

THE INTERNATIONAL MONETARY FUND
AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION

MAURITANIA

Joint Staff Assessment of the Poverty Reduction Strategy Paper
Prepared by the Staffs of the International Monetary Fund and the International Development
Association

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I. INTRODUCTION

1. **Mauritania has developed its Poverty Reduction Strategy Paper (PRSP) over the past year in a broad consultative process.** The PRSP contains a description of the participatory process, an analysis of the current poverty situation, and a detailed action plan for 2001–04. The strategy sets ambitious poverty reduction targets aimed at cutting poverty from its level in 1996 to one half by 2010, and to nearly one third by 2015. The implementation of this ambitious strategy is subject to significant risks.

2. **The Mauritanian government has assumed full ownership of the PRSP, leading to a home-grown strategy with limited external help.** Substantial and serious efforts were deployed for the preparation of the strategy in a relatively short period (about one year), to build up the momentum of the process and accelerate progress under the enhanced HIPC Initiative. As a transition case between the original and enhanced HIPC initiatives, Mauritania was exempted from preparing a formal interim PRSP (I-PRSP) as a precondition for reaching the decision point, and the government did not benefit from earlier experience of consultation with civil society. Nevertheless, the PRSP puts in place the foundation for a meaningful and fully participatory process, and presents a comprehensive long-term strategy with a prioritized medium-term action plan covering the period 2001–2004. The staffs believe that the strategy provides a credible basis for ensuring sustained growth and poverty reduction.

3. **The PRSP builds on the macroeconomic and structural policies pursued by the Mauritanian government since late 1980s.** However, the focus on poverty reduction, strong country ownership, and active participation of civil society (previously practically non-existent) underlying this document is unprecedented. It is the first such document produced by the government and thus represents a major step in the country's development.

II. THE PARTICIPATORY PROCESS

4. **From the start, the preparation of the PRSP has been characterized by strong government ownership and broad consultations.** In 1998, before the start of the PRSP process, the government of Mauritania established the Commissariat aux droits de l'homme, à la lutte contre la pauvreté et à l'insertion (CDHLCPI) to coordinate efforts on national policies in the areas of human rights, poverty reduction, and social integration. Since then, the Commissariat has worked in close consultation with more than 90 NGOs, regional elected representatives, local administrations, the statistical office (ONS), and other relevant institutions. In November 1999, with the start of the PRSP process, the Government established the Comité Interministériel de la lutte contre la pauvreté, chaired by the Prime Minister, to oversee the preparation of the PRSP, with the Minister of Economic Affairs taking the role of coordinator (at the cabinet level). The CDHLCPI became the Secretariat and took the lead in broadening the consultation process and preparing the PRSP.

5. **Representation of all branches of government and civil society ensured a wide internal consultative process.** National and regional meetings and seminars were held at a broad popular level, to gather feedback from the poor and the most vulnerable segments of the population. Initial reactions of the civil society on the draft PRSP were delivered during a two day workshop held on September 30–October 1, 2000. In November 2000, four inter-regional seminars (comprising representatives of civil society from all the 13 Wilayas in the country) were held to discuss a later version of the paper. The PRSP was carefully reviewed and amended in light of the comments of various development partners and civil society. The authorities will present the PRSP for discussion and approval by the Parliament by May 2001.

6. **The authorities have actively involved development partners in the preparation of the PRSP.** Representatives of development partners, including the Fund and the Bank, and a Donor Committee comprised of major donors participated in a first round table meeting that launched national consultations for the PRSP process (December 1999).¹ In February 2000, joint Bank/IMF missions met with representatives of civil society to exchange views, and later in November, an advanced draft of the PRSP was shared with Bank and Fund staffs, who provided comments on sectoral and macroeconomic issues, respectively. The PRSP was also circulated to a number of key development partners who expressed satisfaction with their involvement in the preparation of the paper and the extent to which their contributions were reflected in the final draft.

