HIGH-LEVEL SUMMARY TECHNICAL ASSISTANCE REPORT

ISLAMIC REPUBLIC OF MAURITANIA

Climate Public Investment Management Assessment

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High-Level Summary Technical Assistance Report
Fiscal Affairs Department

Islamic Republic of Mauritania: Climate Public Investment Management Assessment

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The *High-Level Summary Technical Assistance Report* series provides high-level summaries of the assistance provided to IMF capacity development recipients, describing the high-level objectives, findings, and recommendations.

ABSTRACT: Mauritania is working to improve its public investment management framework to boost the efficiency of public investment and to make it more adaptable to climate change. support future economic growth and improvements in wellbeing. This assessment applies the IMF Climate Public Investment Management Assessment (CPIMA) framework and updates an earlier Public Investment Management Assessment (PIMA) undertaken in 2020. It finds that there have been improvements in Mauritania's public investment management institutions since 2020, while room remains for further improvement. Like most other countries, Mauritania is at an early stage of incorporating climate aspects into public investment management. Nevertheless, some good progress has been made, notably on the planning side. This assessment provides a progressive timetable for reforms, based on international good practice, striking a balance between the stated objectives of the authorities and the existing capacities within the public administration.

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Background

At the request of the Ministry of Economic Affairs of Mauritania, a team from the IMF's Fiscal Affairs Department (FAD) undertook a Climate Public Investment Management Assessment (CPIMA) and an update of a Public Investment Management Assessment, undertaken in 2020, from 19 to 27 June 2023 in Nouakchott.

Mauritania, with 90% of its territory covered by the Sahara and only 0.5% arable land, is faced with significant challenges from climate change, including extreme heat, rising flood and drought frequencies, sea-level rise, and desertification, creating large adaption needs. The authorities, in their revised Nationally Determined Contribution (NDC) Climate, estimate adaptation costs at $10.6 billion over 2021–2030. At the same time, the country is prioritizing public infrastructure investment, especially in energy, roads, and water, to pursue its objective of sustainable economic growth. Committed to achieving net-zero carbon emissions by 2050, it is also capitalizing on "green" public investment such as the Great Green Wall initiative with 20 other countries, and forthcoming green hydrogen projects to boost key economic sectors like agriculture and mining, especially with anticipated green hydrogen projects.

The CPIMA assesses the extent to which the climate dimension is integrated in the management of public investment, alongside five key dimensions, namely: (i) public investment planning, (ii) coordination and decision-making within the public sector, (iii) investment project appraisal and selection, (iv) budgeting and project portfolio management, and (v) risk management. It provides targeted recommendations to help countries address these challenges. The PIMA framework is more general; it identifies the strengths and weaknesses of government institutions across the planning, allocation and implementation phases of public investment.

The assessment was undertaken with the financial support of the Governments of Germany and Japan. It benefited from the advice of World Bank staff.

Summary of Findings

Since the 2020 PIMA assessment, the strength of public investment management (PIM) institutions has increased in Mauritania, but gaps remain. Since early 2023, the Mauritanian government has implemented a budgetary rule on the primary balance excluding resources (SPHR). This rule aims to consolidate current expenditure to gradually reduce public debt to 55% of GDP while preserving capital expenditure. The screening and selection of projects has become more objective, and data driven, under a technical inter-ministerial committee called the CAPIP. A modernized legal framework governing public procurement has been put in place; it separates the function of awarding, controlling, and regulating public contracts, rationalizes and simplifies some of the key processes, while introducing risk-based audits. Gaps remain, however. Domestically funded projects are not systematically appraised, project selection criteria are still not clearly spelled out, and ex-post evaluation of performance rarely undertaken.

The C-PIMA assessment for Mauritania underscores the advances made thus far. In 2021, reflecting its commitments under the Paris Agreement, Mauritania updated its Nationally Determined Contribution (NDC). Comprehensive action plans, including investment projects aligned with the NDC and the National Development Plan have been formulated for nine key sectors, including energy, water, agriculture, and housing. Concurrently, a number of initiatives are in motion, including a strategy for the power sector, codes for urban planning and construction, and a national strategy for disaster risk management. On the budget side, the authorities have, in recent years put contingency reserves provisions in the annual budget to respond to natural disasters.

Yet, there remains a gap in fully embedding climate considerations within PIM institutions. This is reflected in existing planning and building regulations, the weak coordination mechanisms for decision-making between the central government and other entities, such as state owned enterprises (SOEs) and local governments, the absence of criteria to assess and select investment projects based on their impact on climate adaptation and mitigation, the insufficient monitoring and auditing of climate-related investments, and the absence of a policy on maintenance spending that reflects the impact of climate change.

Summary of Recommendations

Based on the CPIMA assessment, this report puts forward three main recommendations:

1. Strengthen the mechanisms for the appraisal and selection of investment projects. This should include incorporating mandatory climate change impact assessments and corresponding selection criteria, to promote "green" investment,
2. Introduce climate-sensitive budget markers and devise a green budgeting approach. Such measures will enhance transparency, encourage green spending, and attract external financing
3. Systematically identify, analyze and manage the main budgetary risks associated with climate change.

Other recommendations include the further integration of the NDC action plans into national, regional, local and sectoral strategies. This would provide a clearer focus for public policy, including through greater involvement of local authorities and state-owned enterprises. In addition, the team also advised to take advantage of the significant work already carried out on the inventory of public assets and the reflections initiated by certain key ministries to identify infrastructures at risk and develop a policy adapted to maintenance needs.

The report provides several legal pathways to institutionalize the proposed reforms. These includes amending the 2016 PIM decree, the 1990 SOE Governance Code, the 2007 Housing Code, the Construction Code, and the Water Code. An encouraging approach would be to extend the scope of environmental impact assessments (EIA) to include climate change consideration into the PIM and public-private partnerships (PPP) legislations. Finally, the FAD mission recommends the adoption of a specific law on climate change, as is the case in many countries. Such a law would provide clear guidelines, including for transposing Mauritania's international commitments into national law, and defining the deadlines, roles, and responsibilities for all involved parties.