. 3.20); the Bank also financed the Cultural Heritage project whose relevance is questionable. The macroeconomic agenda was, in retrospect, somewhat deficient, in that it did not sufficiently stress the need for an appropriate institutional setting to ensure a degree of transparency in budgetary procedures consistent with sustainable fiscal consolidation (para. 3.6). At the sector level, the Bank's strategy in finance also paid inadequate attention to governance issues in its support for commercial bank restructuring (para. 3.9). In the health sector, the

Bank's early strategy was narrowly focused on population issues, even though other health issues had been clearly identified in the early 1990s as a preoccupation for the poor. In addition, the focus on population issues has not been sustained, and the Bank moved with considerable delay to a sector approach in health.

3.63 On ESW, after a sound start, the Bank did not maintain its work on core diagnostic issues, such as poverty and public expenditure, and has not yet completed a CPAR, although all three areas are the focus of upcoming reviews. The ESW undertaken in more recent years (FY98–02) appears to be largely supply-driven, with inadequate Bank oversight of the analytical work prepared under the supervision of the Government, and limited dissemination.

Government Performance

3.64 The Government's commitment to reforms was a key factor behind Mauritania's improved macroeconomic performance in the early part of the period under review and sustained growth effort. Since 1992, the government has implemented a wide range of reforms, and in 2001, it provided leadership to the preparation of one of the first PRSPs in the region and was successful, through its steady implementation, in obtaining debt relief under the enhanced HIPC initiative. The Government also contributed significantly to the AAA effort, supervising the preparation of a growing body of analytical work. But in a number of areas, the Government's policies and actions have impeded progress toward stated objectives. The Government was slow in moving to provide broader support to the health sector. It did not construct the knowledge base needed to guide sector priorities until 2000/01 and, until recently, government expenditures on health stagnated. The Government's commitment across the various dimensions of governance has been uneven. Public information on government finances is not readily available, and the government has been slow in implementing many of the actions that are necessary to improve fiscal transparency. This situation frustrates attempts to identify fiscal risks and formulate policy responses. Fiscal transparency matters because it helps to strengthen fiscal discipline, which is essential for maintaining macroeconomic stability. Yet, dialogue with the Bank on issues pertaining to aspects of the rule of law and the transparent management of anticipated oil revenues remains difficult. Similarly, the government's commitment to strengthening civil society organizations has not been particularly strong, handicapping participation of these organizations in the development process.

Other Development Partners

3.65 While the Bank has played a major role in Mauritania's economic and social development in the 1992–2003 decade, other donors have also contributed to the government's poverty reduction efforts. This section presents the contribution of key multilateral donors, namely, the IMF, EU, and AfDB.

3.66 *The IMF.* During the 1992–2002 period, Mauritania completed three Fund programs supported by the Enhanced Structural Adjustment Facility (ESAF) and its successor the Poverty Reduction and Growth Facility (PRGF). Financial support under

these arrangements totaled SDR119.14 million (approximately US\$175 million). The Fund's programs supported reforms in critical areas of macroeconomic management, including money and banking, the foreign exchange and trade systems, and budget management. As examples, the Fund's technical assistance aimed at strengthening the functioning of the treasury bill market, improving the tax system including the unification of the value added tax (VAT) rates, narrowing the spread between the official rate and parallel exchange rate, and strengthening public expenditure management. The Fund also prepared in 2002 a Report on the Observance of Standards and Codes that assessed fiscal transparency practices in Mauritania, and highlighted the areas where progress is required. Nevertheless, there remains issues of fiscal transparency as reflected in the failure to report overspending such as occurred in 2003 and 2004.

3.67 *The AfDB.* Mauritania has maintained a long-standing good relationship with the African Development Bank since joining it in 1973. As of June 2001, AfDB's total net commitments in Mauritania amounted to Unit of Accounts (UA) 289.26 million (approximately US\$425 million). In the 1990s, its lending was concentrated in areas such as artisanal fisheries, transport infrastructure, and rural water supply, where the Bank has not been particularly active, thereby complementing Bank assistance. In addition, it supported education and health reforms in the context of the sector-wide investment programs, and contributed to economic capacity building at the Ministry of Economic Affairs and Development. It also co-financed with IDA the capacity-building project aimed at strengthening the capacity of women to undertake income-generating activities.

3.68 *The EU.* The European Union was a major source of concessional multilateral assistance to Mauritania in the 1992–2003 period. In 1997–99, it accounted for 40 percent of public aid to Mauritania. A key priority area of the EU's interventions has been transport infrastructure, where its support is helping to address Mauritania's massive road investment needs. EU's assistance is also contributing to expand access of the population to safe drinking water particularly in the rural areas, with investments designed to rehabilitate and expand rural water supply systems. In addition to infrastructure development, EU's assistance contributed to macroeconomic stability, co-financing the PRMC with the Bank. In the ongoing assistance program, covering the period 2001–2007, transport infrastructure remains the main focus of EU's strategy, with capacity building as the second major area of interventions.

External Factors

3.69 With a productive and export base concentrated on fish and iron ores, Mauritania's economy is vulnerable to demand and price shocks; and given its geography, it is also exposed to weather shocks. The economy suffered all three types of shocks during the CAE period. Severe droughts during the 1992/93 and 1996/97 agricultural seasons resulted in sharp falls in the production of the traditional cereal crops. The 1996/97 drought was accompanied by a high rate of abandonment of land cultivation by small farmers. Although these crops benefited from favorable rainfall in the intervening seasons, both production and area under cultivation have remained below their peak of 1995/96. During 2001, storms and unusually cold weather resulted in losses

in livestock and crops in the southern parts of the country. After a steady rise in 1994–97, iron ore prices declined in 1998 and in 1999. Prices recovered in 2000 but world demand weakened in 2001, bringing down exports to their lowest level since 1993. The fisheries sector experienced a severe crisis caused in part by climatic or biological factors in 1994 and in 1997–98, with catches and exports falling sharply. These shocks contributed to the reduction in the pace of GDP growth, especially during 2001 and 2002. In addition to these shocks Mauritania also suffered a locust invasion, which may have affected more recent macroeconomic performance.

4. Recommendations

4.1 In the period 1992–2003, Mauritania received high levels of both IDA resources and official development aid in support of its reform program. Economic growth was stimulated and the incidence of poverty fell. But the benefits of growth have not effectively reached the lower income groups, either in the provision of social services or through the creation of employment opportunities. This CAE found that this was due, in part, to the lack of sustained growth in agriculture and poverty reduction in the river-based rural areas, where the latter have the highest concentration of the poor; but also to a substantial degree of inequality, reflected in market concentration and inequities in the health and education sectors. In developing the future assistance strategy for Mauritania, it will be essential for the Bank to formulate a more integrated approach to rural poverty, paying particular attention to the relatively neglected area of rural road improvements.

4.2 In addition, greater attention should be given to removing the institutional constraints to private sector development, including by addressing the difficulties in obtaining foreign exchange in commercial banks, expanding access to credit beyond the few businesses associated with bankers, and helping to strengthen the judiciary system. These should complement efforts to restore and maintain macroeconomic stability, based on achievement of sustainable fiscal consolidation.

4.3 With regard to the accumulation of human capital by the poor, the Bank should focus on achieving more effective service delivery by addressing the inefficiencies and inequalities in the health and education sectors. Emphasis should be placed on ensuring that resources and services reach their intended destination, giving priority to addressing the needs of the poorest segments of the population.

4.4 A sharper reduction in fertility would have increased the benefits of high growth rates. Driven largely by gains in education, a demographic transition of fertility reduction appears to be underway but its speed has been relatively slow. The Bank should maintain a consistent focus on population issues, starting with analytic work on the proximate determinants of fertility, and proceeding to develop a clear strategy for supporting the demographic transition. If sustained, the fertility reduction would pave the way to improved economic performance.

4.5 Finally, the Bank needs to condition its program on progress on governance issues, promoting in particular transparency, especially in fiscal issues, and the rule of

law. With the government expected to begin receiving oil revenue shortly, the Bank needs to focus its efforts on working with the government to ensure that the oil sector is managed transparently and the benefits reach all segments of the population. In line with the recommendations of the Extractive Industries Evaluation, the upcoming country assistance strategy should explicitly discuss the sector's current and potential contribution to sustainable development in Mauritania and devote more attention to AAA aimed at improving the institutional and governance framework.²¹

²¹ *Extractive Industries and Sustainable Development: An Evaluation of World Bank Group Experience*, World Bank, International Finance Corporation and Multilateral Investment Guarantee Agency, 2003.

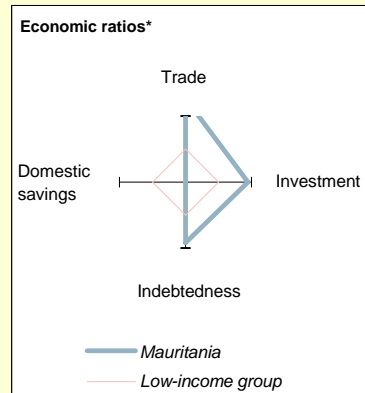
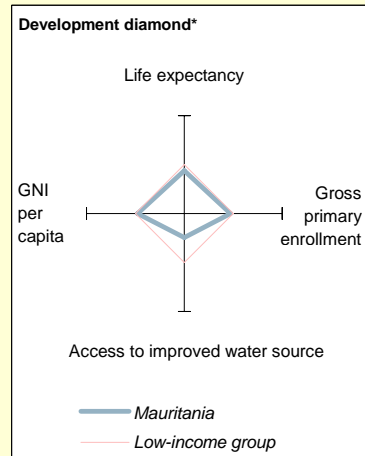
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Annex Table 1: Mauritania at a Glance