7. **The participation of civil society became more important as new NGOs were formed and experience was gained.** A great number of the newly established NGOs faced enormous human and financial constraints that limited initially their effective contribution in

¹Representatives of civil society including mayors association, labor unions, liberal professions representatives, and numerous NGOs and development agencies also participated.

the preparation of the PRSP. However, the PRSP process contributed to a better dialogue between civil society and the government, and allowed NGOs to gain experience and credibility, and thus to play a larger role in the participatory process. The CDHLCPI developed joint partnerships with a number of these NGOs to assess and implement poverty related programs. The government also established an institutional framework to facilitate their activities, and allowed their representation on the “Conseil de Surveillance” of the CDHLCPI.

8. **The PRSP reflects many of the recommendations of civil society.** The NGOs (representing civil society) commented mainly on issues related to governance, education, and health and nutrition. These views are reflected in the paper. For example, the PRSP fully reflects desired reform of primary and secondary education and a requested increase in resources for new pedagogic and technological tools. Also, as requested by civil society, the final PRSP contains supplementary measures to strengthen the judiciary infrastructure and to help promote its independence from the executive power. To ensure wider dissemination, the details of two important meetings held in December 1999 and in October 2000 were posted on the Internet in two web sites. In principle, these sites should have encouraged further discussions, but limited access to the Internet in Mauritania has reduced the intended benefit of these sites.

9. **Overall, the process of building broad ownership of the strategy has been extensive, but could have been more participatory.** The authorities have reached out to all parties to participate in the discussions, and almost all representatives of civil society contributed to the document at one point or another, and some on more than one occasion. In particular, civil society made a significant contribution on social issues, although there was less participation on macroeconomic issues and policies. However, this process will need to be continued and deepened during the implementation of the strategy.

III. POVERTY DIAGNOSIS

10. **Although Mauritania is one of the few Sub Saharan countries to have a database on household living conditions going back to 1987, the lack of reliable recent data is an obstacle to a comprehensive analysis of poverty and its trends.** Data on poverty incidence date back to 1996 when the last household survey was conducted. For the most part, the PRSP provides comparisons between 1990 and 1996, and supplements it with more recent data on health and education. In accordance with the schedule presented in the decision point document, a new household expenditure survey is now being conducted, with first results expected by mid-2001. The new survey will provide an update of the poverty situation and will form a basis for the first annual review of the PRSP and for preparing an updated PRSP, which the authorities plan to present in early 2002. Beginning in 2001, this survey will be conducted annually and will be complemented by a population census, demographic and health surveys, and agricultural surveys.

11. **Despite data limitations, the PRSP makes a serious effort to provide a realistic analysis and construct a poverty profile.** It makes full use of available data providing a

detailed breakdown of poverty by regions. It shows that poverty in Mauritania is primarily a rural phenomenon, with 76 percent of inhabitants living in poverty in 1996, with the lowest incidence of poverty in Nouakchott (21 percent). While a complete breakdown by gender and socio-economic groups is constrained by the lack of data, the PRSP shows that poverty is extremely high among female-headed households. The paper emphasizes the multidimensionality of poverty and the interdependencies between its various forms. It presents a large amount of information on income, consumption, education, health, access to drinking water, and quality of housing, among others. Quantitative analysis was complemented to the extent possible with qualitative information such as the marginalization of social groups and the deficiencies of public administration. However, a stronger effort could have been made to define explicitly linkages between the poverty analysis and the design of the poverty reduction strategy.

12. The major obstacles to poverty reduction are correctly identified in the PRSP.

These include low labor productivity, lack of modern technologies and human capital, weakness of public administration, and limited access to credit, which is especially important in the development of the private sector. All of these obstacles are more prevalent in rural areas. The paper also identifies other important constraints including geographic factors (large size of the country, dry climate, desertification, lack of natural resources), demographic developments (the population is expected to grow at roughly 3 percent a year in the near future, and almost to double between 1996 and 2020), and an excessive debt burden. In addition, the PRSP assesses critically the impact of past government policies on growth and poverty. It recognizes that weak administration and public resource management resulted in slow and inadequate implementation of social policies. An attempt to evaluate and analyze the impact of macroeconomic and sectoral policies on poverty reduction should be undertaken in the framework of the updated or first annual review of the PRSP.

