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Report No: 76053-MR

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED IDA GRANT

IN THE AMOUNT OF SDR 13.4 MILLION
(US$20 MILLION EQUIVALENT)

AND

A PROPOSED IDA CREDIT

IN THE AMOUNT OF SDR 3.4 MILLION
(US$5 MILLION EQUIVALENT)

TO THE

ISLAMIC REPUBLIC OF MAURITANIA

FOR A

LOCAL GOVERNMENT DEVELOPMENT PROJECT

May 23, 2013

Urban Development & Services Practice (AFTU2)
Country Department AFCF1
Africa Region

CURRENCY EQUIVALENTS

(Exchange Rate Effective March 31, 2013)

Currency Unit	=	MRO = Ouguiya
MRO 279.5	=	US$1
Euro 0.78	=	US$1
SDR 1	=	US$1.4992

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

ARMP	Public Procurement Regulation Authority *(Autorité de Régulation des Marchés Publics)*
CBRD	Community-based Rural Development Project
CPG	Conditional Performance Grant
CDC	Court of Audits (*Court de Comptes*)
CPMP-SS	Public Procurement Committee – Sovereignty Sectors (*Commission de Passation des Marchés Publics - Secteurs de Souveraineté*)
CPMP-SEF	Public Procurement Committee – Economy and Finance Sectors (*Commission de Passation des Marchés Publics - Secteurs de l'économie et des finances*)
CQS	Consultant's Qualification Selection
DGCT	General Directorate for Local Governments (*Direction Générale des Collectivités Territoriales*)
DPLDP	Declaration of the Policy of Decentralization and Local Development
EOP	End-of-Project
ERR	Economic Rate of Return
ESMF	Environmental and Social Management Framework
ESMP	Environmental and Social Management Plan
EU	European Union
FBS	Fixed Budget Selection
FM	Financial Management
FRD	Regional Development Fund (*Fond Régional de Développement*)
GDP	Gross Domestic Product
GoM	Government of Mauritania
HR	Human Resources
IBRD	International Bank for Reconstruction and Development
ICB	International Competitive Bidding
IMCDL	InterMinisterial Committee for Local Development and Decentralization
IDA	International Development Association
IFR	Interim Financial Report
IGE	State General Inspectorate (*Inspection Générale d'Etat*)
IGF	Inspector General of Finance *(Inspection Générale des Finances)*
IPR	Independent Procurement Review

LCS	Least-Cost Selection
LG	Local Government
LGDP	Local Government Development Project
MAED	Ministry of Economic Affairs and Development (*Ministère des Affaires Economiques et du Développement*)
MEDD	Ministry of Enviroment and Sustainable Development (*Ministère de l'Environnement et du Développement Durable*)
MIDEC	Ministry of Interior and Decentralization (*Ministère de l'intérieur et de la décentralisation)*
MHUAT	Ministry of Housing, Urban Development and Regional Management (*Ministère de l'Habitat, de l'Urbanisme et de l'Aménagement du Territoire)*
MoF	Ministry of Finance (*Ministère des Finances)*
M&E	Monitoring and Evaluation
NCB	National Competitive Bidding
OSR	Own Source Revenue
PA	Performance Assessment
PCU	Project Coordination Unit
PDO	Project Development Objective
PFM	Public Financial Management
PIM	Project Implementation Manual
PIU	Project Implementation Unit
PNIDDLE	National Integrated Program for Decentralization, Local Development and Employment (*Program National Intégré pour la Décentralisation, le Développement et l'Emploi*)
PRECASP	Public Sector Capacity Building Project
QBS	Quality-Based Selection
QCBS	Quality and Cost-Based Selection
PRSP	Poverty Reduction Strategy Paper
RAP	Resettlement Action Plan
RBIA	Risk-Based Internal Audit
RPF	Resettlement Policy Framework
SG	Secretary General
SPP	Simplified Procurement Plan
SSA	Sub-Saharan Africa
TA	Technical Assistance
TC	Technical Committee
TF	Trust Fund
UDP	Urban Development Project

Regional Vice President:	Makhtar Diop
Country Director:	Vera Songwe
Sector Director:	Jamal Saghir
Sector Manager:	Alexander E. Bakalian
Task Team Leader:	Brahim Ould Abdelwedoud

ISLAMIC REPUBLIC OF MAURITANIA
Local Government Development Project

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PAD DATA SHEET

Islamic Republic of Mauritania

Local Government Development Project

PROJECT APPRAISAL DOCUMENT

Africa Region

Report No.: PAD546

Basic Information			
Project ID	Lending Instrument	EA Category	Team Leader
P127543	Investment Project Financing	B - Partial Assessment	Brahim Ould Abdelwedoud
Project Implementation Start Date		Project Implementation End Date	
19-Jun-2013		31-Dec-2018	
Expected Effectiveness Date		Expected Closing Date	
01-Oct-2013		30-Jun-2019	
Joint IFC: No			
Sector Manager	Sector Director	Country Director	Regional Vice President
Alexander E. Bakalian	Jamal Saghir	Vera Songwe	Makhtar Diop

Borrower: Islamic Republic of Mauritania			
Responsible Agency: Ministry of Economic Affairs and Development			
Contact:	Mr. Mohamed Ould Babetta	Title:	Project Coordinator
Tel. No.:	22245290601	Email:	Babetta@pdu.mr

Project Financing Data (in US$ million)					
[ ]	Loan	[X]	Grant	[X]	Other (Trust Fund)
[X]	Credit	[ ]	Guarantee		

Total Project Cost:	102.00	Total Bank Financing:	Grant: 20.0 Credit: 5.00
Total Cofinancing:	Euros 10 million	Financing Gap:	0.00

Financing Source	**Amount**
BORROWER/RECIPIENT	52.00
International Development Association (IDA)	25.00
European Commission (incl. US$13m co-financing)	25.00
Total	102.00

Expected Disbursements (in US$ million)									
Fiscal Year	2014	2015	2016	2017	2018	2019			
Annual	3.00	4.00	4.00	5.00	5.00	4.00			
Cumulative	3.00	7.00	11.00	16.00	21.00	25.00			

Institutional Data

Sector Board

Urban Development

Sectors / Climate Change

Sector (Maximum 5 and total percent must equal 100)

Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %
Public Administration, Law, and Justice	General public administration sector	100		
Total		100		

☑ I certify that there is no Adaptation and Mitigation Climate Change Co-benefits information applicable to this project.

Themes

Theme (Maximum 5 and total percent must equal 100)

Major theme	Theme	%
Urban development	Municipal finance	25
Urban development	Municipal governance and institution building	25
Rural development	Rural services and infrastructure	20
Public sector governance	Decentralization	15
Social protection and risk management	Improving labor markets	15
Total		100

Project Development Objective(s)

Proposed Development Objective(s)

The Project Development Objective (PDO) is to strengthen the institutional performance of Mauritania's targeted local governments in order to improve their capacity to deliver services.

