PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE

Report No.: PIDA890

Project Name	Local Government Development Program (P127543)
Region	AFRICA
Country	Mauritania
Sector(s)	General public administration sector (100%)
Theme(s)	Municipal finance (25%), Municipal governance and institution building (25%), Rural services and infrastructure (20%), Decentralizat ion (15%), Improving labor markets (15%)
Lending Instrument	Investment Project Financing
Project ID	P127543
Borrower(s)	Islamic Republic of Mauritania
Implementing Agency	Ministry of Economic Affairs and Development
Environmental Category	B-Partial Assessment
Date PID Prepared/Updated	23-Apr-2013
Date PID Approved/Disclosed	25-Apr-2013
Estimated Date of Appraisal Completion	26-Apr-2013
Estimated Date of Board Approval	31-May-2013
Decision	

I. Project Context

Country Context

Mauritania is a lower-middle income country with an economic outlook affected by demographic transformation and particular geographic and climatic challenges. Mauritania is mostly a desert country, with a population of about 3.5 million and a GDP/capita of about $US 1,247 (2011). The rate of population growth has declined from 2.7% in 2005 to 2.4% by 2008 and is now estimated at about 2.1%. Improving prospects in the mining, oil and fishing sectors and the stabilizing political environment offer enhanced development opportunities. Over the period 2006 to 2012, non-oil GDP grew at an average of 4.0% (4.1% including oil), well below expectations and insufficient to address poverty reduction targets in a significant way. Consequently, absolute poverty numbers deteriorated, exacerbated by population growth rates and increasing income disparities. The Human Development Index (UNDP, 2011) places Mauritania at 159th out of 183 countries and reflects not only the relatively high incidence of poverty ((42 percent in 2008, three quarters of which in rural areas), but also constraints in effective access to key services. Service deficiencies also contribute to Mauritania's relatively poor rating on the Doing Business Indicators, where it stands at 165th out of 183 countries, despite the recognition in government policy that private sector development is one of the central facets to expanding the economy.

Mauritania experienced successive periods of political instability in the last two decades, with the overthrow of elected governments in 2005 and 2008, and has recently been affected by influx of refugees from neighboring Mali. Nevertheless, the country's medium growth prospects have improved considerably, and a level of political stability has been achieved, as evidenced by the return of the country to constitutional order following the democratic national elections in 2009, and by projected expansion of the mining sector, manufacturing, and expected improvements to the commercial and fishing sectors. In the context of the service-dependent mining sector, and the growing secondary and tertiary sectors, the role of the urban and rural centers in leading economic growth as service providers and employment generators becomes particularly important.

Sectoral and institutional Context

Mauritania has experienced particularly rapid urbanization in recent years and over the past decade has been transformed from one of the most rural countries in SSA to one of the most urbanized, with over 62% of the population living in cities . Moreover, the process of urbanization has been highly asymmetric, as evident both in the concentration of the urban population in three or four cities, with the majority (about 50%) living in Nouakchott alone, as well as in the starkly differing economic characteristics of the towns, as a consequence of their varied regional hinterlands. The rural areas are characterized by extremely dispersed settlement patterns and very low densities, largely the result of water scarcity, the relatively small overall population, and vast distances to service centers. The asymmetries of urbanization and development of growth centers in Mauritania are accentuated by public and private sector investments that remain concentrated in Nouakchott. The improving growth prospects are being accompanied by an economic, demographic and spatial transformation. With GDP growth linked to more effective performance of urban areas, the cities and towns have emerged as key elements in the economic development of the country.

The economic and demographic transformation and the insufficiency of investments and maintenance on infrastructure in urban centers and in rural areas have resulted in an increase both in the incidence of poverty, including in the urban areas, and in the backlog of basic local services. Rapid urban population growth has placed enormous pressure on the substantially underdeveloped services in the cities and towns as evidenced in: (i) the rapid development of peri-urban slums in the larger towns and cities (it is estimated that more than 50% of the urban population lives in informal settlements); and (ii) declining access to basic infrastructure services . Unemployment is estimated to affect approximately 35 percent of the urban population. More than one half of young men (15-24 years old) and roughly 70 percent of young women are officially unemployed. While the rural areas do not face similar population pressures, the dispersed rural settlement patterns have resulted in extremely low service standards and pose particular challenges to rural service delivery. The government therefore considers its decentralization policy to have particular consequence for rural development.

Furthermore, particular differences between regions in terms of economic potential, low population density and security threats pose an additional development challenge for the country. Government is therefore also considering providing additional resources and support to address inequities in the current framework for service delivery. In order to better organize settlements around the territory and strengthen regional and rural development, the Government has approved a national strategy for Regional Planning (Aménagement du Territoire). A national plan for territorial management is under preparation (using a participatory approach bottom-up), ensuring inclusion of citizen’s

perspectives. In addition, the population in rural area is encouraged through various incentives to consolidate in minimum size settlements size to ensure effective coverage of basic infrastructure and services, and to justify new investments.