IV. THE POVERTY REDUCTION STRATEGY

13. Mauritania's poverty reduction strategy rests on four main pillars: (i) to accelerate economic growth as the basis for poverty reduction with an enhanced role for the private sector; (ii) to develop growth potential and the productivity of the poor by promoting sectors from which the poor derive direct benefit and focusing on areas where the poor disproportionately live; (iii) to develop human resources and improve access to education and health; and (iv) to promote institutional development based on good governance and on full participation of all those involved in the fight against poverty. The staffs agree with the overall strategy and with the emphasis placed on the role of the private sector in its implementation. In addition, the staffs consider that the policy matrix is in line with the four-pronged approach for poverty reduction, and that it relates program implementation to specific and time-bound measures. Such a matrix, supplemented with a clear designation of government agencies responsible for the implementation of each of the proposed measures, will be useful for monitoring.

Targets, Indicators and Monitoring

14. **The long-and medium-term poverty reduction targets are very ambitious.** The PRSP sets long-term (15 years) and medium-term (5 years) targets for reducing poverty and Annex 1 also sets quantitative targets for 2004, 2010, and 2015 for more than forty indicators. The quantitative targets consist of: (i) reducing the incidence of poverty from 50 percent in 1996 to 39 percent in 2004, and to 27 percent and 17 percent in 2010 and 2015 respectively; (ii) achieving universal primary school enrollment by 2004, and eliminating illiteracy by 2015; (iii) reducing infant mortality from 118 per 1000 in 1998 to 30 per 1000 in 2015; and (iv) substantially improving access to medical services and drinking water. These long-term targets exceed the international development goals. Although the lack of current data makes it difficult to make an accurate judgment, the staffs feel that these targets are rather ambitious. However, past improvements in social and poverty indicators achieved between 1990 and 1998 suggest that these targets can be reached. This will require substantial and sustained efforts to maintain a stable macroeconomic environment, improve efficiency of public spending, a good public expenditure monitoring system, and measures to address the high population growth.

15. **While the medium-term strategy for 2001–04 links some policies to poverty reduction obstacles, better linkages are warranted.** Against the long-term targets of the poverty reduction strategy, the PRSP sets a fully costed prioritized action plan for 2001–04. This plan aims at the main obstacles to poverty reduction and growth identified in the PRSP (see above). In particular, the emphasis on rural development in the overall strategy is appropriate given that most poor live in rural areas. However, measures intended to combat other determinants of poverty such as low productivity, low access to credit, and population growth are not fully spelled out in the paper.

16. **The PRSP recognizes that efficient follow-up and evaluation of the poverty reduction strategy would not be possible without significant improvements in the statistical base on poverty.** Given the ambitiousness of the program, existing systems are clearly inadequate, and require substantial upgrading. The road map (annex 7) provides a set of actions to establish a poverty reduction information system, including the establishment of an *Observatoire* and an upgrade of the Mauritanian macroeconomic model. Regular surveys of household expenditures and living conditions will be carried out, and the technical and operational capacities of the statistical office (ONS) will be reinforced. The staffs believe that measures proposed in the PRSP should improve the government's ability to monitor poverty related spending. Nevertheless, it would have been useful to have details on the action plan to improve the poverty reduction monitoring system, especially with regard to institutional aspects and mechanisms to provide feedback of results and findings to decision makers.

17. **The participatory structure created for the preparation of the PRSP will also be used for monitoring the implementation of the strategy.** Members of the government, Parliament, local administrations, NGOs, civil society and donors involved at the preparatory stage are expected to examine the Annual Progress Reports on progress made under the strategy and to present their opinions and suggestions. Given a lack of tradition of solid

institutions and active participation of civil society in policy formulation and implementation, it is difficult to evaluate the adequacy of this arrangement. Nonetheless, the staffs commend the government's intention to publicize widely in the media any progress concerning the implementation of the strategy.

Macroeconomic Framework

18. **The PRSP presents a macroeconomic framework aimed at enhancing pro-poor growth and maintaining macroeconomic stability.** The Fund staff provided direct technical advice in this area, and the medium-term macroeconomic framework for the PRGF arrangement, as recently revised, is in line with the framework presented in the PRSP. The paper projects a real GDP growth rate reaching 7 percent by 2004, with a medium-term average growth rate of 6 percent. While ambitious, the staffs believe these growth rates could be achieved if other elements of the strategy, aimed mainly at the efficiency of the public investment program and the success of ongoing structural reforms, are implemented. Nonetheless, significant risks remain (see below).