Components	
Component Name	**Cost (US$ millions)**
Component 1: Conditional Performance Grants for Local Governments	70.00
Component 2: Targeted capacity support to targeted local governments, deconcentrated and central institutions and agencies	19.00
Component 3: Project Management Support and Monitoring and Evaluation	11.30
Unallocated	1.70

Compliance		
Policy		
Does the project depart from the CAS in content or in other significant respects?	Yes [ ]	No [x]
Does the project require any exceptions from Bank policies?	Yes [ ]	No [x]
Have these been approved by Bank management?	Yes [ ]	No [ ]
Is approval for any policy exception sought from the Board?	Yes [ ]	No [x]
Does the project meet the Regional criteria for readiness for implementation?	Yes [x]	No [ ]

Safeguard Policies Triggered by the Project	**Yes**	**No**
Environmental Assessment OP/BP 4.01	x	
Natural Habitats OP/BP 4.04	x	
Forests OP/BP 4.36		x
Pest Management OP 4.09		x
Physical Cultural Resources OP/BP 4.11	x	
Indigenous Peoples OP/BP 4.10		x
Involuntary Resettlement OP/BP 4.12	x	
Safety of Dams OP/BP 4.37		x
Projects on International Waters OP/BP 7.50		x
Projects in Disputed Areas OP/BP 7.60		x

Legal Covenants and Conditions of Effectiveness			
Financing Agreement Reference	**Description of Covenant/Condition**	**Due Date**	**Frequency**
Conditions of Effectiveness of the Financing Agreement (FA)			
Section 5.01. (a) of the FA	The Recipient has recruited the following key staff for the Project Coordination Unit, each on the basis of terms of reference, qualifications and experience satisfactory to the Association and in accordance with the provisions of Section III to Schedule 2 to this Agreement to be posted in the Project Coordination Unit: (i) a Project coordinator; (ii) an administrative and financial specialist; (iii) one senior procurement specialist; (iv) one monitoring and evaluation specialist; and (v) one environmental and social safeguard specialist.	Effectiveness	
Section 5.01. (b) of the FA	The Recipient has adopted for the Project, and disseminated to the entities involved in the implementation of the Project: (i) the Project Implementation Manual, (ii) the Procurement Manual for Contracts under the Level of Competency of the Procurement Sector Board, and (iii) Simplified Local Government Guidelines for the Implementation of the Program, each in form and substance satisfactory to the Association.	Effectiveness	
Dated Covenants			
Schedule 2, Section I, G. 3	The Recipient shall provide to the Association evidence, in form and substance satisfactory to the Association, that an amount not lower than two billions Ouguiyas (MRO 2,000,000,000) has been paid by the Recipient into the Project Account A and allocated to the financing of Conditional Performance Grants for the financing of Local Governments' 2013 Fiscal Year budget, and an amount not lower than five hundred millions Ouguiyas (MRO 500,000,000) has been paid by the Recipient into the Project Account B and allocated to the financing of capacity strengthening and Project management activities during Fiscal Year 2013.	1 month after effectiveness	Dated

Schedule 2, Section I.B.1(b)(ii)	The Recipient shall deposit into Project Account A and Project Account B, respectively, the amount indicated in the corresponding Annual Work Plan and Budget to be provided by the Recipient for the financing of Conditional Performance Grants (Project Account A) and (A) activities for the provision of capacity support to Targeted Local Governments, deconcentrated and central institutions and agencies, and (B) activities for Project management support, monitoring and evaluation (Project Account B) for the next semester	February 15, July 15 each year	Dated and recurrent
Schedule 2, Section 2, E.2	The Recipient shall furnish to the Association, as soon as available, but in any case not later than November 30 of each year, the annual work plans and budgets, for their review and approval; except for the annual work plan and budget for the Project for the first year of Project implementation which shall be furnished no later than one (1) month after the Effective Date.	1 month after Effectiveness and then November 30, each year.	Dated and Recurrent
Schedule 2, Section I, A.2, c	Recruitment of an additional procurement specialist (to be trained no later than 6 months after effectiveness); and a capacity support adviser for the PCU.	3 months after effectiveness	Dated
Schedule 2, Section I, B. 2, a and b	Establishment of mobile teams of experts recruited on the basis of terms of reference, qualifications and experience satisfactory to the Association and the Mobile Teams have started their operations.	4 months after effectiveness	Dated
Schedule 2, Section III, E	The Recipient shall have provided training in a manner acceptable to the Association on the Procurement Guidelines and the Consultant Guidelines to the all members of the Procurement Sector Boards who do not have, in the views of the Association, sufficient experience in the Procurement Guidelines and the Consultant Guidelines.	6 months after effectiveness	Dated
Schedule 2, Section I, A. 2, c	If, in the views of the Association, the environmental and social safeguard specialist in the Project Coordination Unit is considered as having insufficient experience in the implementation of Triggered Bank Safeguard	6 months after effectiveness	Dated

	Policies, (s)he shall be trained in a manner acceptable to the Association, no later than six (6) months after the Effective Date.		
Schedule 2, Section II, B. 4	Recruitment of the independent auditors for the annual financial audits of the Project	6 months after effectiveness	Dated
Schedule 2, Section II, B. 5	The Recipient will submit to the Association an Independent financial and physical audit of the activities of the Targeted Local Governments financed from the proceeds of the Conditional Performance Grants from the first disbursement of funds from the Project Account A (or thereafter from the end of the period covered by the previous audit) no later than two (2) months after the end of the period covered by such audit. Such Independent Local Government Audit shall be carried out by independent auditors selected on the basis of terms of reference, qualifications and experience satisfactory to the Association and in accordance with Section III of this Schedule.	6 months after the first disbursement of funds from the Project Account A, and every six months thereafter unless otherwise agreed in writing with the Association	Dated and recurrent
Schedule 2, Section II, B. 1 (b)	The Recipient shall provide for the Project Coordination Unit, install and program hardware and an accounting software acceptable to the Association in a manner acceptable to the Association	No later than 3 months after effectiveness	Dated
Schedule 2, Section I, B. 1(d)	Adoption of the Performance Assessment Manual in form and substance satisfactory to the Association	November 30, 2013 or as agreed with the Association	Dated
Schedule 2, Section I, B 1 (e) (i)	Confirm eligibility of each Targeted Local Government participating in Part 1 of the Project on the basis of an update of their results, as measured against the minimum conditions, described in the Project Implementation Manual (the "Results Update");	August 31, 2013 or as agreed with the Association	Dated
Schedule 2, Section I, B. 1(c)	The Recipient shall have recruited a number acceptable to the Association of teams of independent experts in areas of expertise acceptable to the Association (the "Independent Performance Assessors"). Each such expert shall be recruited on the basis of terms of reference, qualifications and experience satisfactory to the Association	January 15, 2014 or as agreed with the Association	Dated