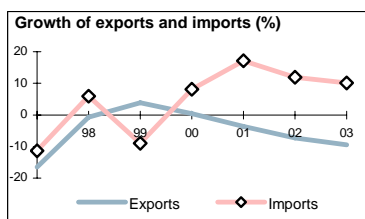
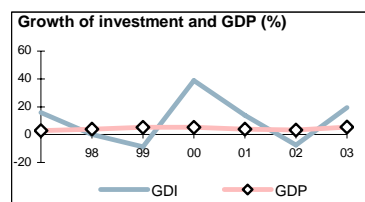
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POVERTY and SOCIAL	Sub-Saharan Africa				
	Mauritania	Sub-Saharan Africa	Low-income		
2003					
Population, mid-year (<i>millions</i>)	2.7	703	2,310		
GNI per capita (<i>Atlas method, US\$</i>)	430	490	450		
GNI (<i>Atlas method, US\$ billions</i>)	1.2	347	1,038		
Average annual growth, 1997-03					
Population (%)	2.4	2.3	1.9		
Labor force (%)	2.8	2.4	2.3		
Most recent estimate (latest year available, 1997-03)					
Poverty (% of population below national poverty line)	46	..	..
Urban population (% of total population)	62	36	30		
Life expectancy at birth (<i>years</i>)	51	46	58		
Infant mortality (<i>per 1,000 live births</i>)	120	103	82		
Child malnutrition (% of children under 5)	32	..	44		
Access to an improved water source (% of population)	37	58	75		
Illiteracy (% of population age 15+)	59	35	39		
Gross primary enrollment (% of school-age population)	86	87	92		
Male	88	94	99		
Female	85	80	85		
KEY ECONOMIC RATIOS and LONG-TERM TRENDS					
	1983	1993	2002	2003	
GDP (<i>US\$ billions</i>)	0.79	0.94	0.99	1.1	
Gross domestic investment/GDP	26.4	20.6	30.8	41.2	
Exports of goods and services/GDP	45.7	43.8	38.5	33.5	
Gross domestic savings/GDP	-4.2	4.7	2.4	0.1	
Gross national savings/GDP	-2.0	9.5	42.3	24.9	
Current account balance/GDP	-27.0	-11.1	-21.1	-32.6	
Interest payments/GDP	2.9	4.5	1.6	1.4	
Total debt/GDP	161.9	230.4	228.9	209.5	
Total debt service/exports	15.1	29.0	24.1	20.0	
Present value of debt/GDP	57.6	..	
Present value of debt/exports	217.2	..	
	1983-93	1993-03	2002	2003	2003-07
(<i>average annual growth</i>)					
GDP	2.4	4.2	3.3	5.4	6.7
GDP per capita	0.0	2.1	0.9	2.9	0.4
Exports of goods and services	-2.1	-2.8	-7.3	-9.5	9.5



STRUCTURE of the ECONOMY

	1983	1993	2002	2003
(% of GDP)				
Agriculture	33.8	27.4	20.8	19.3
Industry	21.2	31.5	29.4	30.0
Manufacturing	..	13.4	8.9	8.7
Services	45.0	41.1	49.9	50.8
Private consumption	71.2	74.6	79.1	81.6
General government consumption	33.0	20.7	18.4	18.3
Imports of goods and services	76.3	59.7	66.9	74.6
	1983-93	1993-03	2002	2003
(<i>average annual growth</i>)				
Agriculture	2.0	2.1	-1.5	0.2
Industry	3.8	1.2	0.0	4.9
Manufacturing	1.0	-2.0	-4.6	-5.6
Services	2.6	6.5	7.1	5.3
Private consumption	2.3	4.5	11.4	7.9
General government consumption	-3.4	5.0	24.4	3.8
Gross domestic investment	-2.1	11.5	-7.4	19.4
Imports of goods and services	-4.7	3.7	11.9	10.1



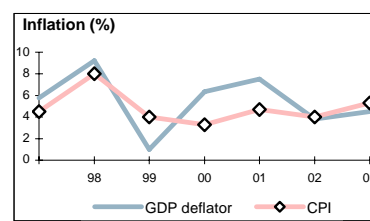
Note: 2003 data are preliminary estimates.

This table was produced from the Development Economics central database.

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

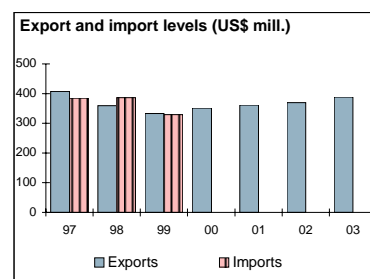
PRICES and GOVERNMENT FINANCE

	1983	1993	2002	2003
Domestic prices				
(% change)				
Consumer prices	..	9.3	4.0	5.3
Implicit GDP deflator	7.3	0.3	3.8	4.5
Government finance				
(% of GDP, includes current grants)				
Current revenue	..	27.2	37.3	29.5
Current budget balance	..	6.7	17.8	10.2
Overall surplus/deficit	..	-9.6	8.6	0.2



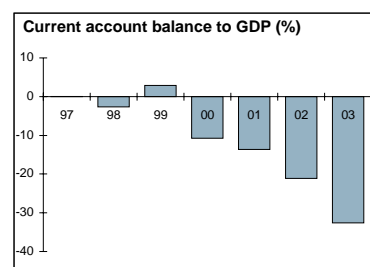
TRADE

	1983	1993	2002	2003
(US\$ millions)				
Total exports (fob)	..	380	370	388
Iron ore	..	159	184	172
Fish	..	221	143	145
Manufactures
Total imports (cif)	..	405	..	..
Food	..	104	106	110
Fuel and energy	..	37	108	125
Capital goods	..	114	56	61
Export price index (1995=100)	..	132	82	85
Import price index (1995=100)	..	109	97	98
Terms of trade (1995=100)	..	121	85	87



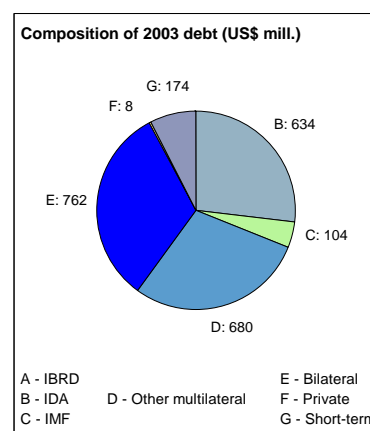
BALANCE of PAYMENTS

	1983	1993	2002	2003
(US\$ millions)				
Exports of goods and services	346	413	382	370
Imports of goods and services	555	563	663	825
Resource balance	-210	-150	-281	-455
Net income	-62	-69	-187	-127
Net current transfers	59	114	259	214
Current account balance	-213	-105	-209	-368
Financing items (net)	194	131	96	413
Changes in net reserves	19	-26	113	-45
Memo:				
Reserves including gold (US\$ millions)	110	49	372	400
Conversion rate (DEC, local/US\$)	54.8	120.8	271.7	263.0



EXTERNAL DEBT and RESOURCE FLOWS

	1983	1993	2002	2003
(US\$ millions)				
Total debt outstanding and disbursed	1,276	2,174	2,269	2,362
IBRD	59	19	0	0
IDA	52	256	547	634
Total debt service	54	128	63	64
IBRD	3	15	0	0
IDA	1	3	4	5
Composition of net resource flows				
Official grants	62	173	231	..
Official creditors	135	92	76	86
Private creditors	22	0	4	4
Foreign direct investment	1	16	12	..
Portfolio equity	0	0	0	..
World Bank program				
Commitments	8	27	0	18
Disbursements	30	28	41	42
Principal repayments	1	14	1	1
Net flows	29	14	41	41
Interest payments	4	4	3	4
Net transfers	25	10	38	37



Note: This table was produced from the Development Economics central database.

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Annex Table 2: Mauritania and Comparator Countries—Key Economic and Social Indicators, 1992–2003

Series Name													Average 1992-2003						
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	Mauritania	Algeria	Mali	Morocco	Senegal	Sub-Saharan Africa	Low Income
GDP growth (annual %)	1.9	9.7	4.2	5.1	3.3	2.8	3.9	5.2	5.2	3.6	2.3	6.4	4.5	2.7	5.1	2.7	4.0	2.7	4.8
GDP per capita growth (annual %)	-0.6	7.0	1.6	2.4	0.6	0.0	1.0	2.2	2.2	1.3	0.8	2.6	1.8	0.8	2.6	0.9	1.3	0.2	2.7
GNI per capita, PPP (current international \$)	1230	1350	1400	1460	1500	1530	1560	1620	1690	1750	1790	1870	1563	4850	732	3252	1328	1528	1624
GNI per capita, Atlas method (current US\$)	527	527	527	527	527	527	527	527	527	527	527	527	527	527	527	527	527	527	527
Agriculture, value added (% of GDP)	28.0	27.4	27.0	26.4	25.1	24.6	24.4	25.2	21.9	20.8	20.8	19.3	24.2	10.8	44.0	16.1	18.7	18.8	28.7
Industry, value added (% of GDP)	29.2	31.5	31.1	31.3	31.2	29.7	31.2	29.3	31.1	30.9	29.4	30.0	30.5	51.6	20.0	31.6	20.3	30.8	26.6
Services, etc., value added (% of GDP)	42.9	41.1	41.9	42.2	43.7	45.7	44.4	45.5	46.9	48.3	49.9	50.8	45.3	37.5	36.0	52.4	61.0	50.5	44.7
Exports of goods and services (% of GDP)	37.6	43.8	42.0	49.1	45.4	39.2	39.9	37.9	40.3	39.4	38.5	33.9	40.6	30.2	24.3	28.9	29.4	29.8	18.0
Imports of goods and services (% of GDP)	52.1	59.7	45.8	59.5	57.7	48.9	53.8	49.7	55.9	60.7	66.4	75.5	57.1	24.5	36.3	33.6	37.1	31.2	20.7
Current account balance (% of GDP)	-9.9	-18.4	-6.8	2.1	8.2	4.4	7.7	-4.3	-5.8	-9.3	-0.8	-22.5	-4.6	..	-8.7	0.0	-6.0	..	..
Total debt service, after debt relief (%) ^a	40.7	30.4	28.0	22.2	21.2	25.7	23.7	22.4	23.0	12.3	11.5	..	23.7	..	12.3	28.2	14.8	13.0	17.0
External debt (% of GNI)	187.3	248.4	232.0	235.9	231.7	238.7	248.4	274.8	259.6	238.9	201.3	203.6	233.4	59.7	116.4	68.2	82.7	70.5	53.7
Total reserves in months of imports	1.2	0.9	0.9	1.9	2.8	4.4	4.9	5.8	6.9	5.5	5.8	..	3.7	..	4.6	5.5	2.1	7.8	5.5
Real effective exchange rate (period average)	101.3	81.7	79.9	73.6	73.1	74.7	67.4	62.9	65.9	63.4	58.6	54.1	71.4	..	..	..	..	..	..
Gross domestic savings (% of GDP)	4.8	4.7	16.9	8.9	6.3	7.9	5.0	7.2	15.0	13.8	5.2	3.2	8.3	33.9	10.6	17.5	10.2	16.6	18.8
Gross capital formation (% of GDP)	19.3	20.6	20.7	19.3	18.6	17.6	18.9	18.6	32.1	22.2	21.9	..	20.9	28.2	22.6	22.2	17.9	17.9	21.5
Inflation, consumer prices (annual %)	10.1	9.4	4.1	6.5	4.7	4.6	8.0	4.1	3.3	4.7	3.9	5.5	5.7	12.6	4.0	3.0	4.3	..	..
Literacy rate, adult total (% of people ages 15 and above)	35.9	36.5	37.1	37.6	38.2	38.7	39.2	39.7	40.2	40.7	41.2	..	38.6	62.7	22.1	45.9	34.7	58.5	55.8
Immunization, DPT (% of children ages 12-23 months)	39.0	44.0	50.0	55.0	50.0	28.0	16.0	26.0	40.0	61.0	83.0	..	44.7	88.8	49.4	92.0	60.8	51.5	60.0
Improved water source (% of population with access)	..	..	..	..	..	..	..	..	..	37.0	..	..	37.0	87.0	48.0	80.0	72.0	58.2	74.9
Life expectancy at birth, total (years)	49.5	..	..	..	..	50.5	..	..	..	..	51.0	51.0	50.5	70.0	42.4	67.0	51.8	47.5	57.7
Mortality rate, infant (per 1,000 live births)	..	..	..	99.0	..	..	..	..	84.0	..	..	77.0	86.7	38.3	125.7	42.7	80.7	101.0	79.8
Improved sanitation facilities (% of population with access)	..	..	..	..	..	..	..	..	..	33.0	..	..	33.0	92.0	45.0	61.0	52.0	36.0	35.5
School enrollment, preprimary (% gross)	..	..	..	..	..	..	..	..	..	1.9	..	..	1.9	3.3	1.7	61.1	3.2	12.9	21.7
School enrollment, primary (% gross)	..	..	..	..	..	..	86.5	86.6	85.4	86.5	88.1	..	86.6	108.1	53.7	100.6	74.0	85.2	90.9
School enrollment, secondary (% gross)	..	..	..	..	..	..	18.7	18.9	21.6	21.7	22.6	..	20.7	78.8	16.5	41.2	17.8	25.7	42.7
Population, total (millions)	2.1	2.2	2.2	2.3	2.4	2.4	2.5	2.6	2.6	2.7	2.8	2.8	2.5	29.2	10.2	27.5	8.9	620.2	2084.3
Population growth (annual %)	2.4	2.5	2.6	2.6	2.7	2.7	2.8	2.8	2.9	2.7	2.5	2.2	2.6	1.8	2.4	1.7	2.6	2.5	2.0
Urban population (% of total)	46.8	48.2	49.5	50.9	52.3	53.6	55.0	56.4	57.7	59.1	60.4	61.7	54.3	55.7	28.6	53.7	45.6	32.8	28.3

