

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

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I. OVERVIEW

1. **Mauritania's second annual Poverty Reduction Strategy Paper (PRSP) Progress Report provides a candid review and analysis of the implementation of the Poverty Reduction Strategy Paper (PRSP).** The Progress Report (hereafter the Report) was prepared through a broad participatory process and covers: (i) the progress made in the implementation of the PRSP since June 2002 focusing on its main pillars and cross-sectoral themes; and (ii) the perspectives for 2003–2004.

2. **Overall, the staffs consider that the second year implementation of the PRSP has been successful.** Key measures for 2002 have been implemented in the macroeconomic, structural, and social areas. While the developments in the second year do not warrant any major change in the poverty reduction strategy, the Report acknowledges the need for revising certain PRSP objectives and prioritizing particular measures to accelerate the reduction of poverty and inequality.

3. **Nonetheless, there remain shortcomings and challenges on which the authorities will need to concentrate in the future.** These include the need for: (i) presenting a clearer account of the links between policy implementation and the PRSP objectives; (ii) better aligning public expenditure to the priorities of the PRSP to achieve the ambitious medium- and long-term targets presented in the Report; (iii) increasing absorptive capacity in both public and private sectors to facilitate the execution of poverty reducing programs; and (iv) strengthening monitoring and evaluation (M&E) systems of poverty and public expenditure programs.

4. **The Report describes the participatory process and its impact, and analyzes its shortcomings.** While several regional and national workshops were organized (see Box 3 of the Report), the report is correct in pointing out that there is room for improving the involvement of the main stakeholders in the planning and execution of the poverty

reduction strategy. The government appears genuinely committed to deepening and institutionalizing public participation, and to involving NGOs, civil society, and the poor in monitoring and evaluating actions taken by the government to reduce poverty.

5. **The Report responds to many of the recommendations raised in the Joint Staff Assessment (JSA) of the first Report, including:** (i) more explicit links between the setting of policies and analytical work on poverty diagnosis; (ii) further analysis on the implications of potential risks and policy responses to address them; (iii) measures taken to strengthen public expenditure tracking, notably poverty-related expenditure; and (iv) plans to carry out poverty and social impact analysis. Other concerns expressed in the last JSA should be given more attention in the next Report, notably the use of short-term indicators linked with medium-term objectives to monitor implementation.

6. **The Report presents the main lessons drawn from the implementation of the PRSP as well as potential risks.** The Report points to the need for revising some of the targets of the PRSP, the importance of strengthening institutional capacity to expedite the execution of key programs, and the need to better align public expenditure to the priorities of the PRSP. Although the authorities are aware that further efforts are needed to deepen financial intermediation to allow the emergence of the private sector as the main engine of growth, the Report could elaborate further on the reasons for the limited progress so far in this area. The Report could have also discussed in more detail the vulnerability of the economy to external shocks, including droughts and volatility in the price of the country's main export commodities. The limited implementation capacity at the national level continues to constitute the main risk to the PRSP implementation.

II. POVERTY STATUS AND MONITORING SYSTEMS

7. **While there has been some progress in poverty diagnostics, targeting, and monitoring, the Report relies primarily on quantitative and qualitative indicators based on the 2000 survey.** The staffs welcome the availability and improvement in a few new indicators, namely the vaccination rate and the gross primary school enrolment rate. However, it would be desirable to develop a set of short-term indicators in social sectors, available on a regular basis, to better assess whether the proposed priority public actions are effective in reaching social and poverty targets. These could include the proportion of births attended by skilled health personnel and repetition and dropout rates in primary and secondary education.

8. **While the Report has adopted more realistic medium- and long-term poverty targets, they still appear ambitious in the absence of good justification.** Reaching the revised targets would be more plausible if economic growth over the medium-term is stronger and broadly based, with higher growth in the sectors (such as agriculture) that benefit the poor the most. Mauritania's experience over the past 6 years confirms that economic growth is a necessary but not a sufficient condition to reduce significantly poverty and unemployment. This is explained by the narrow base of growth that failed to generate a significant increase in employment and reduction in poverty. Staffs recommend further analysis of these issues in the next PRSP progress report.

9. **The setting up of a performance monitoring and evaluation system for the PRSP is one of the main priorities for the coming year.** In the staffs view, the Report identifies the correct priorities, including: (i) the update of PRSP indicators, ensuring that they are monitorable on an annual basis; (ii) the development of a coherent survey plan including an appropriate mix of quantitative and of qualitative studies to be carried out at regular intervals; (iii) the strengthening of statistical capacity in general, and of analytical capacity on poverty issues in particular; and (iv) the undertaking of poverty and social impact analysis (PSIA). The staffs believe that the new national household survey should be launched soon to update the poverty profile for the next PRSP.