Schedule 2, Section I, B. 1(e)(ii)	Performance Assessment completed (report with recommendation on annual allocation to be submitted to the Association for review and no-objection)	June 30, 2014, and June 30 each year, or as agreed with the Association	Dated and recurrent
Schedule 2, Section 1, G.4	The Recipient shall provide to the Association evidence, in form and substance satisfactory to the Association, that the draft budget law describing the Recipient's annual budget for the next Fiscal Year submitted to the Recipient's parliament for enactment, reflects a proposal to finance Conditional Performance Grants and other Project activities as reflected in the corresponding Annual Work Plan and Budget, as well as the Regional Development Fund, in an amount satisfactory to the Association.	No later than October 30, 2013, and October 30 of each year thereafter, or such later date as agreed in writing by the Association	Dated and recurrent
Withdrawal conditions of first disbursement under Category 1 (Conditional Performance Grants)			
Schedule 2, Section IV.B.1(b) (i)	The Results Update or The Performance Assessment of the Targeted Local Governments' performance during the preceding Fiscal Year has been completed	First Disbursement under Category 1	
Schedule 2, Section IV.B.1(b) (ii)	The Recipient has signed a Grant Participation Agreement with Each Targeted Local Government	First Disbursement under Category 1	
Schedule 2, Section IV.B.1(b) (iii)	The Recipient has established the Mobile Teams which have started their operations	First Disbursement under Category 1	
Schedule 2, Section IV.B.1(b) (iv)	The Recipient has provided to the Association a copy of the first Independent Local Government Audit report (to be carried out 6 months after first Conditional Performance Grants provided by the Recipient on its counterpart funds to Local Governments)	First Disbursement under Category 1	

Team Composition			
Bank Staff			
Name	**Title**	**Specialization**	**Unit**
Brahim Abdelwedoud	Senior Urban Specialist, Task Team Leader	Urban Specialist	AFTU2
Jonas Ingemann Parby	Urban Specialist	Urban Specialist	AFTU2
Melissa C. Landesz	Operations Analyst	Environment	AFTSG

Dahlia Lotayef	Lead Environmental Specialist	Environment	AFTN2
Hélène Bertaud	Senior Counsel	Legal	LEGAM
Wolfgang Chadab	Senior Finance Officer	Finance	CTRLA
Salamata Bal	Senior Social Development Specialist	Social	AFTCS
Mohamed Arbi Ben-Achour	Social Specialist (Consultant)	Social	AFTU2
Eric Brintet	Lead Financial Management Specialist	Financial Management	AFTMW
Saidou Diop	Senior Financial Management Specialist	Financial Management	AFTMW
Mohamed El Hafedh Hendah	Procurement Specialist (Consultant)	Procurement	AFTPW
Ahmedou Hamed	Procurement Specialist (Consultant)	Procurement	AFTPE
Brahim Sall	Senior Rural Development Specialist	Environment	AFTA1
El Hadramy Oubeid	Public Sector Specialist	Public Sector	AFTP4
Connie Kok Shun	Senior Program Assistant	Operations	AFTU2
Yahya Ould Aly Jean	Program Assistant	Operations	AFMMR

.

Locations

Country	**First Administrative Division**	**Location**	**Planned**	**Actual**	**Comments**
Mauritania	Hodh ech Chargui	Timbedgha	**X**		
Mauritania	Tagant	Tîchît	**X**		
Mauritania	Hodh el Gharbi	Tamchekket	**X**		
Mauritania	Guidimaka	Ould Yenjé	**X**		
Mauritania	Adrar	Oujeft	**X**		
Mauritania	Hodh ech Chargui	Oualâta	**X**		
Mauritania	Adrar	Ouadâne	**X**		
Mauritania	Tagant	Moudjéria	**X**		
Mauritania	Gorgol	Mônguel	**X**		
Mauritania	Trarza	Mederdra	**X**		
Mauritania	Gorgol	Mbout	**X**		

Mauritania	Brakna	Mbagne	**X**		
Mauritania	Brakna	Magṭa‘ Laḩjar	**X**		
Mauritania	Gorgol	Maghama	**X**		
Mauritania	Trarza	KeurMassène	**X**		
Mauritania	Assaba	Kankossa	**X**		
Mauritania	Tiris Zemmour	Fderîck	**X**		
Mauritania	Hodh ech Chargui	Djigéni	**X**		
Mauritania	Adrar	Chingueṭṭi	**X**		
Mauritania	Brakna	Brakna	**X**		
Mauritania	Trarza	Boutilimit	**X**		
Mauritania	Assaba	Boûmdeïd	**X**		
Mauritania	Tiris Zemmour	Bîr Mogreïn	**X**		
Mauritania	Hodh ech Chargui	Bassikounou	**X**		
Mauritania	Assaba	Barkéwol	**X**		
Mauritania	Brakna	Bababé	**X**		
Mauritania	Hodh el Gharbi	Kobenni	**X**		
Mauritania	Trarza	Ouâd Nâga	**X**		
Mauritania	Trarza	Rkîz	**X**		
Mauritania	Hodh ech Chargui	Amourj	**X**		
Mauritania	Assaba	Guérou	**X**		
Mauritania	Hodh el Gharbi	Ṭinṭâne	**X**		

I. STRATEGIC CONTEXT

A. Country Context

1. Mauritania is a lower-middle income country with an economic outlook affected by demographic transformation and particular geographic and climatic challenges. Mauritania is mostly a desert country, with a population of about 3.5 million and a Gross Domestic Product (GDP)/capita of about US$1,247 (2011). Improving prospects in the mining, oil and fishing sectors and the stabilizing political environment offer enhanced development opportunities. Over the period 2006 to 2012, non-oil GDP grew at an average annual rate of 4.0 percent (4.1% including oil), well below expectations and insufficient to address poverty reduction targets in a significant way. Consequently, absolute poverty numbers increased, exacerbated by population growth rates and increasing income disparities. The Human Development Index (UNDP, 2011) places Mauritania at 159th out of 183 countries and reflects not only the relatively high incidence of poverty (42% in 2008, three quarters of which occurs in rural areas), but also the constraints for access to services.

