

Proposal for Belgian Trust Fund for Poverty and Social Impact Analysis (Joint UNDP-World Bank Project)

Name of Proposal: Transfer of ancillary services from the state owned mining company SNIM to utility providers

Government Unit Responsible for Project: Centre Mauritanien d'Analyse de Politiques, CMAP, in cooperation with The PRISM Project and PRSP Unit

Liaison Person at UNDP Country Office: Mohamed Aly Ould Iemrabott

Liaison Person at WB Country Office: Salamata Bal

Total Amount Requested: 90,000

A. Description of the policies on which the PSIA will focus and the rationale for selecting these policies (e.g., the probable size of the policy impact, the level of national debate on the policies, the interest of the government in assessing these policies, the links to the national poverty reduction strategy).

The mining sector plays a major role in the Mauritanian economy--contributing 12 percent of GDP and 35 - 50 percent of exports--but structural issues hinder its ability to expand production, despite high international demand for iron ore and bright prospects for world steel production. The provision of ancillary services by the government controlled mine company (SNIM) constitutes a drain on fiscal resources of the company, and of the government, and thus prevents reinvestment to modernize the mining equipment that would allow for an increased production. The company's employees receive water and electricity services for free. But even residents of the mining towns who are not working for SNIM have partial access to these services, although in a non-transparent, unreliable and inadequate manner. The pressure on the mining company to extend services to non-employed residents is continuously growing. The desert environment of these mining towns contributes to the issue: the scarcity of infrastructure and social services in the region draw people into mining towns like magnets. These services often provide the only opportunity for settling and business start-up, even if their access might be illegal or unofficial. New connections for the growing non-mining population require substantial investments in water and electricity rehabilitation. Such major investments, however, go beyond the scope of the mining company, and would detract resources from reinvestment. Understandably, the mining company is reluctant to expand the water and electricity networks to the residential parts of the towns.

In response, the Government of Mauritania is considering the transfer of the water and electricity services to local governments and/or private operators. Such a hand over would reduce the fiscal pressure on SNIM and clarify the roles and responsibilities of local government vis-à-vis the mining company. National authorities (ANEPA, Access Universal, SNDE, SOMELEC) are mandated to provide these services in both rural and urban parts of the country and a new Water Act (January 2005) that requires any water providers to obtain licenses to operate concessions.

The key issues in respect to the reform are as follows:

- *Development of financial viable and socially responsible transfer options:* Several transfer options have been identified and are presented in a study already undertaken (ETASCO report 2003). The options, based on various permutations of public-private management roles, have been outlined for each locality along the Nouahdibou - Zouerate corridor and for each utility. The study, however, does not assess the social and economic impacts of the presented options and does not provide information on financial viability.
- *Agreeing on the most appropriate transfer option among stakeholders:*
 - SNIM wants to stay in control of generating the utilities, as its management considers losing control over such important production facilities like water and electricity too risky. The company would be willing to hand over the distribution of electricity.

- The four involved Ministries (Economic Development, Hydraulic, Mining and Energy and Pretrol) and authority of regulation demand that both production and distribution be handled by a public or private entity, and refer to the new water and electricity laws, which underline the role of local governments in infrastructure service provision.
- *Risk of social tension among mine employees:*
 - The hand over of services to public entities means that SNIM employees could lose part of their work place incentives and be asked to pay more for services. Government officials and the mining company fear social tension among the well organized mine workers, and prefer a change process that addresses the required behavioral changes (change in workers' attitude to their benefits).
 - SNIM and government officials realize that they need to account in the discussions for consumers' perception and position to the reform, largely ignored thus far, to prevent unintended social reactions to the reform.
- *Risk of growing social discomposure in the mining towns*
 - Settlers in mining towns feel deprived of development opportunities because they are being excluded from reliable and accessible water and electricity services. SNIM's reluctance to extend the networks contributes to growing social discomposure in the mining towns. A sense of urgency to address the situation is developing and is reflected in a rising public debate. Maintaining the present status quo does not seem to be a viable option for any party.
- *Identification of new water resources in the corridor*

Supplying water along the corridor is severely constraint by the scarcity of existing water sources. It can easily become a limiting factor for iron ore production in the region. It is unlikely that the water network can be expanded significantly to residents until new sources become available. Any institutional change in water provision might be delayed until a new source has been secured. Several institutions are investing in the finding of new water sources (Centre National d'Reseau de l'Eau, PRISM). But alternative forms of water supply, e.g. via water trains from Boulounoir are considered.

