

INTERNATIONAL MONETARY FUND AND
INTERNATIONAL DEVELOPMENT ASSOCIATION

ISLAMIC REPUBLIC OF MAURITANIA

**Joint Staff Assessment of the Poverty Reduction Strategy Paper
Annual Progress Report**

Prepared by the Staffs of the International Monetary Fund
and the International Development Association

Approved by Paul Chabrier and Michael Hadjimichael (IMF)
and Callisto Madavo and Gobind Nankani (IDA)

April 29, 2002

I. INTRODUCTION

- 1. Mauritania prepared its first Poverty Reduction Strategy Paper (PRSP) Progress Report through a broad participatory process.** The progress report (henceforth the Report) describes accurately the first year of implementation of the PRSP, which was considered by the Boards of the World Bank and the IMF on February 6, 2001 and January 26, 2001, respectively. In particular, the Report covers (i) the implementation of measures in the four main pillars of the PRSP; (ii) the participatory process and the strengthening of ownership; (iii) the new poverty profile, according to the 2000 Household Survey; and (iv) the perspectives for 2002–2004.
- 2. Overall, the staffs consider that the first year implementation of the PRSP has been successful, and this is well documented in the Report.** Key measures for 2001 have been implemented in the macroeconomic, structural, and social areas. The Report provides a candid assessment of both accomplishments and difficulties, including failures in meeting some of the targets set for the year, and describes some remedial measures to address the problems encountered in 2001. As mentioned in the Report, neither the first year experience nor the recent poverty profile, which pertained to the year preceding the PRSP (2000), warrant major changes in the overall poverty reduction strategy.
- 3. Nonetheless, the Report could be improved in a number of areas in support of the implementation of the poverty reduction strategy.** In particular, the Report should include (i) more explicit links between the setting of policies and analytical work on poverty diagnosis and the obstacles identified during implementation; (ii) sharper sequencing and prioritizing of public actions with a view to singling out crucial interventions and supporting measures; (iii) more in-depth analysis of the implications of potential risks and policy responses to address them; (iv) use of short-term indicators along with medium-run objectives to monitor implementation; and (v) more generally, an improvement in

observation and evaluation systems, particularly in the areas of public expenditure tracking and poverty and social impact analysis.

II. OVERALL ASSESSMENT OF THE REPORT

4. **The follow up of the PRSP implementation and the preparation of the Report were broadly participatory and far reaching.** The government should be commended for its considerable outreach program. It made great efforts to disseminate the PRSP, publicize its main actions, and intensify both the debate on poverty reduction and the ownership of the process, as documented in the Report (Box 3 of the Report). Several regional workshops were held in September 2001 to discuss the strategy, and a national conference was organized in Nouakchott in January 2002, involving representatives from the private sector, NGOs, donors, elected officials, and civil society. In addition, a preliminary progress report was presented to the Consultative Group in Paris on December 18, 2001. The Report describes openly the concerns raised by the various stakeholders and proposes to adjust the strategy to respond to many of these concerns. In this spirit, the communication strategy that is announced in the Report for next year should aim at getting feedback from the participants involved in the PRSP.

5. **The Report is generally candid about both achievements and difficulties in implementing the strategy.** It acknowledges bottlenecks in various areas, e.g., rural development, education, and implementation capacity. However, the Report could be more systematic in analyzing the reasons for specific shortfalls and putting forward remedial measures to overcome difficulties and make up for delays. Moreover, the strategy could benefit from paying more attention to the linkages between policy design and the problems identified during the implementation or those disclosed by the poverty profile. On a related issue, the staffs also note a tendency to rely mainly on the creation of public agencies to solve difficulties, without ensuring that incentives and resources will be sufficient for these agencies to work efficiently.

6. **The Report responds to some of the recommendations raised in the Joint Staff Assessment (JSA) of the PRSP.** These include the strengthening of the participatory process used in the preparation of the PRSP, the revision of the poverty profile on the basis of a household expenditures survey, and the steps envisaged in the Report to enhance competitiveness and diversify the export base in order to reduce the economy's external vulnerability. Other concerns expressed in the JSA must be given more attention, notably the need to improve the links between poverty analysis and policies, the implementation of an action plan to upgrade monitoring systems, and the strengthening of public expenditure tracking.

III. POVERTY STATUS AND MONITORING SYSTEMS

7. **The 2000 household survey has provided a solid basis for poverty diagnosis, although more in-depth analysis of the poverty status is needed.** The results of the survey provide a good basis for monitoring and evaluating poverty trends, particularly since these results constitute the starting point of the PRSP implementation. These results point to a

decline in the average poverty rate in recent years (from 50.5 percent in 1996 to 46.3 percent in 2000), with poverty declining in most urban centers and northern rural areas and worsening in Nouakchott and in the Senegal river valley. Overall, the groups most vulnerable include independent farmers and agricultural salaried workers in the Senegal river region, as well as the population from urban settlements, which are mostly unemployed, or in the informal sector (Box 2 of the Report). The staffs are of the view that more analytical work should be done to understand better the determinants of poverty and the impact of past actions on poverty, so that policy implications could be drawn for the period ahead and adjustments made, as necessary, to the poverty reduction strategy.