2. Mauritania experienced successive periods of political instability in the last two decades, with the overthrow of elected governments in 2005 and 2008, and has recently been affected by an influx of refugees from neighboring Mali. Nevertheless, the country's medium growth prospects have improved considerably and a level of political stability has been achieved. This is evidenced by the return of the country to constitutional order following the democratic national elections in 2009, and by the projected expansion of the mining sector, manufacturing, and expected improvements to the commercial and fishing sectors. In the context of the service-dependent mining sector and the growing secondary and tertiary sectors, the role of the urban and rural centers in leading economic growth as service providers and employment generators becomes particularly important.

B. Sectoral and Institutional Context

3. Mauritania has experienced particularly rapid urbanization in recent years and over the past decade has been transformed from one of the most rural countries in sub-Saharan Africa (SSA) to one of the most urbanized, with over 62 percent[1] of the population living in cities[2]. Moreover, the process of urbanization has been highly asymmetric, as evident both in the concentration of the urban population in three cities, with the majority (about 50%) living in Nouakchott alone, as well as in the starkly differing economic characteristics of the towns, as a consequence of their specific location and regional context. The rural areas are characterized by extremely dispersed settlement patterns and very low densities, largely the result of water scarcity, small overall populations, and vast distances to service centers. The asymmetries of urbanization and development of growth centers in Mauritania are accentuated by public and private sector

[1] This figure is based on the last national census in 2002, adjusted based on annual projections officially recognized by Government.

[2] Mauritania has experienced rapid urbanization with an urban population growth estimated around 400% for the past 50 years (from a 4% level of urbanization in 1960 to 62% in 2011). Current urbanization rate is estimated at 2.5%.

investments that remain concentrated in Nouakchott. The improving growth prospects are being accompanied by an economic, demographic and spatial transformation. With GDP growth linked to more effective performance of urban areas, the cities and towns have emerged as key elements in the economic development of the country.

4. The economic and demographic transformation and the insufficiency of investments and maintenance of infrastructure in urban centers and in rural areas have resulted in an increase both in the incidence of poverty, including in the urban areas, and in the backlog of basic local services. Rapid urban population growth has placed enormous pressure on the substantially underdeveloped services in the cities and towns as evidenced by: (i) the rapid development of peri-urban slums in the larger towns and cities (it is estimated that more than 50 percent of the urban population lives in informal settlements); and (ii) declining access to basic infrastructure services[3]. Unemployment is estimated to affect approximately 35 percent of the urban population. More than one half of young men (15-24 years old) and roughly 70 percent of young women are officially unemployed. While the rural areas do not face similar population pressures, the dispersed rural settlement patterns have resulted in extremely low service standards and pose particular challenges to rural service delivery.

5. Furthermore, particular differences between regions in terms of economic potential, low population density and security threats[4] pose an additional development challenge for the country. Government is therefore also considering providing additional resources and support to address inequities in the current framework for service delivery. In order to better organize settlements around the territory and strengthen regional and rural development, the Government has approved a national strategy for Regional Planning. In addition, the population in rural areas is encouraged through various incentives to consolidate in minimum size settlements to ensure effective coverage of basic infrastructure and services, and to justify new investments.

6. Mauritania is divided into 13 administrative regions (*wilaya*), each headed by a governor. Each region is divided into departments - there is a total of 53 departments (*moughatta*) headed by a prefect (*hakim*) in the country. The departments are again divided into 216 Local Governments (LGs): 53 classified as urban, 163 are by common classification rural. These classifications are not based on objective criteria, however, but purely on administrative discretion. The regions and departments are acting as representatives of the state at the local level while at the same time they are also acting as a local authority. As such, they are provided with responsibilities to oversee and coordinate development activities in their territory, and they are financed by the state. The Local Government is a local authority under public law[5] with legal jurisdiction and financial autonomy, an annual budget, basic personnel, and an office. LG elections are conducted every five years simultaneously with Senate and Parliamentary elections.

[3] Less than 27% of the urban population has access electricity, 48% to water, and only 1% to sanitation.
[4] E.g. in relation to areas bordering Mali. These areas have been affected with additional fiscal and social stress as a result of influx of refugees and a general level of insecurity.
[5] In 1987, the first laws on decentralization that assigned functions and legal mandates to local governments were adopted.

However, due to the several upheavals in the history of Mauritania, LG elections have not been held at regular intervals. The last LG elections were conducted in November 19 2006[6].

7. Effective decentralization in Mauritania, and the building of local government capacities, has been constrained by systems weaknesses, ambiguities in functional assignments and fiscal stress at the local government level: Particular challenges remain in such areas as: (i) ineffective central and local planning and budgeting procedures and internal financial management (FM) controls of LGs; (ii) an inefficient inter-governmental fiscal framework and transfer system; (iii) weak central oversight, regulatory and audit systems; (iv) poor "upward" and "downward" accountability practices by LGs; (v) ambiguous responsibility for functional assignments between central agencies and LGs; (vi) inadequate own source revenue (OSR) instruments, structural disincentives for improving OSR collections, and inefficient administrative assignments for OSR collection between LGs and central treasury; (vii) low levels of staffing and human resource (HR) capacity of LGs[7]; and (viii) dysfunctional coordination between the LGs and the deconcentrated agencies[8] (which currently receive most of the capital funding allocations) in the planning, construction and delivery of infrastructure and maintenance services. These fiscal and institutional constraints undermine incentives for LGs to perform effectively in delivering local services, and consequently limit their accountability both 'upwards' through the formal structures of central government, and 'downwards' to their constituencies.

8. The Government has addressed these constraints through a more aggressive implementation of decentralization. To this end the Government established a "Declaration of the Policy of Decentralization and Local Development" (DPLDP) of 2010. The DPLDP is built around three strategic pillars: (a) deepening the legal and institutional framework for decentralization, including the adoption and promulgation of the decentralization policy, which establishes the legal mandate and institutional responsibilities for functional decentralization to rural and urban LGs and confirms the political commitment of the Government to decentralization as an irreversible process; (b) establishing a fiscal decentralization program within which the LGs operate through the creation and operationalization of the Regional Development Fund (FRD), designed to transfer resources to all 216 LGs; and (c) improving institutional capacity to operate a decentralized system of local government, including underpinning the ability of LGs to perform to higher standards by providing suitable capacity building support arrangements that upgrade budgeting, planning, financial management, and asset creation and management systems and capabilities in LGs, as well as enhancing central government oversight systems and capabilities.

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[6] The election saw a high, unprecedented participation rate of 73%. It is notable that Mauritania has seen an increasing number of women taking public office, including at LG level. Local elections were planned for September 2011, but were postponed until 2013/2014 (the elections are still not scheduled as of May 2013).

[7] Currently, LGs are estimated to employ a total of 2,700 staff nationwide. Of these, approximately, 56% are employed in the 8 LGs of Nouakchott and in the regional capitals (please refer annex 2 and annex 8 for details on staffing).