The discussion on hand-over of ancillary services from SNIM to public or private service providers started already 3 years ago with the commissioning of the ETASCO report. However, political will from SNIM management and within certain government institutions was lacking to address this issue proactively. This situation has changed drastically. The new SNIM management and the new government in place after the coup d'Etat in August 2005 are seriously concerned about the socio-economic development of the Northern Region in Mauritania, which comprises to a large extend of the population along the mining corridor. The transfer of the ancillary services is seen as one important requirement to allow for the provision of essential social services for the entire population and the development of this region. Due to these institutional and political changes the required social and economic impact analyses shall be resumed now.

B. Ongoing programmes and activities to which PSIA would be linked

- The Government of Mauritania is implementing the second phase of the Mauritania Mining Sector Restructuring Project (PRISM) which is financed by the World Bank. The PSIA results will be followed up and implemented with support of this project.
- The Government of Mauritania also has a very active and decentralized Commissariat for Human Rights and Poverty Reduction, which is one of the most important implementing agency for the PRSP process in the country. The regional PRSP development plan is the framework in which the transfer of utility services will take place. The PRSP framework also provides one opportunity for public investment for the required utility infrastructure. Close coordination and collaboration with the commissariat in the decision taking process of transfer options and implementation is mandatory. The CMAP is the focal point for PSIA in Mauritania. The CMAP is in charge of coordination of PSIA activities and PSIA group capacity building.

C. Description of the proposed analytical work:

a. Methodological approach, such as data analysis and assessment tools

The PSIA would cover mining towns along the Nouadhibou – Zouerate corridor. There are diverse livelihood systems along the corridor; localities also differ in respect to how they receive services and the ratio among miners and non-miners living there. Aspects such as current utility provider, share of households with access to the utilities, poverty levels and socio-economic structure would guide the selection of the towns to be included in the assessment. The exercise would give special attention to Choum, where new water resources have been found and which would therefore qualify as a pilot case for alternative regulation of service provision. The city of Zouerate is of high importance, as it is the only urban area along the mining corridor.

The analytical work would involve six elements: (1) a literature review, (2) a stakeholder analysis, (3) an institutional analysis, (4) a consumer assessment, (5) an economic assessment and (6) a risk analysis. All information generated would differentiate between men and women, mine employees of different ranks and non-miners, be they connected or unconnected households.

1. The **literature review** would compile existing information on the country and reform context, particularly on the proposed policy options, and the social-economic situation in the mining towns along the Nouadhibou-Zouerate corridor. The expected output would be a synthesis paper, which would inform the focus and scope of the analytical steps.
2. The **Stakeholder Analysis** would identify stakeholders' (a) characteristics, (b) interests, and (c) nature and degree of influence on the proposed reform. It would present the potential winners and losers for each proposed reform option and for each identified social category.
3. The **Institutional Analysis** would (a) examine the formal and informal organizations and institutions that shape the context in which the reform take place; (b) analyze how each transfer option would likely play out on different social groups in a future reform; (c) pay special attention to the issue of access to services and price structure for different consumer groups; (d) identify and assess potential private or public utility service providers in order to determine what can be handed over to whom at which pace. This analysis would include a capacity assessment of existing institutions to implement changes, both at the municipality level and within the mine company.

Stakeholder and Institutional Analyses would use qualitative methods based on Focus Group Discussions, Key Informant Interviews and Participant Observation. It would use existing survey data to construct purposive samples for the qualitative research. The results of the qualitative research would inform the design of the household survey questionnaire. A follow-up second round of qualitative research would identify and assess in more depth social or economic patterns.

4. A **Consumer Assessment** would (a) determine current patterns of use and levels of payment for different consumer groups; (b) determine the extent of consumer satisfaction regarding service provision; (c) explore the ability and willingness of consumers to pay for services under different reform scenario and (d) discuss the implications of different utility transfer options for different consumer groups. In addition it will assess possibilities/constraints for business development under the various transfer options. The Consumer Assessment would use quantitative methods, based on a household survey of 1200 households.