8. **The Report updates the poverty targets and assesses risks to the strategy.** The poverty and social targets originally set in the PRSP were very ambitious and exceeded Millennium Development Goals (MDGs). These targets have been revised downward in light of the updated poverty profile and the weaker global environment. The staffs feel that the revised targets, which are still in line with MDGs, remain relatively ambitious but may be reached if growth is as strong as expected. The report correctly identifies risks, which could threaten the outlook for poverty reduction, including external shocks, droughts, the limited implementation capacity, and shortfalls in external financing, but it could be supplemented by a policy response action plan. The staffs believe that future reports would benefit from the identification of contingency measures and further prioritization between the various programs so as to deal with unexpected adverse developments.

9. **Further efforts to develop monitoring and evaluation systems are needed.** The Report reaches this conclusion, but a more detailed assessment of progress and prospects in this regard would be welcome. The staffs consider that improvements are needed in five areas: (i) deepening the poverty analysis and regularly updating the poverty profile; (ii) strengthening the role of the statistical office (ONS) in monitoring economic and social developments, particularly national accounts and the envisaged rural survey, and comparing the results of the poverty profile with those from other sources; (iii) designing annual performance indicators (rather than just over a three-year period); (iv) developing poverty and social impact analysis; and (v) putting in place institutional mechanisms that ensure feedback from monitoring agencies to policy makers. These actions are only partly covered by the policy matrix of the report (Annex 3 of the Report).

10. **Technical assistance should continue to support the PRSP implementation in various areas.** These include in particular (i) developing poverty and social impact analysis; (ii) strengthening public expenditure management and tracking; and (iii) improving the regulatory framework, including legal reform and competition policy.

IV. MACROECONOMIC PERFORMANCE AND PUBLIC EXPENDITURE MANAGEMENT

11. **Mauritania's macroeconomic policies have continued to promote growth and poverty reduction within a stable macroeconomic environment.** The Report describes efforts to simplify the tax system and mobilize domestic revenues but should further emphasize the need to strengthen tax administration. Less attention is paid to the increase in poverty-related expenditures—an important aspect of the PRSP—and its likely impact on

poverty, given the sharp increase in these expenditures in the 2002 budget (from 8.3 percent of GDP to 11.5 percent), and in the medium term. The next report could usefully provide a table summarizing key figures on poverty spending, including a comparison between budgetary plans and execution and information on the use of debt relief.

12. **The authorities have revised their medium-term macroeconomic framework, and the PRGF-supported program has been amended accordingly.** The revision reflects recent developments including the weaker global economy and changes in commodity prices. Growth is targeted to increase to over 6 percent by 2004 (against 7 percent in the PRSP), driven by increases in mining capacity, social and poverty-related spending, domestic value added in the fishery sector, and an expansion of tourism. The staffs believe that, although ambitious and subject to various risks, this growth target is within reach. It will require continuing sound fiscal and monetary policies, promoting export diversification and external competitiveness (including through adopting the recommendations of the Integrated Framework Study), and pursuing structural reforms to enhance the environment for private sector-led growth.

13. **The macroeconomic and structural measures that have been taken should enhance growth.** These measures include progress in developing basic infrastructure (notably roads and energy), reforming the investment code, reducing corporate taxes, setting up a multi-task regulating body, and revising the procurement code. However, the staffs agree with the Report's call for further measures to strengthen implementation capacity. This would imply, in view of the projected increase in capital expenditures, improving the selection of projects and project managers, monitoring project execution, and increasing transparency and the rule of law (regulatory framework) to reassure donors and encourage foreign direct investment.

14. **Progress has been made in public expenditure management.** This includes the recent preparation of sectoral medium-term expenditure frameworks (MTEF) for education and health, which have enabled the government to shift the priority of public spending toward social sectors—a key component of the PRSP. The preparation of MTEFs for other priority sectors (rural development, urban development and infrastructure) has experienced some delay, but along with the MTEF for all public expenditures, they should be completed before year-end. These MTEFs as well as the Public Investment Program (PIP) should be better integrated with the macroeconomic framework.

15. **However, there is a need to enhance public expenditure tracking and evaluation.** The Report does not stress enough this crucial point, given the weaknesses identified by the joint Bank-Fund technical assistance mission last October. Although the monitoring of the HIPC-financed expenditures has improved significantly, as evidenced by the quarterly reports produced by the committee in charge of monitoring these expenditures, further actions are needed in other areas to (i) identify all poverty-related expenditures; (ii) reinforce reporting on budget execution; (iii) reinvigorate the systems of internal and external audits; and (iv) prepare reports on the poverty impact of public spending. A budget execution law (*loi de règlement*) for the 2001 budget will be presented in the context of the 2003 budget. It is also expected that a fiscal module of the Report on the Observance of Standards and Codes

(ROSC) and a Country Financial Accountability Assessment (CFAA) will be completed before end-2002. The staffs recommend that the next progress report include a full discussion on progress in all areas of expenditure tracking and of the progress and constraints faced by Mauritania in harmonizing donor assistance.