Source: World Bank data, April 21, 2005; and IMF data.

a. Excluding official transfers, and oil and mining-related activities.

Annex Table 3a: Net Receipts of Official Development Assistance*, 1992-2003 (In US\$ million)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Bilateral	109.1	190.4	117.9	110.1	87.4	83.8	56.6	94.0	82.7	79.9	145.0	137.1
France	71.9	108.3	66.2	51.3	45.2	30.7	29.6	23.1	23.4	18.6	20.0	45.5
Germany	19.1	13.2	18.9	12.0	12.3	16.8	-2.4	17.5	7.6	9.7	25.6	10.3
Japan	6.6	55.3	34.1	47.7	29.8	35.5	23.7	32.6	29.9	29.6	13.0	23.9
Multilateral	91.1	134.7	149.5	120.2	184.9	154.2	108.2	124.8	129.3	187.7	200.2	105.7
AFDF	11.7	14.9	10.6	6.5	10.3	13.4	6.7	15.3	6.2	3.7	12.0	13.2
EC	42.9	52.4	44.9	41.8	107.2	81.1	75.6	87.0	63.8	115.1	121.4	47.7
IDA	12.2	27.1	33.3	28.8	34.1	31.8	21.1	16.0	53.1	48.1	38.9	41.6
Total, including others	200.2	325.1	267.4	230.4	272.3	238.0	164.7	218.8	211.9	267.6	345.3	242.7

Source: OECD Geographical Distribution of Financial Flows to Aid Recipients.

* Computed as disbursements minus repayments on earlier lending.

Annex Table 3b: World Bank Lending by Sector, 1992-2003

<i>Sector Board</i>	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	<i>Total by sector board</i>
Education											52.5		52.5
Educ. Sec Dev APL											49.2		49.2
Global Dist. Learning Center											3.3		3.3
Energy and Mining						11.1		15.0	9.9				36.0
Regional Power						11.1							11.1
Mining Sect. Capacity								15.0					15.0
Energy/Water/Sanitation Sector Reform TA									9.9				9.9
Environment									5.0				5.0
Cultural Heritage									5.0				5.0
Global Information/Communications Technology									10.8				10.8
Telecom & Postal Reform									10.8				10.8
Health, Nutrition and Population	15.7						24.0	4.9					44.6
Pop. Health	15.7												15.7
Health Sector Invest. Program							24.0						24.0
Nutr. Food Sect. & Soc. Mobil LIL								4.9					4.9
Private Sector Development			1.3	37.2									38.5
P.E. Sector Adjustment (supplement)			1.3										1.3
Financial & Private				30.0									30.0
Financial/Private Sector Capacity				7.2									7.2
Public Sector Governance	2.5	2.2			20.8	0.6	0.4	0.1	30.1	18.3			75.1
Public Ent. Sector Adjustment (supplement)	2.5												2.5
P.E. Sector Adjustment (supplement)		2.2											2.2
Private Sector Dev. Cr. (supplement)					0.8								0.8
Public Resource Mgmt.					20.0								20.0
Public Resource Mgmt. (supplement)						0.6							0.6
Public Resource Mgmt. (supplement)							0.4						0.4
Public Resource Mgmt. (supplement)								0.1					0.1
Public Resource Mgmt. (supplement)									0.1				0.1
Fiscal Reform DONOTUSEIN FY02									30.0				30.0
Oil Shock Supplemental										18.3			18.3
Rural Sector			18.2			18.0			38.1				74.3
Agric. Services			18.2										18.2
Rainfed Natural Resource Mgt.						18.0							18.0
Integ. Dev. Program for Irrigated Agric.									38.1				38.1
Social Protection		24.4		35.0									59.5
Construction Capacity		12.0											12.0
Technical/Vocational		12.5											12.5
General Education V				35.0									35.0
Urban Development					14.0					70.0			84.0
Urban Infrastructure & Pilot Dec.					14.0								14.0
Urban Development Program										70.0			70.0
Water Supply and Sanitation													10.5
Water Supply	10.5												10.5
Total Lending	28.7	26.7	19.5	72.2	34.8	29.7	24.4	30.8	83.1	18.3	122.5	0.0	490.8

Annex Table 3c: Sectoral Composition of Bank Loans, 1980-2003*(in Percent of the Value of Commitments)*

<i>Sectors</i>	<i>FY80-89</i>	<i>FY90-95</i>	<i>FY96-03</i>	<i>FY90-03</i>
Education	12	21	15.3	16.5
Environment	0	0	1.5	0.8
Health, Pop, Nutrition	0	6.9	8.4	10.8
Infrastructure	43	4.7	13.6	12.3
Energy	0	0	3.2	1.8
Energy/Mining	41	0	4.4	5.4
Energy/water	0	0	2.9	1.6
Telecom	0	0	3.1	1.8
Transport	2	0	0	0
Water supply	0	4.6	0	1.7
Private Sector	3	17	0	6.3
Public sector govern	23	26	20.4	21.3
Rural sector	19	19.1	16.3	16.3
Social protection	0	5.3	0	1.9
Urban development	0	0	24.5	13.8
TOTAL	100	100	100	100
Share of adjustment loans	17.4	50.8	20.5	28.8

Source: Author's computations based on World Bank data.

Annex Table 4: OED Ratings and Portfolio Status Indicators for Mauritania

Annex Table 4a: OED Ratings, Exit FY92-03

<i>Country</i>	<i>Total Evaluated (\$M)</i>	<i>Total Evaluated (No)</i>	<i>Outcome % Sat (\$)</i>	<i>Outcome % Sat (No)</i>	<i>Inst. Dev. impact % subst. (\$)</i>	<i>Inst. Dev. impact % subst. (No)</i>	<i>Sustainability % likely (\$)</i>	<i>Sustainability % likely (No)</i>
Burkina Faso	576.3	22	88.9	81.8	33	36.4	59.3	66.7
Chad	549.3	21	88.4	81.0	50	40.0	77.2	65.0
Mali	802.2	30	71.4	60.0	28	30.0	49.8	41.4
Mauritania	383.3	21	86.7	71.4	18	25.0	64.4	57.1
Niger	535.1	22	65.4	59.1	32	36.4	48.6	38.1
Senegal	1,007.7	31	70.3	74.2	39	38.7	38.7	39.3
AFR	32,954.5	926	64.3	57.9	30	29.1	41.3	37.4
The World Bank	235,385.8	3,107	76.6	70.8	43	38.7	66.4	56.4

Source: World Bank data as of 04/22/2005

Annex Table 4b: Portfolio Status Indicators

<i>Country</i>	<i>No. of Projects</i>	<i>Net commit. Amt.</i>	<i>No. of projects at risk</i>	<i>% At risk</i>	<i>Commit. at risk</i>	<i>% Commit at risk</i>
Mali	12	537.0	6	50.0	237.2	44.2
Mauritania	12	318.4	2	16.7	30.9	9.7
Senegal	15	666.5	4	26.7	255.0	38.3
AFR	350	17,754.8	87	24.9	4,379.7	24.7
The World Bank	1,338	92,006.2	236	17.6	15,236.8	16.6

Source: World Bank data as of 04/22/2005

Annex Table 5: Mauritania—World Bank's Senior Management

<i>Year</i>	<i>Vice President</i>	<i>Country Director</i>	<i>Division Chief/ Resident Representative</i>
1991	Edward V.K. Jaycox	Michael J. Gillette	Sunil Mathrani
1992	Edward V.K. Jaycox	Katherine Marshall	..
1993	Edward V.K. Jaycox	Katherine Marshall	Claude Delapierre
1994	Edward V.K. Jaycox	Katherine Marshall	Claude Delapierre
1995	Edward V.K. Jaycox	Jean Louis Sarbib	Claude Delapierre
1996	Jean Louis Sarbib	..	..
1997	Jean Louis Sarbib	Hasan A. Tuluy	Claude Delapierre
1998	Jean Louis Sarbib	Hasan A. Tuluy	Jean Mazurelle
1999	Jean Louis Sarbib	Hasan A. Tuluy	Jean Mazurelle
2000	Callisto Madavo	Hasan A. Tuluy	Jean Mazurelle
2001	Callisto Madavo	A. David Craig	Yves A. Duvivier
2002	Callisto Madavo	A. David Craig	Yves A. Duvivier
2003	Callisto Madavo	A. David Craig	Yves A. Duvivier