[8] In Mauritania, as in other Francophone countries, several core public services are *deconcentrated* to the regional and department level, with their own offices, staff, planning and budgeting procedures and service targets. Contrary to this, local governments are *decentralized* entities with financial and autonomous decision-making power governed by directly elected representatives elected by the population of the area in question, and with a mandate to deliver services outside the jurisdiction of the central government.

9. As part of the decentralization framework, the Government established a Regional Development Fund (FRD). The FRD was originally intended to provide financing for regional development plans and initiatives. Since then, the FRD has become the principal instrument through which fiscal resources are transferred from the central government to LGs. The FRD comprises an unconditional grant that has the following features: (a) the amount of the grant transfer to LGs is intended to meet a target of 3 percent of the total annual national budget, and is to be allocated through the FRD directly to the LGs (but the FRD only comprised 1.4 percent of the national budget at its peak in 2010 and has remained static over the past three years) (b) the distribution of the grant amongst the LGs is determined by a formula which to a large degree has the characteristics of an equalization grant[9]; and (c) the funds are discretionary and may be used by the LGs for overhead, operating, and/or capital development expenditures according to predefined brackets. While the FRD ensures some basic functionality and minimal activity at LG level, the combination of difficulties in effective grant administration at the national level, the lack of collaboration between deconcentrated sector agencies, and the limited implementation capacity of LGs has resulted in relatively fragmented and inefficient coordination of service delivery at the LG level, and has therefore undermined the potential development impacts of the FRD.

10. In addition to the insufficient funding and capacity constraints at the local government level, the national institutions managing and coordinating the decentralization process and providing essential support functions have limited internal capacity and have not been equipped or tasked to undertake their mandatory assignments; further, the regulatory framework defining their roles have remained blurred. Central government agencies see low 'returns' on managing oversight of LG performance where the local authorities have such significant capacity constraints and limited resources at their disposal. Thus, while Government in recent years has attempted to strengthen key institutions responsible for the implementation and oversight of core decentralization policies, the oversight, supervision and support of local government activity at the national level have been very limited.

11. In 2012, the Government initiated the formulation of the National Integrated Program for Decentralization, Local Development and Employment (*Program National Intégré pour la Décentralisation, le Développement Local et l'Emploi* (PNIDDLE)). The program aims at (i) supporting urban and rural local governments to develop their capacity in order to enhance service delivery, improve living conditions, and create jobs, and (ii) strengthening the national and regional oversight and coordination of decentralized services. Through these interventions, it is also expected that the program will contribute to strengthening of social cohesion and stability, particularly in the vulnerable areas. In its first phase, the program will cover 32 department capitals, and a group of 68 rural LGs in vulnerable areas (the Eastern region bordering Mali and the so-called "poverty triangle", now called "Hope Triangle", in the central south)[10]. The participation of the department capitals will ensure broad geographical coverage, and the

[9] On average, rural LGs receive 300-400 MRO more per capita (US$ 1.30 -1.40) than urban LGs.

[10] Please refer to map in Annex 10. The average population of department capitals and rural local governments is approximately the same – around 10,000-11,000 inhabitants. However, the population ranges substantively from between 3,000 to 50,000 inhabitants for the capitals and from between 6,000 to 45,000 for the rural LGs (please refer Annex 9 for full list of the 100 LGs and their population).

selection of the participating rural local governments enables targeting areas that are particularly poor and underdeveloped. The economy in all of the LGs is based on livestock raising, agriculture and trade. All rural LGs are agro-pastoralist communities, while the department capitals have some small-scale services and trade activity.

12. The first phase of the PNIDDLE is built around two components: (i) the creation of a performance-based grant for LGs focusing on institutional performance[11], based on an annual assessment of LGs; and (ii) a comprehensive capacity support program aimed at (a) enhancing the delivery and management capacity of LGs, and (b) strengthening the capacity of national and regional level institutions tasked with oversight and coordination of decentralized service delivery, to deliver on their respective mandates. The Government has requested support from development partners to assist in the design and implementation of PNIDDLE. The proposed Local Government Development Project (LGDP) has been formulated as the Bank's support to PNIDDLE.

C. Higher Level Objectives to which the Project Contributes

13. The project directly contributes to Pillar II (Making growth more inclusive) of the Mauritania PRSP-3 2011-2015[12]. It also contributes to Pillar III (Developing human capital and enhancing access to basic services) and Pillar IV (Improving governance and capacity building)[13].

14. The project supports two of the five pillars of the Mauritania CAS for FY08-FY11: (i) Pillar 4 (Improving good governance and capacity building) and (ii) Pillar 5 (Reinforcing strategic oversight of programs, monitoring, evaluation and coordination). The LGDP will be an integral part of the forthcoming Country Partnership Strategy FY14-F16[14]. The project is aligned with and contributes to the Africa Regional Strategy – specifically to Pillar 2 (Vulnerability and resilience) and to the foundation (Governance and public sector capacity). The project is based on a strong partnership with the Government, and with substantial technical support and modest financial contribution from the Bank.

[11] As part of PNIDDLE, the Government has decided to introduce a new performance-based grant mechanism in addition to the FRD for the following reasons: (a) FRD transfers are insufficient to have a discernible impact on local service investment; (b) the Government has been concerned about the capacity of the LGs to effectively plan, utilize and account for the grant funds, and therefore has been reluctant to increase the amount of the transfers under FRD and meet its 3% policy target; (c) it has concluded that there is a need to establish a relationship between performance and access to funds that create an incentive for the LGs to demonstrate stronger capabilities in the areas of planning, financial management, and accountability (both upwards and downwards); and (d) there is some evidence that the FRD transfers may be inducing some LGs to relax their efforts to raise own source revenues (OSRs).

[12] This pillar explicitly targets urban development.

[13] Pillar IV also covers the expansion and consolidation of decentralization, including fiscal decentralization.

[14] The Mauritania CPS is planned to be discussed by the Board in July 2013.

II. PROJECT DEVELOPMENT OBJECTIVES

A. Project Development Objective

15. The Project Development Objective (PDO) is to strengthen the institutional performance of Mauritania's targeted local governments in order to improve their capacity to deliver services.

B. Project Beneficiaries

16. The primary project beneficiaries are the inhabitants of the targeted 100 LGs[15], with national and regional institutions also benefiting through capacity support activities. The main benefits will derive from improved local government management and service delivery, and increased citizen participation in setting investment priorities. The specific investments and maintenance activities made at the local government levels financed under the project will benefit the population in the urban and rural areas in the 100 LGs at large, either directly or indirectly, including through the creation of employment (temporary or permanent). Second level beneficiaries are the 100 LG Councils and administrations and the departments and regions in the targeted areas that will benefit from the broad set of capacity supporting activities to strengthen their mandate and capacity for service delivery. At the national level, the main beneficiaries are the Ministry of Finance (MoF), the Ministry of Interior and Decentralization (MIDEC), the Ministry of Housing, Urban Development, and Regional Management (MHUAT), the Ministry of Environment and Sustainable Development (MEDD), the Procurement Regulation Authority and the involved procurement commissions, the State General Inspectorate (IGE), and the Court of Audits (CDC). Finally, the private sector will benefit from contracts and small scale investments under the investment grant in the project.