V. PROGRESS IN PRIORITY SECTORS

16. **Given that poverty remains primarily a rural phenomenon in Mauritania, the staffs welcome the measures taken to promote private investment and employment creation in the rural sector.** The targets set for agricultural growth and rural poverty reduction (4–5 percent and 6 percent per annum, respectively) are ambitious, but achievable, provided that the reform agenda is actively pursued. Further analysis is needed to evaluate the impact of rural growth and regional differences on poverty. To this end, the staffs are of the view that the government should develop, with the assistance of development partners, an integrated strategy for rural growth, embracing the various sub-sectoral action plans and with outcome indicators encompassing the views of all relevant stakeholders. This strategy should address in particular the problems of the *Fleuve* area, where poverty worsened in recent years despite a potential for irrigated agriculture.

17. **Actions in the area of urban development have started to improve the living conditions of the poor.** The government has launched a ten-year Urban Development Plan and made concrete steps to enhance access of the poor to better housing, especially in Nouakchott. These pertain to real estate reform, the building of low cost housing, and restructuring and promotion of micro-credit activities in the squatter areas.

18. **Satisfactory progress has been made in improving access to education, but more work is needed.** The recently prepared ten-year education development program rightly places the priority on primary education, with a gradual development of secondary education in a second phase. Within this program, strategies to serve the needs of the poor are well articulated, and regional action plans with outcome indicators are currently being finalized. Progress has been made in promoting access to educational services in disadvantaged areas and to girls through building classrooms in rural areas, recruiting a sufficient number of teachers, and improving the quality of services through teacher training and textbook distribution. In addition, the management of regional administrative budgets has been decentralized to upgrade service delivery. However, more training is needed, and better links should be established between resource use and sector objectives.

19. **Key actions have been taken to provide better health services and to set an expenditure program to support pro-poor health strategies.** The links between health and poverty are now better understood thanks to the completion of various health and public expenditure surveys. Priority programs aimed at moving towards MDGs have been outlined within the recently prepared health MTEF, and additional budgetary resources focus on poor rural areas and on building ownership of health programs by poor communities. AIDS is not an epidemic problem in Mauritania, but the government launched targeted education and information campaigns to reduce and prevent its incidence. An independent Central Medical Store has been created, incentives for staff to work in poor remote areas have been

established, and immunization has received more attention, despite slower-than-projected progress toward reaching the vaccination target set at the decision point under the enhanced HIPC Initiative.

20. **However, the ambitious health program is fraught with significant risks.** First, the managerial capacity of the ministry of health remains very weak, and its upgrade will be difficult given the lack of qualified sectoral staff in the country. Second, shifting the share of public spending in favor of the poor will require sustained commitment from the government to overcome vested interests, given that in the past the poor received a proportionally much smaller share from public spending than the rich. Third, serving poor groups and remote areas hinges on more decentralized planning and budgeting. Therefore, monitoring progress in providing health services and public spending towards the most needy will be crucial in the period ahead. The staffs recommend a close follow-up on the various indicators presented in the Report (Table 4 and Annex 2 of the Report).

21. **Several actions have been taken with respect to gender.** The government has ratified the Convention for the Elimination of all Forms of Discrimination Against Women and adopted a Personal Status Code, aimed *inter alia* at defining a more conducive legal framework for the protection of the rights of women and children. In addition, several centers have been established throughout the country to provide women with literacy and nonformal education, skills training, and assistance in the formation of cooperatives.

22. **The staffs stress the importance of the Report's call for strengthening the regulatory and legal framework, especially the functioning of courts.** These reforms will be crucial for creating the enabling environment for the private sector. In addition, measures under the local government reform program need to be implemented on the ground. Given the increasing role of local governments in delivering pro-poor services, the capacity to track expenditures at the local level may also need to be strengthened.

VI. CONCLUSION

23. **Staffs believe that Mauritania's first PRSP progress report provides a fair and encouraging assessment of the first year implementation of the government's poverty reduction strategy.** The report is balanced regarding accomplishments and failures and highlights areas for further improvement. The staffs welcome in particular the progress achieved in broadening the debate on poverty reduction in the country and fostering the participatory process—essential elements for increased ownership.

24. The staffs of the Bank and Fund consider that the country's efforts toward implementation of the strategy provide sufficient evidence for its continuing commitment to poverty reduction, and therefore the strategy continues to provide a credible framework for Bank and Fund concessional assistance. The staffs recommend that the respective Executive Directors of the World Bank and the IMF reach the same conclusion.