Annex Table 6: Mauritania—Millennium Development Goals

	1990	1994	1997	2000	2003
Goal 1: Eradicate extreme poverty and hunger	<i>2015 target = halve 1990 \$1 a day poverty and malnutrition rates</i>				
Percentage share of income or consumption held by poorest 20%	..	..	..	6.2	..
Population below \$1 a day (%)	..	29.5	..	25.9	..
Population below minimum level of dietary energy consumption (%)	..	..	11	..	10
Poverty gap ratio at \$1 a day (incidence x depth of poverty)	..	9.5	..	7.6	..
Poverty headcount, national (% of population)	..	..	50	46.3	..
Prevalence of underweight in children (under five years of age)	47.6	..	23	32	..
Goal 2: Achieve universal primary education	<i>2015 target = net enrollment to 100</i>				
Net primary enrollment ratio (% of relevant age group)	35.3	..	62.6	65.9	67.5
Primary completion rate, total (% of relevant age group)	33	34	39	50	43
Proportion of pupils starting grade 1 who reach grade 5	75.3	..	65.2	54.7	..
Youth literacy rate (% ages 15-24)	45.8	47	48	48.9	49.6
Goal 3: Promote gender equality and empower women	<i>2005 target = education ratio to 100</i>				
Proportion of seats held by women in national parliament (%)	..	..	1	4	4
Ratio of girls to boys in primary and secondary education (%)	67.5	..	90.5	89.9	93.8
Ratio of young literate females to males (% ages 15-24)	65	67.3	69.2	71.2	72.7
Share of women employed in the nonagricultural sector (%)	43.3	..	..	..	..
Goal 4: Reduce child mortality	<i>2015 target = reduce 1990 under 5 mortality by two-thirds</i>				
Immunization, measles (% of children ages 12-23 months)	38	53	64	62	71
Infant mortality rate (per 1,000 live births)	112	99	..	84	77
Under 5 mortality rate (per 1,000)	162	142	..	119	107
Goal 5: Improve maternal health	<i>2015 target = reduce 1990 maternal mortality by three-fourths</i>				
Births attended by skilled health staff (% of total)	40	..	..	56.9	..
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	..	1000	..
Goal 6: Combat HIV/AIDS, malaria, and other diseases	<i>2015 target = halt, and begin to reverse, AIDS, etc.</i>				
Contraceptive prevalence rate (% of women ages 15-49)	..	..	..	8	..
Incidence of tuberculosis (per 100,000 people)	234.2	249.2	261.2	273.6	286.7
Number of children orphaned by HIV/AIDS	..	..	..	1000	2000
Prevalence of HIV, female (% ages 15-24)	..	..	..	..	..
Tuberculosis cases detected under DOTS (%)	..	..	..	..	..
Goal 7: Ensure environmental sustainability	<i>2015 target = various (see notes)</i>				
Access to an improved water source (% of population)	41	..	..	..	56
Access to improved sanitation (% of population)	28	..	..	..	42
Access to secure tenure (% of population)	..	..	..	..	..
CO2 emissions (metric tons per capita)	1.3	1.4	1.2	1.2	..
Forest area (% of total land area)	0.4	..	..	0.3	..
GDP per unit of energy use (1995 PPP \$ per kg oil equivalent)	..	..	..	..	..
Nationally protected areas (% of total land area)	..	..	..	..	1.7
Goal 8: Develop a global partnership for development	<i>2015 target = various (see notes)</i>				
Aid per capita (current US\$)	116.8	119.4	98	80.1	85.2
Debt service (% of exports)	..	..	..	..	..
Fixed line and mobile phone subscribers (per 1,000 people)	3	3.9	5.5	13.4	141.4
Internet users (per 1,000 people)	..	..	0	2	4.4
Personal computers (per 1,000 people)	..	..	5.9	9.8	10.8
Total debt service (% of exports of goods and services)	29.8	24.4	24.5	..	..
Unemployment, youth female (% of female labor force ages 15-24)	..	..	..	..	..
Unemployment, youth male (% of male labor force ages 15-24)	..	..	..	..	..
Unemployment, youth total (% of total labor force ages 15-24)	..	..	..	..	..
Other					
Fertility rate, total (births per woman)	6	..	4.9	..	4.6
GNI per capita, Atlas method (current US\$)	540	480	450	390	400
GNI, Atlas method (current US\$) (billions)	1.1	1.1	1.1	1	1.1
Gross capital formation (% of GDP)	20	20.7	17.6	30.5	44.8
Life expectancy at birth, total (years)	49.1	..	50.5	..	51
Literacy rate, adult total (% of people ages 15 and above)	34.8	37.1	38.7	40.2	41.2
Population, total (millions)	2	2.2	2.4	2.6	2.8
Trade (% of GDP)	106.4	87.7	88.1	96.2	109.4

Source: World Development Indicators database, April 2005

Figures in italics refer to periods other than those specified.

Goal 1 targets: Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day. Halve, between 1990 and 2015, the proportion of people who suffer from hunger.

Goal 2 target: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.

Goal 3 target: Eliminate gender disparity in primary and secondary education preferably by 2005 and to all levels of education no later than 2015.

Goal 4 target: Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate.

Goal 5 target: Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio.

Goal 6 targets: Have halted by 2015, and begun to reverse, the spread of HIV/AIDS. Have halted by 2015, and begun to reverse, the incidence of malaria and other major diseases.

Goal 7 targets: Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources. Halve, by 2015, the proportion of people without sustainable access to safe drinking water. By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers.

Goal 8 targets: Develop further an open, rule-based, predictable, non-discriminatory trading and financial system. Address the Special Needs of the Least Developed Countries. Address the Special Needs of landlocked countries and small island developing states. Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term. In cooperation with developing countries, develop and implement strategies for decent and productive work for youth. In cooperation with pharmaceutical companies, provide access to affordable, essential drugs in developing countries. In cooperation with the private sector, make available the benefits of new technologies, especially information and communications.

Annex B: List of Persons and Organizations Met

Ministry of Economic Affairs and Development (MAED)

H.E. Abdellah Ould Souleymane Ould Cheikh-Sidia, Ministre
 Mr. Ahmed Youra Ould Haye, Chargé de mission, Coordonnateur du Programme National de Bonne Gouvernance
 Mr. Mohamed Ould Abba, Conseiller chargé des Politiques de Développement
 Mr. Mohamed Ould El Abed, Conseiller Chargé de la Promotion du Secteur Privé, Directeur de l'Unité de gestion du programme de réforme du secteur parapublic ;
 Mr. Isselmou Ould Sidi El Moctar, Assistant technique du Directeur de l'Unité de gestion du programme de réforme du secteur parapublic
 Mr. Abba Ould Ahmed Tolba, Directeur de la Programmation et des Etudes (DPE)
 Mr. Mohamadou Youssouf Diagana, Directeur Adjoint, DPE
 Mr. Sidi Mohamed Ould Bakha, Directeur des Financements
 Dr. El Khalil Ould Khalifa, Chef du Projet PARSEAE
 Mr. Kelly Oumar Sada, Directeur de la Promotion de l'Investissement Privé
 Mr. Mohamed Ould Babetta, Coordonnateur, Cellule de Coordination du Programme de Développement Urbain
 Mr. Sidna Ould N' Dah, Directeur Général, Office National de la Statistique
 Mr. Mohamed Mahmoud Ould Chrif M'hamed, Coordinateur Technique Central, Direction des Projets Education - Formation
 Mr. Kamil H. A. Wedoud, Directeur, Direction des Projets Education – Formation

Office of the Prime Minister

Mr. Mohamed Lemine Ould Deidah, Conseiller Economique
 Mr. Amadou Ousmane Diallo, Conseiller chargé du Bureau Organisation et Méthodes

Ministry of Finance

Mr. Mohamed Ould Didi, Directeur du Budget et des Comptes
 Mr. Diombar Thiam, Directeur Adjoint du Budget et des Comptes
 Mr. Mohamed Abderrahmane El Hadi Ould Seyid, Directeur de la Dette Extérieure
 Mr. Mohamed Sidiya Ould Mohamed Khaled, Directeur Général des Impôts

Commissariat aux Droits de l'Homme, à la Lutte contre la Pauvreté et l'Insertion

Mr. Mohamed El Heyba Ould Lemrabott, Directeur des Etudes et de la Programmation
 Mr. Ahmedou Ould Ely, Directeur de l'Insertion
 Mr. Saad-Bouh Sidaty, Chef de Service, Micro et Petites Entreprises
 Mr. Mohamed Ould Teghre, Chef de Service, Insertion
 Mohamed Ould Brahim, Directeur Adjoint des Etudes et de la Programmation
 Mohamed El Moctar Ould Sidi Bacar, Chef de Service, Analyse et Suivi de la Pauvreté
 Mariem Mint El Mouvid, Assistante, Suivi et Analyse de la Pauvreté, Direction des Etudes et de la Programmation

Mohamedou Ould Abdellahi, Expert Suivi-évaluation du Programme d'Appui du PNUD à la mise en œuvre du CSLP
Sidaty Ould Sidaty, Chef de Service de Développement Participatif

Ministry of Health and Social Affairs

Dr. Mohamed Nezhir Ould Hamed, Directeur de la Planification, de la Coopération et des Statistiques
Mr. Ahmed Baba Ould Cheiguer, Responsable de la Passation des Marchés à la Direction de la Gestion des Investissements

Ministry of Justice

Mme. Marième Mint Khilil, Directrice de l'Administration Judiciaire et des Affaires Civiles
Dr. Haimoud Ould Ramdan, Chargé de Mission
Mr. Nemime Ould Mohamed Mahmoud, Secrétaire Général

Ministry of Water and Energy

Mr. Tall Ousmane, Directeur de l'Electricité
Mr. Cheikhna Ould Ahmed, Conseiller, Cellule Nationale de Maîtrise de l'Energie
Mr. Hamedi Ould Mohamed Lemine, Directeur de l'Hydraulique et de l'Assainissement

Ministry of Fisheries and the Maritime Economy

Mr. Sidi Mohamed Ould Sidina, Directeur de la Pêche
Mr. Mohamed El Hafedh Ould Ejiwen, Chef de Service, Pêche Industrielle
Mr. Chérif Ould Touelib, Directeur, Direction des Etudes et de l'Aménagement des Ressources Halieutiques