10. **Efforts aimed at implementing specific projects to reduce poverty in rural and urban areas are welcome and are well reflected in the Report.** The staffs welcome in particular the projects in urban areas designed to ameliorate the living conditions of people in precarious urban neighborhoods through the provision of food, basic literacy and training, and the development of income generating activities. Similarly, in rural areas, the "Toumze" project, which seeks to help poor families acquire small livestock herds to improve food security and raise incomes (See Box 2 of the Report), is welcome. The staffs believe that the authorities' plans to move gradually towards the regionalization of the PRSP during the period 2003-2005 (See Box 8 of the Report) should improve the poverty situation in these regions.

III. MACROECONOMIC POLICY AND STRUCTURAL REFORMS

11. **The staffs believe that the revised growth target is reachable with continued sound fiscal and monetary policies and improving absorption capacity.** In light of recent trends, however, the staffs recommend that in the future the authorities consider alternative growth scenarios in updating the poverty reduction strategy and poverty targets. The current macroeconomic framework outlined in the PRSP envisages an average real GDP growth of 5-6 percent a year.¹ As the recent drought has demonstrated, achieving this growth rate will depend in part on favorable weather conditions. The reform measures aiming at improving financial intermediation, implementation capacity, and governance, including judicial reforms, should also help achieve the PRSP private sector investment and growth objectives.² On trade, the authorities have followed up on the recommendations of the Integrated Framework roundtable (see Box 5 of the Report) by creating four thematic groups on international trade, norms and quality control, tourism and fisheries.

12. **Improving tax administration and the effectiveness of government expenditure is critical for achieving the PRSP growth and poverty eradication goals.** Staffs consider that increasing the tax revenue is important, particularly since the actual tax collection in 2001 and 2002 fell slightly, so that medium-term targets remain achievable

¹ The financing gap for 2004/2005, reported in Annex 4, exceeds staffs projections due to a different presentation, which includes in the financing gap project loans already secured but not disbursed.

² Several steps will be taken to strengthen implementation capacity including technical assistance from the West Africa Technical Assistance Center (AFRITAC).

and additional resources will be available for financing expenditure in the social sectors. Budget design has improved to facilitate the tracking of HIPC-financed poverty related spending, through the publication of quarterly reports, and five sectoral medium-term expenditure frameworks (MTEFs, in rural development, transport infrastructure, health, education and urban sectors) have been prepared. A rolling three-year MTEF should be prepared and updated at key stages of the budget cycle. In addition, the existing system for tracking pro-poor spending should be improved further in the context of the next PRSP. The costing exercise of poverty-reducing policies should be integrated into the MTEF process, such that the policy objectives of the PRSP are linked to resource availability and provide a basis for seeking additional donor funds in later years.

13. Emphasis needs to be placed on the need to accelerate the execution of social and poverty-reducing expenditure. In this context, payment orders should be decentralized (*ordonnancement*), the public procurement should be revised and the computerization of expenditure should be expedited. Following the adoption of the budget execution law (*Loi de Règlement*) in 2002 for the budget of 2003, the staffs feel that efforts should be concentrated on strengthening the capacity of audit institutions and the ability to produce budget execution laws in a timely fashion. These actions are amongst the key recommendations of the fiscal Report on the Observance of Standards and Codes (ROSC) and of the Country Financial Accountability Assessment (CFAA), and should be implemented according to a specific and time bound action plan.

14. Given the high degree of credit concentration and banking sector inefficiencies, the Report should have given more prominence to financial sector and foreign exchange market reforms. The financial system of Mauritania is poorly placed to sustain high growth, owing largely to the lack of depth and the concentration of banking sector activities in the hands of a few. While resolving these issues will take time, there is a need to: (i) improve banking supervision further to ensure an effective reduction in credit concentration; (ii) move forward with the implementation of the micro finance outreach program to improve access to financial services by the poor; and (iii) increase the efficiency of financial intermediation through enhanced competition to contribute to lowering borrowing costs. The availability of medium to long-term finance remains scarce. Also, the development of microfinance schemes could place greater priority on the provision of savings services and the attainment of sustainability.

15. While the Report recognizes the importance of good governance in reducing poverty and inequality, it does not set a prioritized set of actions that would make progress on this front. Since a large share of poverty-related expenditures takes place at the local level of government, it is imperative that they are subject to proper accounting and audit systems. There is also a need for the government to put in place monitoring indicators to assess progress in improving governance. Regulatory reforms are also needed in several sectors, including transportation, to promote competition and encourage private investment.