C. PDO Level Results Indicators

17. Achievement of the PDO will be measured by the following indicators:
   - (i) Participating LGs scoring at least 75 of 100 points in the annual performance assessment
   - (ii) Participating LGs meeting the Minimum Conditions for access to the Conditional Performance Grant (CPG)
   - (iii) Direct Project Beneficiaries (number), of which female (%)
   - (iv) Financed subprojects functioning and delivering services to communities one year after project completion
   - (v) Number of agencies achieving at least 70 percent of their performance targets as per the contracts agreed with the PCU.

III. PROJECT DESCRIPTION

A. Project Components

18. The project consists of three components building directly on PNIDDLE: (i) support to the performance-based grant for 100 LGs, (ii) support to a capacity building program for 100 LG,

[15] Please refer Annex 10 for a map of the location of the targeted LGs.

and for national, regional and deconcentrated institutions, and (iii) support to overall program management and oversight. The project is built on an incentive driven approach centered on annual performance-based grants. It specifically addresses the core structural and geographical features of the Mauritanian local government system and the current level of low capacity by providing intensive support to local governments to enhance their basic capacity to plan and deliver services.

19. The project targets a total of 100 LGs covered under PNIDDLE: 32 urban LGs as the department capitals, and 68 rural LGs. The LGs covered under the project represent 10 of the 13 regions. The total population of the selected LGs is approximately 1,114,000 people (approximately one third of the total population of Mauritania), with an average population per LG of 11,300 people. The number of LGs selected is high, but as evidenced above, the proposed resource envelope relative to the existing resource envelope currently available at the LG level is sufficient to create incentives for LGs to deliver on time. Given the need to build an improved national framework for decentralization, the project will be implemented over 5 years.

Component 1: Conditional Performance Grants for Local Governments (US$70 million, of which: GoM US$42 million, IDA US$15 million and EU US$13 million equivalent)

20. The component supports the Conditional Performance Grant (CPG) providing funding for LG infrastructure investment and management conditional on LG performance and basic functional capacity. The Government has made a specific budget provision for the CPG, over and above the provision for FRD[16].

21. In order to be eligible for the grant, LGs need to: (i) sign and comply with a Grant Participation Agreement (GPA) that describes the objectives of the grant and summarize its terms and conditions[17], and (ii) meet the minimum conditions (MCs) for the CPG. The MCs measure a minimum level of functional capacity in the following areas: (a) the functioning of the LG and the LG Council, and (b) availability of minimum human resources.

22. Actual access by the LG to the projected annual transfer under the CPG and the specific allocations will be determined based on the results of an independently conducted technical assessment - the Performance Assessment (PA). Only those LGs meeting the minimum conditions would qualify for the conditional performance grant funding for the forthcoming budget year. The PA will determine compliance with the MCs and the performance score of each LG. The grant amount for each eligible LG will depend on its performances score, which will be measured with criteria related to the following six performance areas[18]: (a) planning and budgeting; (b) organization and human resources; (c) financial management and revenue

[16] The European Union's contribution will be transferred through the World Bank through a Trust Fund established for that effect, based on the existing Partnership Agreement. Funds will be put in a special account at the Treasury l for the CPG. Please refer to the Financial Management section in Annex 3.
[17] The Grant Participation Agreement includes the eligibility and disbursement conditions the LG will have to meet before they access the grant each year, and their implementation responsibilities. The agreement will bind LGs to general compliance with the Project Implementation Manual as well as to specific compliance with the ESMF, RPF, financial management and procurement rules of the project and the anticorruption guidelines of the World Bank.
[18] Refer to Annex 2 for a detailed set of the Minimum Conditions and Performance Measures.

collection; (d) procurement management; (e) asset management and maintenance; and (f) transparency and accountability.

23. In addition to the minimum conditions, the CPG requires that each year *three disbursement triggers* need to be complied with in order for funds to be disbursed to an LG: (i) annual budget approved by the Council with commitments and specifications for the resources allocated under the CPG; (ii) annex to the budget completed with detailed list of investments financed under the CPG; and (iii) an annual procurement plan approved by the Council, and in accordance with the procurement requirements, under the program (including compliance with thresholds and amounts)[19].

24. The allocation for each LG is divided into two portions: (i) basic grant; and (ii) performance grant. *The basic grant* is provided for all LGs that comply with minimum conditions and the provisions in the GPA. The *performance grant* is provided on the basis of the performance score of each LG.

25. The total annual amount of the CPG is allocated to LGs based on three parameters: equal share (30%); population (50%); and poverty (20%). These parameters will determine the allocation amounts for each LG for each year in 2013 and 2014. Starting from 2015, performance scores will also determine the amount for the allocation.

Indicative Projections for Allocation of CPG Grant under LGDP 2013-2018[20]

	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**Total**
Total Grant Pool (US$)	**6,000,000**	**11,500,000**	**12,500,000**	**13,000,000**	**13,000,000**	**14,000,000**	**70,000,000**
Government contribution (US$)	**6,000,000**	**7,000,000**	**7,000,000**	**7,000,000**	**7,000,000**	**8,000,000**	**42,000,000**
World Bank and EU contribution (US$)[21]	**-**	**4,500,000**	**5,500,000**	**6,000,000**	**6,000,000**	**6,000,000**	**28,000,000**
Number of Eligible LGs (projected)	32	87	100	100	100	100	
Basic grant as share of total CPG	100%	100%	30%	20%	10%	10%	
Performance grant as share of total CPG	0%	0%	70%	80%	90%	90%	
Population	361,000	983,100	1,130,000	1,130,000	1,130,000	1,130,000	
US$ per capita (average)	16.6[22]	11.7	11.1	11.5	11.5	12.4	

26. The CPG will be provided in addition to existing grants under FRD. The size of the performance grant available to each participating LG will be determined annually according to an allocation formula comprising transparent, objectively measurable criteria. It is expected that

[19] The evidence for compliance with these conditions must be submitted to Bank for no objection as part of the withdrawal application.
[20] These numbers are indicative. The annual size of the grant pool will be adjusted according to the actual number of qualifying LGs so that the approximate average per capita amount is not substantially exceeded.
[21] Including EU funding provided under the Trust Fund managed by the Bank.
[22] The per capita amount if calculated using the entire population of the department is US$8. Since department capitals are providing services for the entire population of the department (health centers, schools, markets, etc.) this approach can be applied.

that the CPG will provide approximately, on average, an additional US$12 per capita per year (over and above the US$3.5 per capita all LGs currently receive annually under the existing, unconditional FRD).