Ministry of Rural Development and Environment

Mr. Baba Ould Boumeiss, Directeur, Direction des Politiques, du Suivi et de l'Evaluation
Mr. Corera Alassane, Environnementaliste, Projet Développement Rural Communautaire
Mr. Mohamed Fall, Chargé du Programme Régional du Projet Développement Rural Communautaire au Trarza

Ministry of Interior, Posts and Telecommunications

Mr. Abdi Ould Horma, Directeur des Collectivités Locales
Mr. Moctar Ould El Haçen, Directeur, Direction de l'Aménagement du Territoire

Ministry of Education

Mme. Nebghouha Mint Mohamed Vall, Directrice de la Planification et de la Coopération

Ministry of Civil Service and Labour

Mr. Mohamed Abdallahi dit Isselmou Ould Maouloud, Directeur de l'Emploi
M. Mocktar, Statisticien

Ministry of Mines and Industry

Mr. Samory Ould Soueidatt, Directeur du Projet de Renforcement Institutionnel du Secteur Minier
Mr. Mohamed Salem Ould Mamoune, Directeur de l'Industrie

SNIM (National Mining Company)

Mr. Mohamed Saleck Ould Heyine, Administrateur Délégué
Mr. Ammar Ould Mohamed Vall, Directeur Financier

Audit Office, Supreme Court

Mr. Liman Ould Brahim, Secrétaire Général, Cour des Comptes
Mr. Moustapha Ould Abdellahi, Président, Chambre des Entreprises Publiques, Cour des Comptes
Mr. Benhemeida Sidaty, Conseiller chargé de la Planification, Organisation, et Formation, Cour des Comptes
Mr. Ahmed Ould Abdellatif, Président, Chambre des Finances Publiques, Cour des Comptes.

Secretary of State for Women Affairs

Mme. Fatimetou Mint Lekhliffe, Directrice de la Coopération et de la Planification des Projets
Mme. Aminetou Mint Haimed, Directrice de la Promotion Féminine
Mme. Hetoutou Mint Abdoullah, Directrice de la Famille et de l'Enfant
Mme. Mounina Mint Abdellah, Directrice du Projet NUTRICOM

Information, Technology and Communication

Mr. Bâ Ibrahima Demba, Directeur, Centre de Formation et d'Echanges à Distance de Mauritanie (GDLN)

Urban Development

Colonel Ahmedou Ould Mohamed El Kory, Directeur Général, Agence de Développement Urbain.

Agence Mauritanienne d'Exécution des Travaux d'Intérêt Public pour l'Emploi

Mr. N'Guissaly Fall, Directeur Général

Mr. Mohamed Lemine Ould Khalil, Directeur Administratif et Financier

National AIDS Committee

Dr. Abdallah Ould Horma, Executif Secretary

Universal Access Agency

Dr. Mohamed Ould Dié, Directeur Général

Mr. Mamadou Amadou Kane, Directeur des Etudes et Développement

Mr. Sid' Ahmed Ould Raiss, Directeur Financier

Cultural Heritage Project

Mr. Mohamed Haïbetna Ould Sidi Haïba, Président du Comité d'Orientation, Projet Sauvegarde et Valorisation du Patrimoine Culturel Mauritanien (PSVPCM)

Mr. Abdallahi Salem Ould Gleiguem, Secrétaire Permanent, PSVPCM

Artisanal Fisheries

Mr. Mohamed Mahmoud Ould Sadegh, Secrétaire Général, Fédération Nationale de Pêche.

Central Bank

Dr. Mohamed Lemine Ould Raghani, Directeur des Etudes

Centre Mauritanien d'Analyse de Politiques

Mr. Zeine Ould Zeidane, Directeur

Mr. Abderrahim Ould Didi, Expert macro-économiste

Chamber of Commerce, Industry and Agriculture

Mr. Mohamedou Ould Mohamed Mahmoud, Président

Mr. Habib Ould Hemet, Secrétaire Général

University of Nouakchott

Dr. N'Déry Niang, Professeur d'économie
 Dr. Haimoud Ould Ramdan, Professeur de droit
 Dr. Ahmed Ould A.M. Ragel, Chef du Département de Gestion
 Dr. Ismail Ould Khalef, Expert en Bonne Gouvernance Economique
 Mr. Mohamed Lemine Ould Moulaye Ahmed, Professeur d'économie
 Mr. Ismail Ould Sadegh, Professeur
 Mr. Debbe Ould Sidy Zeine, Professeur d'économie

Labor Unions

Confédération Générale des Travailleurs de la Mauritanie (CGTM)

Mr. Niang Mamadou, Comité Exécutif, Département International
 Mr. Ba Ali Moctar, Comité Exécutif, Formation
 Mr. Abdallahi Ould Mohamed, Secrétaire Général
 Mr. Samba Dicko, Comité Exécutif, Département des Affaires Sociales

Confédération Libre des Travailleurs de la Mauritanie (CLTM)

Mr. Samory Ould Beye
 Ms. Semeta Bilal
 Mr. Eida Ould Ahmed Allah, Secrétaire Général Adjoint
 Mr. Alioune Ould Sidi, Secrétaire chargé des relations extérieures et aux immigrés
 Mr. Sy Amadou, Secrétaire chargé du secteur informel et des activités économiques
 Mr. El Moktar Ould Mohamed, Membre du Bureau Exécutif

Fédération Nationale des Postes et Télécommunication (FNPT)

Mr. Isselmou Ould Hanafi, Secrétaire Général

Union Générale des Travailleurs de la Mauritanie (UGTM)

Mr. Dahane Ould Taleb-Ethmane, Secrétaire Général
 Mr. Hassan Ould Mboyrick, Délégué régional
 Mr. Sidi Elemine Ould Cheikh
 Mr. Sidi Mohamed Ould Mola
 Mr. Samba Fall, 1^{er} Secrétaire général adjoint

Union des Syndicats Libres de la Mauritanie (USLM)

Mr. Sidi Ould Ahmed Ould Boye, Secrétaire général adjoint
 Mr. Ameth Saloum Fall, Cadre
 Ms. Kane Sokhna, Membre du Bureau Exécutif
 Mr. Kane Moktar, Secrétaire général
 Mr. Tabara Ba, Membre du Bureau Exécutif

Union des Travailleurs de la Mauritanie (UTM)

Mr. Batty Ould Boydial, Secrétaire à l'organisation
 Mr. Hadrami Ould Boydia, Secrétaire exécutif aux affaires économiques et sociales

NGOs

Mr. Abdel Moumen Ould Deye, Coordinateur National des ONGs de Mauritanie et Président ONG SOS Villes Anciennes

Mr. Kane Yaha Ahiouna, Consultant, Association Féminine pour la Promotion de l'Hygiène

Mr. Mohamed Salem Ould Bouh, Coordinateur du Cyberforum

Mr. Banemou Ould Tlayor, Coordinateur de l'ONG AGREEN, Facilitateur du Groupe Environnement du Cyberforum

Mr. Tambo Camara, Président de l'ONG ADGM et Facilitateur du Groupe Handicap

Mr. Madieng Daouda, ONG Tenmiya

Mme Aissata Kane, Consultante, AIFF, APEM

Mme Fatimetou M. Sid Ahmed, Présidente de l'ONG AFPSH et Présidente du RENAM

Mme Irabiha Abdelwedoud, FNPFD (Forum Droits des Femmes)

Mr. El Hacem Ould Taleb, Président GNAP

Micro Finance

Mr. Ahmed Ould Boucheïba, Directeur National, Agence de Promotion des Caisses Populaires d'Épargne et de Crédit

World Bank

Mr. Yves Duvivier, Country Manager

Ms. Hawa Cissé Wague, Economiste

Mr. Amadou Oumar Ba, Spécialiste, Développement Rural

Mr. Chérif Diallo, Spécialiste, Développement Social

Mr. Ismael Ouedraogo, Senior Agricultural Economist

International Monetary Fund

Prosper Youm, Resident Representative

UNDP and UN agencies

Ms. Cécile Molinier, Resident Representative

Ms. Marième Bekaye, Leader Thématique Environnement

Mr. Sory Ibrahim Ouane, Représentant, PAM

Mr. Mouradi Benzaghoul, Représentant ai, FAO

Dr. Hervé Peries, Coordinateur des Programmes, UNICEF

French Embassy

Mr. Michel de Verdière, Chef du Service de Coopération et d'Action Culturelle

GTZ

Dr. Joachim Hoettcke, Conseiller Technique

European Union

Ms. Dominique Pavard, Ambassadeur, Chef de Délégation

Others

Mr. Mohamed Ould Nany, ancien Ministre des Affaires Economiques et du Développement

Mr. Jean-Marie Cour, Consultant

Mr. Ahmed Ould Mohamed Vall dit H'meiditt, Président ONG Action Environnement et Président Société Protectrice des Animaux et de la Nature

Mr. Yahya El Ould Waghf, Directeur, Parc National du Banc d'Arguin et Ex-Chef de Projet PARSEAE

MAURITANIA COUNTRY ASSISTANCE EVALUATION
MANAGEMENT ACTION RECORD OF OED RECOMMENDATIONS AND MANAGEMENT RESPONSES

<i>Recommendations</i>	<i>Management Response</i>
<p>(i) The Bank should formulate a more integrated approach to rural poverty, paying particular attention to the relatively neglected area of rural road improvements.</p>	<p>The point that the Bank should formulate a more integrated approach to rural poverty (with special emphasis on rural road improvement) may be valid. I have not seen a piece on rural poverty in Mauritania, although the TF-financed research on rural labor markets (ongoing) goes in this direction. A piece that discusses rural poverty and the role or rural development in alleviating it (through backward/forward and intersectoral linkages) may be overdue. We know that the poverty headcount has increased considerably in the Senegal river valley in recent years. There may be also some implications for the Bank's lending portfolio here can/should we begin to support the upgrade or rural roads?</p>
<p>(ii) The Bank should help remove the institutional constraints to private sector development, including by addressing the difficulties in obtaining foreign exchange in commercial banks, expanding access to credit beyond the few businesses associated with bankers, and helping to strengthen the judiciary system.</p>	<p>While the authors single out the foreign exchange market (and rightly so: this is a thorny issue and one that contribute to keep the IMF PRGF review on hold), the whole financial sector could have been the focus here (banking, insurance, microfinance, etc.). There is an ongoing study on the financial sector. And the Bank and Fund are planning to field an FSAP mission in early 2005. These activities should shed some lights on the way forward, to be spelled out in the next country assistance strategy.</p>
<p>(iii) The Bank should enhance the accumulation of human capital by the poor by addressing the inefficiencies and inequalities in the health and education sectors. Emphasis should be placed on ensuring that resources and services reach the poorest segments of the population.</p>	<p>The PER makes already quite clear that the allocation of resources in Mauritania (including HIPC funds) tends to benefit the richest rather than the poorer regions. And the policy reforms supported by the upcoming PRSC are aimed at making sure that public spending becomes more pro-poor (by, inter alia, deconcentrating and better tracking expenditure). However, there is also the need here to go beyond quantity and focus on quality. It is very well, say, that a rural school in a poor region is built, but the quality of the education (starting from teachers' training to the relevance of curricula, availability of teaching and learning material, etc.) is clearly as important.</p>