IV. PROGRESS IN PRIORITY SECTORS

16. **The staffs welcome the actions taken in 2002 to raise productivity in the agricultural and livestock sectors.** The government finalized a Livestock Sector Development Strategy and prepared its implementing regulations. In agriculture, a series of initiatives seeking to increase farm productivity through training, introduction of animal traction, credit and input provision schemes, and construction of rural infrastructure were carried out. In addition, efforts have been made to address the priorities identified by rural communities in their Community Investment Plans. The next PRSP should focus on the constraints preventing further advance in these sectors, including insufficient access to factors of production, isolation and environmental problems and shocks.

17. **Since poverty remains primarily a rural phenomenon in Mauritania, more emphasis should have been placed on growth in the rural areas.** According to the last national household survey, in 2000 around 75 percent of all poor people were concentrated in rural areas. Yet, the contribution of the agricultural, livestock and fisheries sectors to growth in 2002 has been negligible, mainly due to adverse climatic conditions. In this respect, the staffs are pleased with the inclusion of an Emergency Plan to respond to the drought that affected Mauritania in 2002. The staffs feel that achieving rapid agricultural growth (in the order of 4–5 percent per annum) will require increased efforts to develop and implement an integrated strategy for rural growth, embracing the various sub-sectoral action plans, and paying particular attention to the *Fleuve* area, where poverty has increased in recent years.

18. **Actions in the area of urban development to improve the living conditions of the poor are also welcome.** An Agency for Urban Development and a Coordination Unit has been set up to supervise the implementation of the ten-year Urban Development Program, which provides a stable policy environment for private sector investment. Concrete steps have been taken to ameliorate the living conditions of people in precarious urban neighborhoods, by intervening in the following domains: housing, micro-credit, community activities and training schemes geared at connecting people to the labor market. Furthermore, the authorities have completed in 2002 the MTEF for the urban sector, which served as the basis for allocations to this sector in the 2003 budget.

19. **While the authorities are making some progress in improving access to educational services, the Report does not explain the worsening of some key education indicators and does not revise their targets.** The gross enrollment rate reached 88 percent, but the retention rate has been declining over the last three years. The Report does not explain this phenomenon nor does it say how it is still possible to raise this rate from 48 percent to 100 percent in 2015. The staffs feel that priorities in the sector should include strengthening the link between resource use and objectives, and enhancing the equity stance, given persisting disparities in educational outcomes between rural and urban areas. The staffs welcome the participation of Mauritania in the Education for All Fast Track Initiative, which will contribute to speed up the execution of the education program.

20. **Increasing efforts are geared at expanding access to primary health, notably for the poor, and increasing the quality of health services.** However, the quality of

services provided continues to be low, owing to the inadequacy of human resources in the sector and poor access to health facilities, notably in rural areas. Although health indicators in Mauritania compare favorably with neighboring countries, increasing efforts are needed to achieve the health targets in the context of the MDGs, notably child mortality (projected to remain above the MDG target), malaria and tuberculosis. In addition, there is a need to shift the share of public spending in favor of the poor and remote areas, and further decentralize planning and budgeting.

21. **Numerous actions have been taken in the context of the implementation of the ongoing reform of the semi-urban and rural water sector.** The aim is to connect 60 percent of the Mauritanian population to a water source by 2015. Issues deserving particular attention, in the view of the Staffs, are the provision of water to the poorest segments of the population and the treatment of wastewater. The staffs welcome the authorities' plans to develop a MTEF for the water sector, which will serve as a basis for 2004 budget allocations, and the PSIA of the ongoing reform in the sector is due to start in mid-2003.

22. **The implementation of actions with respect to gender has continued.** The process for the update of the Gender Promotion Strategy has been launched. The Personal Status Code, which promotes the protection of the rights of women and children, has been widely disseminated. In addition, actions have been taken to support development of female cooperatives through various training activities.

V. CONCLUSION

23. **Staffs believe that Mauritania's second PRSP progress report provides a fair and encouraging assessment of the second year implementation of the PRSP.** The Report is well balanced, highlights the risks ahead, and points to areas for further improvements. The staffs are encouraged in particular by the inclusion of an emergency action plan to respond to the drought that has affected Mauritania in recent months, the finalization of important studies on public expenditure management, and the authorities' plans to carry out PSIA, finalize a capacity building strategy, and strengthening the M&E systems.

24. The staffs of the Bank and Fund consider that Mauritania's efforts toward implementation of the strategy provide sufficient evidence of 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.