27. The CPG is planned to be phased in over 3 years to allow for gradual uptake of LGs and to gradually enable measurement of performance[23]. Thus, in project Year 1 (2013) and Year 2 (2014), allocations will be made on the basis of a baseline study from December 2012[24] and an Updated Minimum Conditions Status Report in July 2013. The two-year phasing in model will ensure flexibility and allow for adjustments and corrections in the course of implementation as needed.

28. For 2013, to allow for a gradual roll out of the grant, and taking into consideration the weaknesses in the overall oversight and compliance system, only the 32 department capitals are eligible to receive the grant. These 32 LGs are regional centers; they have all complied with MCs, and they have completed detailed participatory investments plans. This reduced number of eligible LGs will reduce the risk of capacity backlog and disbursement delays. For the allocation for 2014, which will be announced in October 2013 (based on the updated baseline assessment), all 100 LGs will be eligible if they comply with the required minimum conditions and have signed the Grant Participation Agreement.

29. The overall principle for use of the CPG is that it is discretionary and aligned with the framework of the legal mandate and functions of local governments as defined in the Article 2 of the Order of 87, 289 dated October 20, 1987, i.e. construction, maintenance and supplies for local roads; school buildings of primary education; clinics and maternal and child health; water supply and public lighting; urban transport, health and education; fire prevention; sanitation; garbage collection; markets; abattoirs, sports and cultural grounds; parks and gardens; cemeteries; assistance to the poor; and development and management of areas granted by the central government to the LG[25].

30. The choice of sub-projects within these functional areas will be made by the LGs with the following restrictions:

- Allowable expenses include: (i) maintenance of community and social infrastructure (expenses related to furniture and fixtures, plant and machinery, and general equipment); and (ii) expenses related to construction (new projects, completion of on-going/abandoned projects, and rehabilitation of buildings, plant and machinery) – all within the functional mandate of the LGs.

- Excluded expenses (negative list) include[26]: investments outside of the Project Development Plan, purchase of cars, motorbikes, and bicycles; construction and

[23] Please refer Annex 6 for an overview of the first year of project implementation.
[24] A summary of the findings of the baseline study is attached as Annex 8.
[25] Based on the draft investment plans of the 32 LGs identified to receive the grant in 2013, the following typical investments have been noted: community health centers and small scale hospitals, primary school buildings, markets, wells, rehabilitation of abattoirs, bus parks and stadiums.
[26]Exceptions could be granted on specific LG requests (e.g. if need to purchase vehicle for garbage collection, or if extension or rehabilitation of LG offices is recognized by the Directorate for Regional and Local Governments

furnishing of LGs' administrative offices and residential accommodations; investments in loans, other micro-credit schemes and other securities; payment of allowances to Assembly members and staff; and acquisition of land, as well as activities which would have the effect of triggering additional World Bank environmental or social safeguard policies or raising the Bank's environmental risk category from B to A. Exceptions to environmental or social safeguard policy-related restrictions, if any, would require, in addition to the Bank's prior authorization, compliance with said environmental or social safeguard Bank's policies.

Component 2: Targeted Capacity Support to Targeted Local Governments, Deconcentrated and Central Institutions and agencies (US$19 million, of which: GoM US$4 million, IDA US$6 million and EU US$9 million equivalent)

31. The project, through support to the overall Government program, provides an integrated customized package of support to systematically address the gaps in the local government system. The project will build and enhance the capacity of LGs to realize their mandates and strengthen the supporting national framework for decentralized service delivery. The program applies a systematic and dynamic approach to capacity support, aimed at ensuring that an appropriate enabling policy, regulatory, and fiscal environment at the national level support efforts to strengthen local government capabilities. The support is also designed to ensure that the capacity of LGs is built in relation to functions that they actually perform ("learning by doing"), and that they are held to account (by citizens and national government) and rewarded for the performance of these functions.

32. This component includes two subcomponents: (i) targeted capacity support to local governments; and (ii) institutional support to national, regional and deconcentrated agencies.

Subcomponent 2-A: Targeted Capacity Support to Local Governments (US$12 million, of which: GoM US$2 million, IDA US$5.5 million, and EU US$4.5 million equivalent)

33. This subcomponent will provide targeted capacity support directly to LGs through two different windows: (i) mandatory but customized training in core aspects of LG management (including local government regulations and laws, financial management, procurement, planning and budgeting, own source revenue management, and sustainable natural resources management) linked to a national framework of minimum qualifications and conditions for different levels of staff in LGs; and (ii) a system of "mobile teams" staffed with key personnel able to provide "just-in-time" on-the-job training and assistance. Both these types of capacity interventions will strategically build upon the findings of the annual performance assessments which will specifically identify weaknesses and strengths of each LG. The assessment reports will provide valuable information for the identification of training programs and for the elaboration of the work plans of the mobile teams.

(DGCT) as critical for the work needs). A request for waiver has to be approved by the DGCT, and submitted by the PCU to the Bank for review and no objection.

34. The mandatory training will focus on development of a national training program with minimum standards and modules for corresponding staff levels[27]. For the first two years, the program will specifically target Secretary Generals as the core LG administrative staff, but will also include other staff, LG Councilors, and staff at the deconcentrated agency level. The mobile teams will consist of consultant teams staffed with technical experts linked to the key performance areas of the annual assessments – i.e. financial management, procurement and asset management, planning and budgeting, and environmental and social safeguards management. The teams will provide LGs with just-in-time support with particular focus on: (i) tracking and assisting LGs in addressing capacity gaps in the administration and Council; (ii) supporting LGs to develop and/or revise, and implement annual investment plans and procurement plans; (iii) assisting LGs to meet the minimum conditions under the CPG; (iv) supporting collaboration between deconcentrated agencies and the LGs; and (v) supporting the LGs to ensure fiduciary and safeguards oversight and management of the activities under CPG.