<i>Recommendations</i>	<i>Management Response</i>
<p>(iv) The Bank should maintain a consistent focus on population issues, starting with analytic work on the proximate determinants of fertility, and proceeding to develop a clear strategy for supporting the demographic transition of fertility reduction that appears to be underway.</p> <p>(v) The Bank should condition its program on progress on governance issues, promoting transparency and the rule of law. As oil revenues are expected soon, the Bank should work with the government to ensure that the oil sector is managed transparently and the benefits reach all segments of the population. The upcoming country assistance strategy should explicitly discuss the sector's current and potential contribution to sustainable development in Mauritania and devote more attention to AAA aimed at improving the institutional and governance framework.</p>	<p>In paragraph 4.4, the authors argue that a further reduction in the fertility rate (already low by regional standards) is a sine qua non for poverty reduction. The benefits of fertility reduction are well known, but it may be useful to ask the authors what is motivating the choice of this recommendation as it does not seem to emerge from the of the text. There may be some merit here if the authors are advocating paying greater attention on how to reap the “demographic dividends,” as the structure of the Mauritanian population changes. But I think that the answer to this question may not be found if we look at population issues in isolation.</p> <p>With oil revenues looming on the horizon, the World Bank and IMF have emphasized the need for the government to: (i) share oil sector information (e.g. investment, production, and revenues) with the public and with the Bank and Fund in a timely and transparent fashion; (ii) build institutional capacity for an efficient and transparent management of oil resources (preferably not through a national company) and expanded public expenditures on poverty reduction (through the second generation PRSP); and (iii) adhere to the Extractive Industry Transparency Initiative or an equivalent framework. This will be a central focus of the upcoming country assistance strategy.</p>

Annex D: Guide to OED's Country Assistance Evaluation Methodology

1. This methodological note describes the key elements of OED's country assistance evaluation (CAE) methodology.¹

CAEs rate the outcomes of Bank assistance programs, not the Clients' overall development progress

2. A Bank assistance program needs to be assessed on how well it met its particular objectives, which are typically a sub-set of the Client's development objectives. If a Bank assistance program is large in relation to the Client's total development effort, the program outcome will be similar to the Client's overall development progress. However, most Bank assistance programs provide only a fraction of the total resources devoted to a Client's development by donors, stakeholders, and the government itself. In CAEs, OED rates only the outcome of the Bank's program, not the Client's overall development outcome, although the latter is clearly relevant for judging the program's outcome.

3. The experience gained in CAEs confirms that Bank program outcomes sometimes diverge significantly from the Client's overall development progress. CAEs have identified Bank assistance programs which had:

- satisfactory outcomes matched by good Client development;
- unsatisfactory outcomes in Clients which achieved good overall development results, notwithstanding the weak Bank program; and,
- satisfactory outcomes in Clients which did not achieve satisfactory overall results during the period of program implementation.

Assessments of assistance program outcome and Bank performance are not the same

4. By the same token, an unsatisfactory Bank assistance program outcome does not always mean that Bank performance was also unsatisfactory, and *vice-versa*. This becomes clearer once we consider that the Bank's contribution to the outcome of its assistance program is only part of the story. The assistance program's outcome is determined by the *joint* impact of four agents: (a) the Client; (b) the Bank; (c) partners and other stakeholders; and (d) exogenous forces (e.g., events of nature, international economic shocks, etc.). Under the right circumstances, a negative contribution from any one agent might overwhelm the positive contributions from the other three, and lead to an unsatisfactory outcome.

¹ In this note, *assistance program* refers to products and services generated in support of the economic development of a Client country over a specified period of time, and *client* refers to the country that receives the benefits of that program.

5. OED measures Bank performance primarily on the basis of contributory actions the Bank directly controlled. Judgments regarding Bank performance typically consider the relevance and implementation of the strategy, the design and supervision of the Bank's lending interventions, the scope, quality and follow-up of diagnostic work and other AAA activities, the consistency of the Bank's lending with its non-lending work and with its safeguard policies, and the Bank's partnership activities.

Rating Assistance Program Outcome

6. In rating the outcome (expected development impact) of an assistance program, OED gauges the extent to which major strategic objectives were relevant and achieved, without any shortcomings. In other words, did the Bank do the right thing, and did it do it right. Programs typically express their goals in terms of higher-order objectives, such as poverty reduction. The country assistance strategy (CAS) may also establish intermediate goals, such as improved targeting of social services or promotion of integrated rural development, and specify how they are expected to contribute toward achieving the higher-order objective. OED's task is then to validate whether the intermediate objectives were the right ones and whether they produced satisfactory net benefits, and whether the results chain specified in the CAS was valid. Where causal linkages were not fully specified in the CAS, it is the evaluator's task to reconstruct this causal chain from the available evidence, and assess relevance, efficacy, and outcome with reference to the intermediate and higher-order objectives.

7. For each of the main objectives, the CAE evaluates the relevance of the objective, the relevance of the Bank's strategy towards meeting the objective, including the balance between lending and non-lending instruments, the efficacy with which the strategy was implemented and the results achieved. This is done in two steps. The first is a top-down review of whether the Bank's program achieved a particular Bank objective or planned outcome and had a substantive impact on the country's development. The second step is a bottom-up review of the Bank's products and services (lending, analytical and advisory services, and aid coordination) used to achieve the objective. Together these two steps test the consistency of findings from the products and services and the development impact dimensions. Subsequently, an assessment is made of the relative contribution to the results achieved by the Bank, other donors, the Government and exogenous factors.

8. Evaluators also assess the degree of Client ownership of international development priorities, such as the Millennium Development Goals, and Bank corporate advocacy priorities, such as safeguards. Ideally, any differences on dealing with these issues would be identified and resolved by the CAS, enabling the evaluator to focus on whether the trade-offs adopted were appropriate. However, in other instances, the strategy may be found to have glossed over certain conflicts, or avoided addressing key Client development constraints. In either case, the consequences could include a diminution of program relevance, a loss of Client ownership, and/or unwelcome side-effects, such as safeguard violations, all of which must be taken into account in judging program outcome.

Ratings Scale

9. OED utilizes six rating categories for **outcome**, ranging from highly satisfactory to highly unsatisfactory:

<i>Highly Satisfactory:</i>	The assistance program achieved at least acceptable progress toward all major relevant objectives, <u>and</u> had best practice development impact on one or more of them. No major shortcomings were identified.
<i>Satisfactory:</i>	The assistance program achieved acceptable progress toward all major relevant objectives. No best practice achievements or major shortcomings were identified.
<i>Moderately Satisfactory:</i>	The assistance program achieved acceptable progress toward <i>most</i> of its major relevant objectives. No major shortcomings were identified.
<i>Moderately Unsatisfactory:</i>	The assistance program did <i>not</i> make acceptable progress toward <i>most</i> of its major relevant objectives, <i>or</i> made acceptable progress on all of them, but either (a) did not take into adequate account a key development constraint or (b) produced a major shortcoming, such as a safeguard violation.
<i>Unsatisfactory:</i>	The assistance program did not make acceptable progress toward <i>most</i> of its major relevant objectives, <i>and</i> either (a) did not take into adequate account a key development constraint or (b) produced a major shortcoming, such as a safeguard violation.
<i>Highly Unsatisfactory:</i>	The assistance program did not make acceptable progress toward <i>any</i> of its major relevant objectives and did not take into adequate account a key development constraint, while also producing at least one major shortcoming, such as a safeguard violation.

10. The **institutional development impact (IDI)** can be rated as: *high, substantial, modest, or negligible*. IDI measures the extent to which the program bolstered the Client's ability to make more efficient, equitable and sustainable use of its human, financial, and natural resources. Examples of areas included in judging the institutional development impact of the program are:

- the soundness of economic management;
- the structure of the public sector, and, in particular, the civil service;
- the institutional soundness of the financial sector;
- the soundness of legal, regulatory, and judicial systems;
- the extent of monitoring and evaluation systems;
- the effectiveness of aid coordination;
- the degree of financial accountability;
- the extent of building NGO capacity; and,
- the level of social and environmental capital.

11. **Sustainability** can be rated as *highly likely*, *likely*, *unlikely*, *highly unlikely*, or, if available information is insufficient, *non-evaluable*. Sustainability measures the resilience to risk of the development benefits of the country assistance program over time, taking into account eight factors:

- technical resilience;
- financial resilience (including policies on cost recovery);
- economic resilience;
- social support (including conditions subject to safeguard policies);
- environmental resilience;
- ownership by governments and other key stakeholders;
- institutional support (including a supportive legal/regulatory framework, and organizational and management effectiveness); and,
- resilience to exogenous effects, such as international economic shocks or changes in the political and security environments.

République Islamique de Mauritanie

Honneur - Fraternité - Justice

Ministère des Affaires Economiques
et du Développement

N° 0040

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

الجمهورية الإسلامية الموريتانية

شرف - إخاء - عدالة

وزارة الشؤون الاقتصادية
والتنموية

رقم /و.ش.ات

20 MAY 2005
Nouakchott, le : اتواكشوط في

Le Ministre الوزير

A

Monsieur R. Kyle Peters,
Chef de Division,
Evaluation des pays et relations régionales,
Département de l'Evaluation Rétrospective des Opérations,
Banque mondiale,
Washington, D.C.,
USA.

Objet : Evaluation rétrospective de l'aide de la Banque mondiale à la Mauritanie

Monsieur le Chef de Division,

J'accuse réception de votre lettre par laquelle vous avez bien voulu nous soumettre pour commentaires le rapport d'évaluation rétrospective de l'aide apportée par la Banque mondiale à notre pays au cours de la période 1992-2003 et je vous en remercie.