5. The **Economic Assessment** would (a) determine the operating expenses of various service provision options, (b) assess the level of required investments and renewal of infrastructure according to various levels of services, and (c) prepare a preliminary business plan according to estimated demand, proposed levels of tariffs and different scenarios of development for water and electricity infrastructures.
6. The **Social Risk Assessment** would (a) capture the risks to and from the reform and (b) identify mitigating measures. Relevant aspects in this context are: (i) risks on social groups; (ii) institutional risks, relating to both market and non-market institutions where no failure was assumed; (iii) political economy risks, including the risks that powerful interest groups may undermine reform objectives; (iv) country-level risks, including the threat of social tension (it would be important to identify which reform option increases or decreases the likelihood of social tension). The risk analysis would draw on the available datasets and supplement its information requirements with Key Informant Interviews and possibly FGDs.

b. Consultations with national stakeholders

Consultations with national stakeholders will take place at the outset of the PSIA and after the PSIA results are available. The PSIA team will pay close attention to the involvement of all the identified stakeholders in all steps of the process, as well as their understanding of why and how decisions are taken, how results are developed, and what they mean in detail. They will be actively participating in the decisions on the most viable transfer option and the development of a road map for handing over the services.

The identified stakeholder groups and their previous involvement are as followed:

Government Institutions:

The Ministry of Economic Development, the Ministry of Water and the Ministry of Petroleum and Mining are the government institutions responsible for the implementation of the reform. Their commitment and rational to act on the reform issue has been described above. They have been consulted and informed about the PSIA (latest discussions and update took place in January 2006 during a WB mission)

The role and link to the commissariat for Human Right and Poverty Reduction has been explained above. Consultations took place with them at the national level in Nouakchott and at the regional level in Zouerate.

Discussions with the local government institutions (Wilays and municipality) about preferred transferred options of services and sustainable service provision in the city of Zouerate took place in January 2006.

Service Providers:

Several potential public and private service providers have been identified who could play a role in the provision of utility services (SNDE, ANEPA, Access Universel for water, SOMELEC, ADER, Access Universel for electricity). They have been informed about government's reform intentions, their potential role in a transfer and the objectives of the PSIA in a 2 hour meeting in January 2006. However, their further understanding about the reform as well as their role in it has to be intensified.

Consumers:

The consumer's perspective will be captured through the Consumer Assessment. Consumer Groups (women cooperatives, businessmen/ -women, excluded but potential consumers etc) will be represented in the discussions on the most viable transfer options.

c. timeframe

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| • PSIA training in government institutions | End of march 2006 |
| • Presentation of PSIA framework, objectives and process to stakeholders | End of March 2006 |
| • Implementation of Consumer Assessment | May – August |
| • Implementation of Economic Assessment | May - August |
| • Analysis of Results and Report writing | Sept. – Dec. |
| • Stakeholder and decision making workshop | January 2007 |

D. Statement on how the analytical results will be fed into national policy decision-making

A scoping mission, organized in February 2005, showed that communication among the main stakeholders (at the macro level) has been stalled and that there has been only little commitment address the required political decisions. A second mission in January 2006 identified a much more conducive political and institutional environment to proceed with the reform. Most involved government institutions saw a change in management over the last year, including SNIM. The Ministry of Petrol and Mining addresses the issue actively, SNIM management would like to engage in a gradual and carefully planned hand over and the Ministry of Economic Development acknowledges the need for public investments and wants to discuss financing options in the realm of the PRSP.

The PSIA results will be presented and discussed with SNIM and government institutions at the national and decentralized level. There will be a stakeholder workshop, which attempts to achieve a general understanding of the most viable transfer option among the key stakeholders and the development of a road map for a hand over process. The multi dimensional decision making process will be facilitated by a software based decision making tool called Visual Interactive Sensitivity Analysis (VISA).

E. Statement on how the World Bank and the Belgian Government (if both have local representatives) will support the project (note: the World Bank will need to approve the project and the local Belgian representative should be notified of the project and invited to meetings)

There is strong support from the World Bank country office in Nouakchott for the undertaking of the PSIA. The Country Management Unit, as well as the country team are informed about this PSIA and welcome it. The Social Development Specialist in the country office will provide active support during all steps of the PSIA implementation. Staff time for her involvement has been allocated in her work program and will be paid by the PRISM project.