Decentralization is viewed by the government as a key element in enhancing local service delivery, and is seen to go hand in hand with the introduction of measures to improve local governance and institutional development, and strengthen citizen control at the local level. In addition, the spatial and economic asymmetry amongst the urban areas, between urban and rural settlements, and between regions, is recognized by government as having significant implications for effective policy development and implementation. In this context, the government considers that a str ategy of decentralization provides the most efficient governance and fiscal enabling framework to foster local decision-making in determining and sustaining service delivery priorities understood as important development pre-requisites in a country with such diverse local economic environments. Consequently, although highly centralized until 1986 when the country held its first municipal elections, Mauritania has increasingly been emphasizing the role of local government in the provision of local services, initiated by the adoption of the first laws on Decentralization in 1987 that assigned functions and legal mandates to local governments, and the establishment of the Regional Development Fund in 1987 – establishing the first dedicated fiscal transfer to local governments. Following the last national elections in 2009, the government confirmed its commitment to this process by making decentralization one of the pillars of its development strategy, fully integrating it into its recent PRSPs, and initiating a decentralization development and implementation program.

Mauritania's local government system reflects a Francophone structure. Mauritania is divided into 13 administrative regions (wilaya) headed by a governor. Each wilaya divided into departments - there is a total of 53 moughatta (departments) headed by a hakim (prefect) in the country. The departments are again divided into 216 communes: 53 classified as urban, 163 are by common classification rural - this is however not based on objective criteria, but purely administrative discretion. The regions, headed by the governor, are acting as representatives of the state at the local level while at the same time they are also acting as a local authority. As such, they are provided with responsibilities to oversee and coordinate development activities in their territory, and they are financed by the state. Regions are mandated to oversee the performance and activities of communes. All reporting and budgets pass through regions before submission to central level authorities. The municipality (or commune) is a local authority under public law with legal personality and financial autonomy, with an annual budget, basic personnel and an office. Municipalities are mandated under law to ensure public services meet the needs of local people and which are not, by their nature or importance, the jurisdiction of the central government. Municipal elections are conducted every 5 years simultaneously with senate and Parliamentary elections. However, due to the several upheavals in the history of Mauritania, municipal elections have not been held with regular intervals. The last municipal elections were conducted on November 19, 2006 .

Effective decentralization in Mauritania, and the building of local government (LG) capacities, has been constrained by systems weaknesses, ambiguities in functional assignments and fiscal stress at the local government level. The 'Declaration of the Policy of Decentralization and Local Development' (DPLDP) of 2010 had as primary objectives increasing LGs' responsibilities, accountability and capacities. However, challenges remain, particularly in such areas as: (i) ineffective central and local planning and budgeting procedures and internal financial management (FM) controls of LGs; (ii) an inefficient inter-governmental fiscal framework and transfer system;

Public Disclosure Copy

(iii) weak central oversight, regulatory and audit systems; (iv) poor "upward" and "downward" accountability practices by LGs; (v) ambiguous responsibility for functional assignments between central agencies and LGs; (vi) inadequate own source revenue (OSR) instruments, structural disincentives for improving OSR collections, and inefficient administrative assignments for OSR collection between LGs and central treasury; (vii) low levels of staffing and HR capacity of LGs ; and (viii) dysfunctional coordination between the LGs and the deconcentrated agencies (which currently receive most of the capital funding allocations) in the planning, construction and delivery of infrastructure and maintenance services. These fiscal and institutional constraints undermine incentives for LGs to perform effectively in delivering local services, and consequently limit their accountability both “upwards” through the formal structures of central government, and “downwards” to their constituencies.

The Government of Mauritania has addressed these constraints through a more aggressive implementation of decentralization. To this end it has established a decentralization policy framework (as of 2010) built around the following three strategic pillars: (a) Deepening the legal and institutional framework for decentralization, including the adoption and promulgation of the decentralization policy, which establishes the legal mandate and institutional responsibilities for functional decentralization to rural and urban LGs and confirms the political commitment of the Government for a decentralization as an irreversible process; (b) Establishing a fiscal decentralization program within which the LGs operate through the creation and operationalization of the Regional Development Fund (FRD), designed to transfer resources to all 216 LGs; and (c) Improving institutional capacity to operate a decentralized system of local government, including underpinning the ability of LGs to perform to higher standards by providing suitable capacity building support arrangements that upgrade budgeting, planning, financial management, and asset creation and management systems and capabilities in LGs, as well as enhancing central government oversight systems and capabilities.