Ce rapport appelle de notre part les observations suivantes :

1. Nous partageons globalement l'appréciation du rapport en ce qui concerne la pertinence de l'aide de la Banque mondiale par rapport aux objectifs de développement de notre pays et le rôle déterminant qu'elle a joué au cours des dernières années pour appuyer nos efforts de développement notamment en matière de gestion macro-économique, d'amélioration de l'efficacité des dépenses publiques, de développement des secteurs de l'éducation, de la santé, du développement urbain et du développement rural. Toutefois, il importe de souligner l'intérêt d'un engagement plus fort de la Banque mondiale en matière d'accélération de la croissance et de développement des infrastructures, notamment en milieu rural où il existe une forte concentration de la pauvreté, pour aider le pays à élargir et diversifier la base productive et développer les capacités de l'économie à créer des emplois durables.
2. L'affirmation du paragraphe 1.1 de la partie Contexte (dernière phrase) est non seulement excessive mais contraire à la réalité, car notre diversité ethnique, source de richesse, n'a jamais constitué un obstacle à la cohésion et la solidarité de notre peuple qui a en commun une même religion, une même histoire et partage les mêmes valeurs patriotiques ; grâce aux liens solides des différentes composantes de notre pays, la transition démocratique a pu être gérée sans heurts et le climat de paix sociale et de concorde fait de la Mauritanie un exemple singulier en Afrique.

3. L'augmentation de l'incidence de la pauvreté et de l'extrême pauvreté constatée à Nouakchott et dans la zone rurale du Fleuve selon les résultats de l'EPCV 2000 (Paragraphe 1.6, page 3 et 3.2, page 11) est liée à des causes conjoncturelles et non structurelles (flux migratoires importants pour Nouakchott et intempéries inhabituelles pour la zone du Fleuve). Les résultats de l'EPCV 2004-2005, en cours de finalisation, permettront de mieux apprécier l'évolution des indicateurs de pauvreté au niveau national et selon le lieu de résidence.
4. Bien que la SAP 2002 n'ait pas retenu une opération secteur privé, en dépit du fait que le Gouvernement avait formulé son souhait pour que la Banque continue à appuyer les efforts en matière d'amélioration du climat de l'investissement, de promotion de la concurrence et de développement de PME, le pays a mis en œuvre d'importantes mesures au cours des dernières années. Ainsi, un plan d'action pour l'amélioration de la compétitivité de l'économie et son intégration au commerce mondial a été adopté en avril 2002, suite à l'étude dite Cadre intégré, et est en cours de mise en œuvre, alors que des stratégies de promotion de la micro et petite entreprise et de la micro finance ont été adoptées en novembre 2003 et qu'un nouveau Code du travail a été promulgué en 2004. Par ailleurs, les efforts de promotion de la concurrence se sont poursuivis avec l'installation de nouvelles banques et sociétés d'assurances, l'adoption d'un plan d'action pour le secteur du transport terrestre, le renforcement du dialogue Etat/Secteur privé et la mise en place des nouvelles instances élues de la Chambre de Commerce. Au niveau du cadre législatif et réglementaire du secteur privé, il est clair que des avancées significatives ont été obtenues avec l'adoption en 2001 du Code de commerce qui constitue une codification de l'ensemble de la législation commerciale, de lois sectorielles et autres textes relatifs à l'arbitrage, à l'organisation judiciaire, aux experts judiciaires, etc. Il est vrai que l'ensemble des textes d'application (en cours d'élaboration avec l'appui d'un IDF financé par la Banque mondiale) n'ont pas encore été adoptés, mais ces éléments doivent amener à revoir le paragraphe 3.10 (page 13) où il est dit que « l'environnement des affaires ne dispose pas toujours d'un ensemble de règles claires ».
5. Concernant le secteur financier, il est à préciser que des progrès substantiels ont été réalisés par la Banque centrale de Mauritanie en matière de surveillance, de respect par les banques des ratios prudentiels et de mise en œuvre des mesures de sauvegarde dans le domaine de la comptabilité et de la gestion des réserves. Un diagnostic du secteur est mené conjointement avec le FMI et la Banque mondiale, dans le contexte du Programme d'Évaluation du Secteur Financier.
6. S'agissant de la politique dans le secteur pétrolier, les autorités sont décidées, outre la bonne préparation du cadre économique et financier, à s'en tenir strictement au cadre budgétaire pour assurer la traçabilité et la transparence, dans le cadre des lois et institutions nationales, et à adopter les mesures garantissant cela, notamment en matière d'audit des intervenants dans le secteur. Pour y parvenir, elles privilégieront le renforcement en priorité des mécanismes institutionnels existants (Cour des Comptes, Inspection Générale des Finances, Parlement) et procéderont à une projection budgétaire pour le moyen et le long termes, qui fixe des objectifs prudents d'utilisation des ressources pétrolières et minières dans le cadre de la préparation du Cadre des Dépenses publiques à Moyen Terme (CDMT) global. Dans ce cadre, les autorités rappellent leur attachement aux principes et objectifs de la communauté

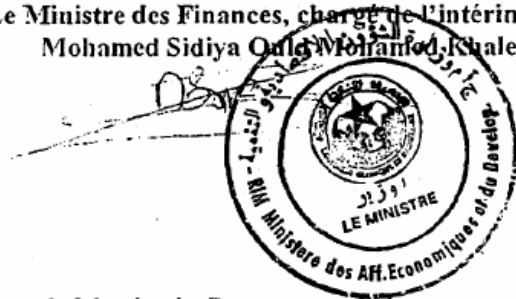
général et de celles tirées d'activités épuisables en particulier. A ce titre, elles suivent de près le mouvement dans ce sens incarné par l'EITI (Initiative pour la transparence des industries extractives) et participent régulièrement aux manifestations y relatives.

7. En ce qui concerne la fourniture des services, le jugement du rapport doit être atténué pour tenir compte des efforts accomplis par le Gouvernement pour faciliter l'implication du secteur privé notamment l'adoption des codes de l'eau et de l'électricité qui libéralisent les activités et posent des principes clairs de surveillance et de régulation (y compris en matière de tarifs).
8. Enfin, le rapport doit souligner l'engagement du Gouvernement en faveur de la participation de la société civile qui s'est concrétisée au cours dernières années avec l'implication des différents acteurs nationaux de développement dans la formulation et le suivi du Cadre stratégique de lutte contre la pauvreté (CSLP). Le nouveau dispositif d'élaboration et de suivi du CSLP consolide l'approche participative et institue un Comité de concertation Etat-secteur privé-société civile.

Je saisis cette occasion pour réitérer nos remerciements et notre satisfaction quant à l'appui constant apporté par la Banque mondiale aux efforts entrepris par notre pays et espère que cet exercice permettra de tirer les leçons et enseignements nécessaires afin d'améliorer, dans l'avenir, l'efficacité des programmes et de contribuer efficacement à l'atteinte de nos objectifs de développement et de lutte contre la pauvreté.

Veuillez agréer, Monsieur R. Kyle Peters, l'assurance de ma haute considération.

**Pour le Ministre des Affaires Economiques
et du Développement absent,
Le Ministre des Finances, chargé de l'intérim,
Mohamed Sidiya Ould Mohamed Khaled**



Ampliations :

- Monsieur Paolo Gomez, Administrateur pour la Mauritanie, Banque mondiale,
- M. Gregory K. Ingram, Directeur Général, Département de l'Evaluation rétrospective des opérations, Banque mondiale,
- M. Ajay Chhiber, Directeur, Département de l'Evaluation rétrospective des opérations, Banque mondiale,
- M. David Craig, Directeur des opérations pour la Mauritanie, Banque mondiale,
- Monsieur François Rantrua, Représentant résident, Banque mondiale, Nouakchott.

Government Comments on Draft CAE
(non-official translation of French letter)

(SEAL)

Islamic Republic of Mauritania
Ministry of Economic Affairs
and Development

May 20, 2005

To
Mr. R. Kyle Peters,
Division Chief,
Country Evaluations & Regional Relations,
Retrospective Evaluation of Operations Department,
World Bank,
Washington, D.C.,
USA.

Subject: Retrospective evaluation of World Bank's aid to Mauritania

Mr. Division Chief,

I received your letter in which you asked us to comment on the retrospective evaluation report of the World Bank aid given to our country during the period 1992-2003, and I thank you for that.

Following is a list of our observations:

1. We share on the whole the appreciation of the report concerning the relevance of the World Bank assistance to the development objectives of our country and the crucial role it has played during the last years to sustain our efforts of development, notably in the areas of macroeconomic management, improvement in public spending efficiency, development of education, health, urban development, and rural development sectors. However, it is important to highlight the need for a greater commitment by the World Bank to the of acceleration in growth and infrastructure development, especially in rural areas where there is a high concentration of poverty, to help the country enlarge and diversify its productive base and develop its economic capacities to create lasting jobs.
2. The statement in the Context section of paragraph 1.1 (last sentence) is not only excessive but also contrary to reality, as our ethnic diversity, the source of richness, has never been an impediment to the cohesion and to the solidarity of our people, who share the same religion, the same history and the same patriotic

- values. Thanks to the strong links among the different components of our country, the democratic transition was managed without conflict and the peaceful and harmonious social climate makes Mauritania an exceptional example in Africa.
3. The increase in the incidence of poverty and of extreme poverty found in Nouakchott and in rural zones of the River according to the EPCV 2000 results (Paragraphs 1.6, page 3 and 3.2, page 11) is linked to cyclical and not structural causes (important migratory flows in the case of Nouakchott and unusual bad weather for the River zone). The results of the on-going EPCV 2004-2005, will allow to better assess the evolution of poverty indicators at the national level and according to the place of residency.
 4. Even though the CAS 2002 did not include an operation on private sector, despite the fact that the government had expressed its wish for the Bank to continue to put its efforts into the improvement of investment climate, the promotion of competition, and the development of SME, the country has taken important steps during these last years. Therefore, an action plan for the improvement of competitiveness of the economy and its integration into the global commerce had been adopted in April 2002, following the “Integrated Framework Study”, and is in the process of being implemented, whereas promotion strategies of micro and small enterprises and of microfinance have been adopted in November 2003, and that a new Labor Code had been legislated in 2004. Also, the efforts directed at the promotion of competitiveness were followed by setting-up new banks and insurance companies, the passing of an action plan for the land transport sector, strengthening the dialogue of public and private sectors and setting up of new authorities elected from the Chamber of Commerce. At the level of legislative and statutory cadre of private sector, it is clear that significant gains had been obtained with the passing of the Commerce Code in 2001, which provides a codification of the entire commercial legislation, of sector-based laws and other texts relating to arbitration, to the judicial organization, to judicial experts, etc. It is true that the set of application texts (in the process of elaboration with the support of an IDF financed by the World Bank) have not yet been adopted, but these elements should lead to the revision of paragraph 3.10 (page 13) where it is said that “The business environment still lacks a clear set of rules.”
 5. As for the financial sector, it should be noted that substantial progress has been realized by the Central Bank of Mauritania in the areas of supervision, adherence to prudential ratios by the banks and setting-up safeguard measures in accountancy and management of reserves. A sector diagnostic is jointly conducted with IMF and the World Bank, in the context of the FSAP.
 6. In the policy domain of the oil sector, the authorities are resolute, aside from the good preparation of the economic and financial frameworks, to abide strictly by the budgetary limitations in order to insure the tracking and transparency, in the framework of laws and national institutions, and to adopt measures that guarantee this, notably in the area of audits intervening in the sector. To achieve this, the authorities will strengthen the already existing mechanisms (Court of Accounts, General Inspection of Finances, and Parliament) and will undertake a budgetary projection for the medium and long-run, which will fix prudent objectives for the

- utilization of oil and mining resources within the framework of a global MTEF. Within this framework, the authorities reaffirm their adherence to the principles and objectives of the international community and to those associated with non-renewable activities in particular. In this regard, the authorities are closely following the movement in this direction embodied in the EITI (Extractives Industries Transparency Initiative) and regularly participate in relevant events.
7. As for the provision of services, the evaluation of the report should be softened in order to take into account the accomplished efforts by the government to facilitate private sector's involvement, especially the adoption of the Water and Electricity Codes which liberalize the activities and install clear principles of supervision and regulation (including the tariffs).
 8. Finally, the report should emphasize the commitment of the government in favor of civil society's participation which took place in the last years with the involvement of different national actors of development in the formulation and the follow-up of the PRSP. The new mechanism of elaboration and the follow-up of PRSP consolidate the participatory approach and sets up a Committee of consultation among public sector and private-civil society.