As the World Bank wants to supports the country led application of PSIA work in Mauritania, the World Bank will make US \$ 20,000 available as matching funds for the implementation of the PSIA. These funds are earmarked to hire an international consultant to train and supervise local research teams in the application of the above identified methods (US \$ 10,000). The remaining US \$ 10,000 will be used for the implementation of the qualitative research, which is the first step of implementing the Consumer Assessment. This shall ensure a timely proceeding of the PSIA implementation, after the encouraging discussion in January 2006.

The Belgium Embassy in Dakar has been informed in writing and received a copy of proposal.

F. Statement identifying the Government unit that will lead the PSIA, how it will coordinate with the unit leading the Poverty Reduction Strategy (if the former is

different) and how UNDP will support the process, especially with technical assistance

The coordination unit (Centre Mauritanien d'Analyse de Politiques: CMAP) which is member of PRSP secretariat of PRSP will work closely with PRSP team. It will play the role of sharing and disseminating information in PSIA methodology and will involve the others experienced stakeholders groups to the preparation of the study to maximize the development of national capacity and to help undertake the evaluation.

UNDP office will be closely involved in the whole process. The office will contribute through a technical support provided by its Strategic Adviser who will participate at the substantive tasks.

F. Plans for training components of the project (how training will be provided and for whom)

Training on distributional analysis and PSIA will be provided by CMAP, which has been trained in PSIA and Social Development Specialist at the WB country office to the following government institutions:

Direction de l'électricité, SOMELEC at the Ministry of Petrol and Energy
National Water company (SNDE), Water Unit and ANEPA at the Ministry of Water
Agence d'Acces Universel aux services de base, CMAP, Office National des Statistiques, Direction de la programmation et des Etudes au Ministère de des Affaires Economiques,
Direction des Etudes et de la Programmation, Direction de l'Insertion de la lutte contre la Pauvrete at the Human Rights, and Poverty Reduction commission

The two day training workshop will include the following elements and will be conducted once in Nouakchott and once in Zouerate:

- Introduction into the PSIA approach and framework
- Discussion on its relevance for Mauritania
- Introduction to tool and methods applied in a PSIA context
- Presentation of PSIA examples in West Africa
- Group work on identifying the scope and direction of a PSIA
- Group work on the right mix of methods for certain reform areas
- Group work on applying a stakeholder and institutional analysis and designing a PSIA
- Group work on using PSIA analytical results to inform policy processes and foster a policy debate

Training material is provided by the World Bank PSIA anchor unit.

G. Deliverables of the PSIA by the end of the project

- PSIA Training for government units in Nouakchott and Zouerate conducted
- Analytical report on distributional impact of transfer options produced based on the results of the consumer and economic assessments.
- workshop conducted to inform stakeholders of PSIA objective, approach, process and time frame
- Consultations carried out with informed participation from the key stakeholders involved. Understanding on the most viable transfer options achieved among stakeholders and road map developed for handing over services

H. Plans for dissemination of the results and policy dialogue

The results of the analytical work will be disseminated to SNIM and the government institutions at the national and decentralized level (cf. chapter C.b.). Once results are available a stakeholder workshop will be held, which informs the main stakeholders about the analytical results and tries to achieve a

general understanding of the most viable transfer option among the key stakeholders. Further to that, a road map, which outlines a process for a hand over shall be developed at this workshop. This multi-dimensional decision making process will be facilitated by a software based decision making tool called Visual Interactive Sensitivity Analysis (VISA). The international consultant financed by the World Bank will facilitate the workshop.

I. Detailed Budget Table for PSIA

Activity	Inputs, (Atlas Budget Category) ¹	Cost (USD)	Matching Funds (if any)
Consumer Assessment	PERLOC, including TRAV	30,000	21,000 from WB for PERINT for supervision of local consultancy firms, implementing CA and ES and for conducting the qualitative research
Economic Assessment	PERLOC or PERINT, including TRAV	40,000	
PSIA training in Nouakchott and Zouerate, including development of program, training material and moderation	MISC	10,000	
Stakeholder and decision meeting	MISC	10,000	
License for applying VISA as tool during decision making process	MISC	1,000	
Grand Total		90,000	

¹ Atlas Budget Categories: TRAV (travel), PERLOC (local consultant), PERINT (international consultant) and MISC (miscellaneous).