19. **The importance of macroeconomic stability is acknowledged.** The government intends to keep the medium-term annual inflation rate below 4 percent and the current account deficit under control. In view of Mauritania's narrow export base and its extreme vulnerability to external shocks, it could be difficult to meet these objectives. In this context, it would have been useful if the paper had discussed exchange rate policy and the need to enhance competitiveness to diversify the export base and reduce the economy's vulnerability to these shocks.

20. **The PRSP acknowledges that the debt burden has been a major obstacle to Mauritania's development, but does not propose any measures to avoid the reoccurrence of a debt overhang.** The PRSP correctly describes the excessive accumulation of debt over the last 15 years that has limited the government's ability to devote more resources to poverty reduction, but does not follow up on this observation. In particular, the strategy does not include explicit actions aimed at strengthening debt management and at closely monitoring the borrowing policy.

21. **The staffs concur with the view that economic growth is not in itself sufficient to reduce poverty.** Given the narrow specialization of the Mauritanian economy, the staffs agree that at the early stages of the program the effect of growth on the poor will be mainly through increased budgetary expenditure in the social and basic infrastructure sectors, rather than through direct effects on incomes and employment. The strategy rightly gives much attention to creating an environment in which the fruits of growth will be shared by the poor. In this context, the staffs consider appropriate the PRSP's focus on specific policies targeted at the poor, such as the development of rural areas (where most poor people live) and improvements in education and health, and on broadening the economy's production base.

22. **The staffs agree with the relaxation of fiscal policy in the medium-term.** The medium-term budget deficits and the underlying policy measures are consistent with poverty

reduction, and with growth and macroeconomic stability. The budget deficit is targeted at 1.5 percent of GDP in 2001, and is expected to rise to roughly 3 percent of GDP in 2002–04. This follows several years of budget surpluses, and is essentially due to the planned increase in public investment in the context of the PRSP. While the paper proposes the sensible but cautious policy of maintaining the budget balance (excluding HIPC expenditures) at a slightly positive level in 2001–04, the staffs consider that further relaxation of fiscal policy could be accommodated if additional concessional financing can be secured and public resources managed efficiently.

23. **The poorest segments of the population will benefit mainly from the indirect effects of the ongoing tax reforms.** Although the reform of the VAT will benefit the poor directly by exempting basic and poor-sensitive items from taxation, tax reforms are essentially aimed at strengthening the competitiveness of the economy and improving the equity of the tax structure while ensuring a stable flow of domestic revenue to the budget. Given uncertainties about revenue projections, to avoid cutting poverty-related expenditures in the event of slower-than-projected expansion of the revenue base, the PRSP should have identified appropriate contingency measures. The staffs concur that streamlining business taxation can promote the creation of new activities and help raise tax compliance. But, the PRSP does not address the need to eliminate the remaining discretionary tax exemptions: a necessary measure for establishing a more equitable and transparent tax system and for leveling the playing field for all investors - a core element of the poverty reduction strategy.

Public expenditure program and financing

24. **The expenditure program is linked to the poverty reduction targets for 2001–2004, but better linkage with the budgetary process and further prioritization of expenditures would have been useful.** Public expenditures are focused on sectors such as rural and urban development, primary education, and primary health services. This focus of expenditures is consistent with the priorities that emerged from the poverty diagnosis and the consultation process. But, in the view of the staffs, the public investment program (PIP) should be integrated into the budget process by linking it to a medium-term expenditure framework, which should be developed soon. This makes it difficult to assess the consistency of the poverty reduction strategy with the macroeconomic framework. This should have been discussed in the PRSP. In addition, while the staffs agree with the priorities set in the PRSP, there is a need for greater prioritization of the key public measures required for economic growth and poverty reduction. This would be useful, particularly in adapting the strategy in response to unexpected developments such as negative external shocks or a shortfall of financing.