I take this opportunity to reiterate our thanks and satisfaction for the constant support provided by the World Bank to the efforts undertaken by our country and hope that this exercise will allow to take lessons and necessary information in order to improve, in the future, the efficiency of programs and to contribute efficiently in the fight against poverty and to reach our development objectives.

Please accept, Mr. R. Kyle Peters, my best wishes.

/s/ Mohamed Sidiya Ould Mohamed Khaled
Minister of Finance
Acting Minister of Economic Affairs and Development

(seal)

cc:

- Mr. Paolo Gomez, Executive Director for Mauritania, World Bank
- Mr. Gregory K. Ingram, Director General, Operations Evaluation Department, World Bank
- Mr. Ajay Chhibber, Director, Operations Evaluation Department, World Bank
- Mr. David Craig, Country Director for Mauritania, World Bank
- Mr. Francois Rantrua, Resident Representative, World Bank, Nouakchott

OED's Response to Government Comments

OED notes the Government's disagreement with the statement in the CAE that Mauritania's ethnic composition reflects not only the country's unique location as a bridge between North and Sub-Saharan Africa but is also a source of conflicts (para. 1.1). But OED thinks that it is consistent with recent historical events as well as with statements from interviews with civil society groups in the country.

The Government provides information on the range of measures and actions that have been undertaken in recent years to address the incidence of poverty, improve the business environment, promote private sector participation in the delivery of services, ensure transparency in the management of oil resources, and promote greater civil society participation in the country's development process.

Many of these measures—such as the 2004–2005 household budget survey, the 2004 labor code, and the financial system stability assessment—are recent and ongoing, but represent important efforts. Other measures, such as those in the oil sector, provide further information on the Government's priorities and strategy, which OED has already noted in the CAE. As regards the business environment, the CAE report clearly acknowledges that it has improved in recent years (para. 3.8) but outcome indicators suggest that there is need to increase transparency in the enabling environment in order to reduce regulatory risks. Similarly, the CAE report also acknowledges that with Bank support progress was made in improving the legal and regulatory framework in the public utilities sector (para. 3.11), but there is not as yet strong evidence of private sector participation in the sector. With regard to civil society participation, OED notes the efforts stated in the Government's comments to promote greater civil society participation. Nonetheless, the recent joint Bank/IMF review of the PRSP process as well as interviews conducted by the CAE team during the field mission in Mauritania suggest, as noted in the CAE, that this is an area where further progress is needed.

In finalizing the report, OED will take into account the Government's comments and the full text will be attached as an annex to it.

OED would like to note that it had, on two occasions, sent a French version of the draft country assistance evaluation to the Government of the Islamic Republic of Mauritania with a request for comments but had received none by the time of the distribution of the report to CODE.

Chairman's Summary
Committee on Development Effectiveness
Meeting of May 23, 2005

1. The Informal Subcommittee (SC) of the Committee on Development Effectiveness (CODE) met on May 23, 2005 to discuss the Mauritania Country Assistance Evaluation (CAE) prepared by the Operations Evaluation Department (OED). A written statement was issued by one member.

2. **Background.** The Mauritania CAE provided an assessment of the Bank's assistance to Mauritania during the period of 1992-2003. It examined the relevance, design effectiveness and consistency of the Bank's assistance with its objectives; and whether the Bank's program achieved its objectives and had a substantial impact on the country's development during this period. While on the whole the Bank's assistance was relevant to the country's development objectives, OED rated the overall outcome of the Bank's assistance as unsatisfactory, and institutional development impact as modest. The sustainability of the benefits of Bank assistance was rated likely, but with important risks driven by: recent deterioration of macroeconomic stability; lack of accountability and transparency in revenue management in light of expected arrival of oil revenues; and lack of competition in banking and other key economic activities. In developing the future country assistance strategy, the OED report recommended to: (i) help the country to formulate more pro-poor growth strategy, paying particular attention to the relatively neglected area of rural roads improvements; (ii) pay greater attention to removing institutional constraints to private sector development; (iii) focus on ensuring that resources and services reach the poorest segments of population; (iv) maintain consistent focus on population issues; and (v) place more emphasis on governance and help ensure that the oil sector is managed transparently and the benefits reach all segments of the population.

3. Management agreed that a more integrated approach to rural poverty is needed, with possible implications for lending portfolio. Management also added that further analytic and advisory work is being planned in financial and public expenditure management sectors.

4. The Chair representing Mauritania recognized the crucial role played by the Bank in several key areas, such as macroeconomic management, education, health, urban and rural development, but stressed the need for greater commitment in the acceleration of growth and infrastructure development. He noted that poverty overall in Mauritania had declined between 1990 and 2000 but that the increase in the incidence of poverty in certain regions was caused by cyclical (migration, bad weather) rather than structural reasons. He also underlined the strong commitment of the authorities to pursue growth through private sector development and improvement of business environment, and by following good governance practices, including transparent management of oil revenues.

5. **Main Conclusions and Next Steps.** The Subcommittee welcomed the CAE and appreciated the realistic picture of development challenges facing Mauritania. Members noted that despite substantial achievements, there have been some slippages and failures, but also acknowledged the role of the country's extreme vulnerability to external shocks

(drought, locusts) in this regard. Members concurred that the Bank played an important role in helping to achieve macroeconomic stability and progress in the social sectors. At the same time, they urged more efforts to ensure broad-based pro-poor growth and that the benefits of oil exploration are shared with wide segments of population.

The following points were raised.

6. Bank program and results. Members welcomed the positive GDP growth achieved by Mauritania, but expressed concerns that its benefits have not yet reached the poor. A member noted that although Mauritania has outperformed its IDA allocation, due to relatively high CPIA score, more attention should have been paid from the Bank side on improving government's debt management capacity. Some members noted a disconnect between satisfactory outcomes of separate projects and the unsatisfactory outcome of the Bank program overall. Management noted the importance of taking into account the country context, and the tremendous changes the country had undergone during the review period – moving from a largely rural, socialist economy to a heavily urbanized society with a market based economy, that has significantly diversified its sources of income. Management added that the new upcoming PRSP will focus on pro-poor and diversified growth. A member noted that, according to the report data, macroeconomic stability has visibly deteriorated immediately after the country has entered its HIPC completion stage, and asked whether there was a risk of moral hazard for other countries in this regard. Management replied that a more likely cause of fiscal deterioration was the discovery of oil reserves and related expectations of oil bonanza.

7. Governance and revenue management. Members noted that persistent challenges in the area of governance have not diminished, despite the fact that public sector governance comprised a significant share of Bank assistance. They stressed the need to properly assess the level of government transparency in handling receipts of the country's exports, which will become a factor of great importance after the arrival of oil revenues. In this context, they underlined the importance of persuading the government to join the Extractive Industries Transparency Initiative (EITI). Management explained that, despite the government's initial misgivings, the Bank maintains ongoing dialogue with the government on providing assistance for resource management on the basis of a unified budget framework. Management added that while the country has not formally joined the EITI, the government has been recently participating in its meetings. A member stressed that the Bank needs to take into consideration the lessons learned from the latest experience with setting up revenue management mechanisms (e.g. Chad-Cameroon), including the possible politico-economic risks for the government, in order to encourage the authorities in Mauritania to engage closely with the donors in this area.

8. Private sector development. Members noted a number of serious issues remaining in the financial sector, namely lack of competition in banking sector and poor access to credit for SMEs, and urged closer involvement of IFC in this regard. Management replied that despite a number of unsuccessful investments in the past, IFC has recently returned to Mauritania and made an investment in the banking sector. Some members emphasized the importance of job creation and asked whether there is a need, as an additional lever, to formalize the country's property rights system. Management concurred with the importance of property rights and noted that the Bank's current program includes a number of instruments addressing that issue.

9. Rural sector. Members noted the importance of the agriculture sector and its severe vulnerability to natural calamities. In this regard, they urged more involvement in the sector, especially in providing infrastructure financing. Some members asked whether, given the limited potential for agriculture development in the country and recent migration trends, the Bank should enhance its assistance for urbanization and employment generation in urban areas. Management replied that the Bank had strong programs in agriculture, rural infrastructure and urban sectors, and agreed with the importance of assisting the country with the urbanization process.

10. Social sectors. While several members noted the achievements in health and education, supported by stable macroeconomic environment, they also emphasized the importance of improving effectiveness of service delivery by broadening access to services, rather than simply increasing resources. Some members expressed concerns about recent unsustainable trends in fiscal policy that risked the benefits from past investment in health and education.

11. Data issues. Several members found data (public investment, fiscal deficit, other) presented in the addendum confusing and inconsistent and asked for clarification. OED noted that the CAE presentation has been delayed because of the need to reconcile the macroeconomic data with emerging information about large fiscal slippages in the reform program, made available in a recent IMF report. OED also acknowledged that some parts of data, as provided by the government to the IMF, did seem to be inconsistent on several aspects, and noted that those issues have been articulated in the IMF report. Finally, OED noted that the data presented in the CAE were the best available at the time, but further revisions were possible.

Chander Mohan Vasudev, Chairman