As part of decentralization framework, Government established a Regional Development Fund (FRD). The FRD was originally intended to provide financing for regional development plans and initiatives. Since then, the FRD has become the principal instrument through which fiscal resources are transferred from the central government to communes. The FRD comprises an unconditional grant that has the following features: (a) the amount of the grant transfer to LGs is intended to meet a target of 3% of the total annual national budget, and is to be allocated through the FRD directly to the LGs (but the FRD only comprised 1.4% of the national budget at its peak in 2010 and have remained static over the past three years, essentially falling back from the 1.4%, let alone the targeted 3%); (b) the distribution of the grant amongst the LGs is determined by a formula which to a large degree has the characteristics of an equalization grant ; and (c) the funds are discretionary and may be used by the LGs for overhead, operating, and/or capital development expenditures according to predefined brackets. While the FRD ensures some basic functionality and minimal activity at LG level in terms of service delivery and LG administration, the combination of difficulties in effective grant administration at national level, the lack of collaboration between deconcentrated sector agencies and the limited implementation capacity at LG has resulted in a relative fragmented and inefficient service delivery coordination at LG level, and has therefore undermined the potential development impacts of the FRD.

In addition to the insufficiency of funding and capacity constraints at local government level, the national institutions managing and coordinating the decentralization process and providing essential support functions have not been equipped, capacitated and tasked to undertake their mandatory

assignments and the regulatory framework defining their roles have remained blurred. Central government agencies (e.g. the Ministry of Finance, the Ministry of Interior, and the Procurement Regulatory Authority, the Procurement Oversight Commission), all of which are responsible for Oversight and regulating LGs, see low 'returns" on managing oversight of LG performance where the local authorities have such significant capacity constraints and limited resources at their disposal. Thus - while Government in recent years have attempted to strengthen key institutions responsible for the implementation and oversight of core decentralization policies - the oversight, supervision and support of local government activity at the national level have been very limited. In this environment of low expectations, accountability has been marginalized, and the social contract between elected LG officials and their constituencies has been undermined, affecting such issues as: setting investment priorities, undertaking consultative planning and budgeting; and establishing operating systems that foster effective citizen oversight.

In this context, the Government has expressed its will to expand and consolidate the achievements made in decentralization, and to better address the service delivery gaps and improve the institutional framework for effective decentralized service delivery. Key to addressing these objectives will be build and strengthen the capacity of both national and local government agencies to play the roles demanded of them in a decentralized framework for governance and service delivery.

Government in 2012 initiated the formulation of the National Integrated Program for Decentralization, Local Development and Employment (Programme National Intégré pour la Décentralisation, le Développement Local et l'Emploi (PNIDDLE). The program aims at supporting local governments to develop their capacity in order to ensure better city planning, better economic and social integration and better provision of basic services and key infrastructure. The Program will also support rural Local Government to tackle their important challenges, particularly the dispersed rural settlem ent patterns and its main consequence, the extremely low service standards. In its first phase, the project will cover 32 Department capitals, and a group of 68 rural LGs in the vulnerable areas (the Eastern region bordering Mali and the so-called "poverty triangle" now called "Hope Triangle" in the central south) . The participation of the capitals of the departments will ensure broad geographical coverage, and the choice of the participating rural local governments will ensure better inclusion and poverty targeting. This program will support urban and rural LGs to improve living conditions, create jobs and deliver better services to their citizens. This will also contribute to strengthening of social cohesion and stability around the country, and particularly in the more vulnerable areas.

Public Disclosure Copy

The first phase of the PNIDDLE is built around two components: (i) the creation of a performance based grant to be provided for communes based on an annual assessment focusing on institutional performance of the communes, and (ii) a comprehensive capacity support program aimed at (a) enhancing the delivery and management capacity of LGs, and (b) strengthening the capacity of national and regional level institutions tasked to provide core functions in oversight and coordination of decentralized service delivery to deliver on their respective mandates. The Government has requested support from development partners to assist in the design and implementation of PNIDDLE. The proposed Local Government Development Project (LGDP) has been formulated as the Bank's support to PNIDDLE.

As part of PNIDDLE, Government has decided to introduce a new performance based grant mechanism in addition to the FRD for the following reasons: (a) it recognizes that the amounts of

the transfers are insufficient to have a discernible impact on local service investment and that relying on central agencies is proving inefficient and unsustainable; (b) it is concerned about the capacity of the LGs to effectively plan, utilize and account for the grant funds, and therefore has been reluctant to increase the amount of the transfers under FRD and meet its 3% policy target; (c) it has concluded that there is a need to establish a relationship between performance and access to funds that incentivizes the LGs to demonstrate stronger capabilities in the areas of planning, financial management, and accountability (both upwards and downwards); (d) there is some evidence that the FRD transfers may be inducing some LGs to relax their efforts to raise own source revenues (OSRs); and (e) although intended to be transferred at the beginning of the FY, for a number of reasons including the complex allocation formula, the funds tend to be transferred late and in unpredictable installments.