25. **The costs of priority programs appear realistic, but will need to be reviewed as PRSP implementation proceeds and more detailed sectoral knowledge become available.** These were estimated at about US\$292 million for the years 2002–2004, with only about US\$10 million allocated to current expenditure and the remainder to the rolling three-year PIP. However the total financing need covering the entire PIP (including public enterprises) and the balance of payment financing gap are estimated at about

US\$700 million. Budgetary cash savings resulting from debt relief under the HIPC are expected to cover US\$110 million, while domestic budgetary savings could further cover up to US\$100 million of the medium term budget investment program.² In view of PIP financing already committed by donors of about US\$200 million, the remaining financing needs would be about US\$300 million, which could be financed by donors following the Consultative Group meeting (see below). While broadly sharing the authorities' estimate of the resulting financing need, the staffs consider that there are some risks concerning the realization of the estimated budgetary savings linked to possible shortfall in budgetary revenue.

26. **The staffs welcome the emphasis placed on governance issues, mainly in the management of public resources, and warn of the implications of failures in this area.** Most of the governance measures relate to the need to improve public resource management to ensure transparency, accountability and efficiency of public spending. The government intends to: put in place budget programs for education, health, and rural development; publish annual reports on public expenditures and their impact; present the budget execution law (*loi de règlement*) annually to the Parliament; and increase the powers of the independent audit agency (*Cour des comptes*).³ The PRSP is candid in its appraisal of the limited capacity of the administration to ensure efficient execution and accurate ex-ante evaluation of the public expenditure program, and openly acknowledges that reaching satisfactory results in this respect will take time. The staffs consider that the failure to improve public resource management could seriously damage the credibility of the government, alienate the support of civil society, and substantially reduce the flow of external financial support for the implementation of the medium term expenditure program. The staffs encourage the authorities to request technical assistance in the field of public expenditure and financial management to urgently address these issues.

27. **The PRSP confirms that the ongoing structural reform program supported by the Bank, the Fund and the donor community is an essential element of Mauritania's poverty reduction strategy.** Since 1992, the Mauritanian Government has been implementing sectoral structural reforms, aimed at fostering a favorable environment for private sector-led growth, employment creation and poverty reduction. The details of the structural reforms have been discussed in documents underlying the PRGF arrangement and the Fiscal Reform Support Operation (FRSO). The staffs believe that significant progress has already been made in most areas, and that the ongoing reform program is strong and appropriate in the context of the PRSP.

²The estimated financing needs included in the PRSP are based on a gradual increase in the execution rate of the entire PIP expected to reach 85 percent by 2004 from about 70 percent in 2000. The evolution of the execution rate over the last 4 years supports this assumption.

³The government will begin presenting the *loi de règlement* with the 2001 budget.

28. **In the social sectors, the implementation of the strategy depends critically on coordinated donor support.** The government is pursuing the development of sector-wide education and health policies closely tied to the medium-term objectives of the poverty reduction strategy. This requires better coordination with donors and a close alignment of their assistance programs with the PRSP.

29. **The staffs believe that the proposed education policies are designed to achieve lasting results in the fight against poverty.** These policies focus on improving education quality and increasing completion rates of primary education. The PRSP recognizes the deficiencies of the education system and sets its priorities at the primary education level, where there is the biggest expected impact on poverty. The strategies, action plans, and the monitoring indicators are appropriate. Since the development of the human resource base necessary for sustained economic growth requires the development of a skilled workforce, the focus on investments in technical and vocational training and in selected higher education fields is also appropriate. A ten-year sectoral program is being finalized and will provide a framework for a coherent and sustained investment effort, to which several donors are expected to contribute.

30. **The continued implementation of the health sector and population policies will support the poverty reduction objectives.** The staffs believe that the overall objectives and directions specified in the PRSP are relevant and consistent with the national health strategy. However, the priority programs identified consist mainly of large fixed investment projects, while the importance of ensuring recurrent financing of health expenditures is not sufficiently emphasized. In addition, there is a need for deeper analysis of obstacles affecting performance in the health sector. Despite the increase in budgetary allocations to health and the improvement of health indicators during the last decade, there are indications that spending in this sector has not been very efficient.