II. Project Development Objectives

The PDO is to strengthen the institutional performance of targeted local governments and improve their capacity to deliver services.

III. Project Description

Component Name

Component 1: Performance Based Grant for local governments (US$70 million – Government US$ 42 milion, IDA US$15 million and EU US$13 million)

Component 2: Targeted capacity support to local governments, regional and national institutions and agencies (US$20 million – Government US$ 6.4 million, IDA and EU US$ 13.6 million)

Component 3: Project Management Support and Monitoring and Evaluation (US$ 12 million – Government US$ 3.6 million, IDA and and EU US$ 8.4 million)

IV. Financing *(in USD Million)*

For Loans/Credits/Others	Amount
BORROWER/RECIPIENT	52.00
International Development Association (IDA)	25.00
EC European Commission	25.00
Total	102.00

V. Implementation

Institutional and Implementation Arrangements

Overall framework for project oversight and management. The project is considered by government to be cross-sectorial in nature. Consequently, at the national level, an inter-ministerial committee, supported by a Technical Committee is proposed for broad project oversight. The Inter-Ministerial Decentralization Policy Committee (IMDPC) will be established and chaired by the Prime Minister (PM). The IMDPC will meet annually (plus exceptionally as needed); with the annual meeting agenda to include review and approval of the performance grant allocation recommendations of the independent PA team. The Decentralization Technical Committee (DTC) will be chaired by the Adviser to the PM and will meet quarterly (plus exceptionally as needed) to review progress and provide general direction.

At the day-to-day management level, the project will be management by a Project Coordination Unit (PCU). The PCU that was established under the Bank-supported Urban development Project has

performed extremely well, and it will be maintained and will be responsible for: (i) overall project oversight, coordination and management, and (ii) specific responsibility for procuring and supervising the capacity building components, as well as all studies and audits, including procurement of the independent PA team (which will however report directly to the IMDPC). The PCU will be supported by a number of additional advisers with specific capacity: i.e. capacity support adviser, procurement, financial management and M&E. The PCU will be located in the PM's office and will report to the Advisor, PM's Office, for day-to-day management purposes.

The LG oversight systems and monitoring requirements will be located in the relevant line ministries (Ministry of interior and Decentralization for HR, capacity and functional requirements; Ministry of Housing, Urban Planning, and "Aménagement du Territoire", for planning and land use management purposes; and Ministry of Finance for operation of the CPG system); however project specific implementation requirements will vest with the PCU.

Draft contract agreements between the PCU and the various agencies at regional and national level, specifying their key tasks and deliverables as specified in Component 2 will be completed as part of appraisal. A Program Implementation Manual for PNIDDLE will be available and will describe the monitoring, implementation and evaluation arrangements. A simplified operational manual will be made available for the LGs, adapted to their capacity and with simplified guidelines in French and Arabic.

The LGs will be responsible for the implementation and management of the projects financed under the CPG. The responsibilities and requirements for implementation will be based on the Grant Participation Agreement that each LG will have to sign with the PCU, and will be complemented by the overall oversight function of the PCU, the line ministries and the regional departments of the line ministries.

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	×	
Natural Habitats OP/BP 4.04	×	
Forests OP/BP 4.36		×
Pest Management OP 4.09		×
Physical Cultural Resources OP/BP 4.11	×	
Indigenous Peoples OP/BP 4.10		×
Involuntary Resettlement OP/BP 4.12	×	
Safety of Dams OP/BP 4.37		×
Projects on International Waterways OP/BP 7.50		×
Projects in Disputed Areas OP/BP 7.60		×

VII. Contact point

World Bank

Contact: Brahim Ould Abdelwedoud
Title: Sr Urban Spec.
Tel: 5353+3321
Email: babdelwedoud@worldbank.org

Borrower/Client/Recipient

Name: Islamic Republic of Mauritania
Contact: Ministry of Economic Affairs (MEAD)
Title: Director of Planning
Tel: 22245290601
Email:

Implementing Agencies

Name: Ministry of Economic Affairs and Development
Contact: Mr. Mohamed Ould Babetta
Title: Project Coordinator
Tel: 22245290601
Email: Babetta@pdu.mr

VIII. For more information contact:

The InfoShop
The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 458-4500
Fax: (202) 522-1500
Web: http://www.worldbank.org/infoshop

Public Disclosure Copy