31. **The PRSP will be presented in a Consultative Group meeting in 2001.** The detailed public investment program supporting the poverty reduction strategy will be presented at this meeting to seek financing. The meeting will also provide individual donors with an opportunity to indicate how they will support Mauritania's poverty reduction strategy, and will help harmonize procedures for the release of assistance.

Risks to the strategy

32. **The staffs consider that the poverty reduction strategy is subject to risks going beyond those identified in the PRSP.** The staffs agree that Mauritania's extreme vulnerability to external shocks (resulting from its narrow export base, dependence on weather and the small size of the economy), its limited absorption and implementation capacity, and the lack of institutional capacity and monitoring are real risks that could affect adversely poverty reduction as laid out in the PRSP. However, the staffs believe that there are other risks that should be emphasized:

- **Long-term poverty reduction depends on strong economic growth, and thus risks to growth would threaten the achievement of the poverty reduction objectives.** The growth targets for 2001–04 are based on an assumed increase in mining activities and exports that may not materialize. The production of iron ore by the state mining company SNIM, which represents about 12 percent of GDP, is assumed to increase by 2 million tons by 2003. This, however, assumes the availability of sufficient external financing. If this financing is considerably postponed or blocked, then reaching the PRSP growth and poverty reduction targets will be delayed or even jeopardized.⁴ This risk applies also to other ongoing mining activities in Mauritania.
- **Possible shortfalls in budgetary revenue and savings, and in external financing.** Although budgetary revenue and savings projections appear realistic on the basis of the assumed growth rates, the PRSP should have identified contingency revenue measures as well as spending contingencies to compensate for possible shortfalls.
- **Possible resistance from groups with vested interests.** Given that the interests of some influential and wealthy groups could be affected by the strategy, they would likely resist changes. For example, there is a close connection between some interest groups and commercial banks that has led to very high credit concentration ratios in the banking sector. If these ratios are not reduced to international standards as projected under the PRGF program, access to credit—one of the main obstacles to poverty reduction identified in the PRSP—would still be denied to those outside the closed circles, which would in turn have a negative impact on poverty reduction.
- **Given the slow progress made so far in improving public resource management, this could adversely affect the implementation of the poverty reduction strategy.** Successful implementation of the strategy depends critically on government’s ability to ensure proper execution of planned expenditures, as well as efficient and timely delivery of services to the poor. Given the time needed to put in place the measures presented in the PRSP, achieving the poverty reduction targets in the specified time frame could be difficult.

V. CONCLUSIONS

33. **The PRSP represents a major step forward in Mauritania’s fight against poverty.** It is a truly country-owned document, prepared in a participatory process involving civil society, NGOs, elected officials, and donors. It is the first such document produced by the government. Preparation of the PRSP has provided a boost to the development of civil

⁴ SNIM has been negotiating with the African Development Bank (AfDB) and the European Investment Bank loans to increase production capacity. Since the AfDB loan is non-concessional, the consistency of this non-concessional borrowing by a state company like SNIM with debt relief under the HIPC Initiative raises issues of debt sustainability.

society and NGOs, and subsequent monitoring and evaluation should present them with an opportunity to increase their role in the setting and monitoring of policies.

34. **The staffs of the World Bank and IMF consider that the PRSP presents a credible poverty reduction strategy and provides a sound basis 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.

Mauritania: Tentative Schedule of Key World Bank and IMF Events Related to the PRSP in 2001		
Institution	Event	Expected Date
IMF	Board consideration of Second Review of PRGF Arrangement	January 26, 2001
IMF/ World Bank	Board consideration of the Joint Staff Assessment of the PRSP	January 26/ February 6, 2001
IMF	Third Review of PRGF Arrangement and Article IV Consultation (IMF)	May 2001
World Bank	Board consideration of Urban Credit	May 2001
World Bank	Board consideration of Education Credit	June 2001
World Bank	CAS preparation in-country consultations	September 2001
World Bank	Board consideration of CAS and PRSC	November 2001
IMF	Fourth Review of PRGF Arrangement	December 2001
World Bank/Stakeholders	Consultative Group Meeting	December 2001