Subcomponent 2–B: Institutional support to national, regional and deconcentrated agencies to facilitate implementation of the performance-based grant (US$7 million, of which: GoM US$2 million, IDA US$0.5 million and EU US$4.5 million equivalent)

35. This subcomponent will provide support to national agencies and their deconcentrated offices at the regional and department level. First, support will be provided to strengthen the capability of the *central government* to more effectively undertake its oversight and regulatory mandates, including technical assistance to: (i) operate the performance grant program, including ensuring timely releases of funds, regular reporting, and auditing; (ii) monitor of the functioning of the local government system and the performance of individual LGs, including management of financial, environmental, and social aspects; (iii) regulate the decentralization operating framework; (iv) develop and/or modify legislation as appropriate; and (v) identify and arrange for capacity support to LGs requiring further assistance. The support under this subcomponent will be provided through specific performance contracts between the PCU and the relevant agencies (including MIDEC, Directorate of Regional and Local Governments (DGCT), Ministry of Finance, Court of Audits, MEDD, Ministry of Economic Affairs and Development (MAED), MHUAT, Public Procurement Regulation Authority (ARMP), and State General Inspectorate (IEG) for delivery of specific outputs related to the effective functioning of the performance-based grant system. Provision of funding will be linked to specific quantitative targets on an annual basis.

36. Second, support under this component will be provided to *regional and deconcentrated* agencies (including education, health, roads, agriculture, and environment), as well as to the department-based treasury offices of the Ministry of Finance to undertake and perform their required, statutory roles facilitating decentralized service delivery. The support will be provided through the central agencies responsible for their performance. The particular role depends on the institution in question but includes (i) undertaking regular coordination on planning and budgeting with LGs, (ii) undertaking regular monitoring visits to track project progress and submitting timely reports to the national level, and (iii) providing technical support to LGs in implementation of subprojects within the relevant sector. For MoF treasury offices at the

[27] It is expected that the national training program is developed for national use and as part of a wider Government strategy on strengthening administrative decentralization.

department level, the particular tasks include (i) ensuring timely and complete submission of financial reports from each LG to the national level, and (ii) providing quality assistance and support to LGs in financial reporting. The support will be provided within a performance framework based on a specific contract – i.e. each agency will have annual targets and deliverables against which they will be measured every year.

Component 3 – Project Management Support and Monitoring and Evaluation (US$11.3 million, of which: GoM US$ 6 million, World Bank US$2.3 million and EU US$3 million equivalent)

37. This component will provide support to project management of the program. Specifically, support will be given to the Project Coordination Unit to deliver the following tasks: (i) provide overall project management and stakeholder coordination; (ii) overall responsibility for monitoring and evaluation of all project activities and components, including oversight of LG compliance with fiduciary and safeguards requirements; (iii) contract and oversee independent consultant teams to undertake the annual independent Performance Assessment (PA) of all the participating LGs; (iv) a bi-annual audit of the quality and independence of the PA process; (v) a baseline, mid-term and end-of-project (EOP) satisfaction survey of residents in the participating LGs; (vi) an independent assessment of the effectiveness of the mobile teams (at mid-term); (vii) an assessment of the effective use of investment resources by participating LGs (at mid-term and EOP); (viii) external financial audits of the participating LGs and the Designated Account(s); and (ix) specialized studies to enhance overall operation of the LG system.

B. Project Financing

Lending Instrument

38. The project will be financed through an Investment Project Financing (IPF), comprised of a US$20 million equivalent IDA grant and a US$5 million equivalent IDA credit, as well as through a European Union (EU)-financed Trust Fund (TF) which is being established for an amount of approximately Euros 10 million to support Component 1 (co-financing). In addition to this, the EU will provide support in the amount of US$12 million equivalent for Components 2 and 3 (as parallel financing)[28]. The Government of Mauritania is providing US$52 million in financing for the entire period of the project. During the conceptualization phase a Program for Results approach was considered, but due to the importance of starting the program for implementation by 2013 and the need to accommodate the inclusion of EU resources, it was decided to revert to IPF.

[28] Please refer Annex 7 for a description of the arrangements for co-financing with EU under the project.

Project Cost and Financing

39. The table below provides indicative overall costing of the project and its components (US$)

Project Components	Project cost	Government Financing	IDA Financing	EU Financing	IDA % Financing
1 Conditional Performance Grant	**70,000,000**	42,000,000	15,000,000	13,000,000[29]	21%
2 Capacity Support Program	**19,000,000**	4,000,000	6,000,000	9,000,000[30]	32%
2.A Targeted Capacity Support to LGs	12,000,000	2,000,000	5.500,000	4,500,000	
2.B.Institutional support to national, regional and deconcentrated agencies	7,000,000	2,000,000	500,000	4,500,000	
3 Institutional &Project Management Support	**11,300,000**	6,000,000	2,300,000	3,000,000	20%
4 Unallocated	**1,700,000**	0	1,700,000	0	100%
Total	**102,000,000**	**52,000,000**	**25,000,000**	**25,000,000**	**24.5%**

C. Lessons Learned and Reflected in the Project Design

40. The Bank has been active in decentralization in Mauritania for several years. In particular, three Bank projects have contributed to the evolution and development of the local government sector in Mauritania: (a) the Urban Development Program (UDP) (b) Community Based Rural Development Project (CBRD); and (c) Public Sector Capacity Building Project (PRECASP). The UDP and the CBRD focused on urban and rural service delivery, and PRECASP supported reforms to the government's decentralization agenda. The three projects also focused on strengthening national and local government institutions. During the course of implementation of the projects, the dialogue with government increasingly focused on the fiscal and institutional framework within which these investments were taking place, and on government's emerging decentralization strategy for development. The Bank has provided key inputs to the government's formulation of its decentralization policy. Consequently, the Bank is particularly well-suited to provide assistance for an operation focused on decentralized service delivery. Lessons from the above projects were integrated in the project design, as well as from a specific study financed as part of project preparation to assess the framework for local participatory development in Mauritania.

41. In an environment of emerging reforms, capacity constraints should be addressed up front and at multiple levels to sustain momentum. This design aspect is reflected in the results oriented approach to targeted capacity building at national, regional and local government levels.

42. The Bank has extensive international experience over the past decade in similar contexts, in Africa and in other regions, supporting local government fiscal grant transfer instruments. This experience is particularly relevant to the proposed fiscal decentralization program in Mauritania. The Bank has also gained substantial international experience from local government institutional strengthening programs it has supported over the past decade in various countries

[29] As described in Annex 7, this amount will be provided as EU co-financing through the World Bank (using the existing Framework Agreement) as a Trust Fund to allow direct disbursement to the LGs through the CPG.
[30] The support from the EU to Components 2 and 3 will be provided as parallel financing directly using EU financial rules and regulations and managed by the EU as a project.

including Uganda, Tanzania, Ethiopia, Cambodia, Indonesia, Bangladesh and a number of states in India. Many of these have design features with some parallels to the LGDP, and number of important lessons has emerged from this experience. Four are particularly relevant.

43. First, the results of supply-side capacity building measures aimed at local governments in the absence of demand-side incentives have been disappointing. Conversely, there is growing evidence that capacity building initiatives, such as systems development (in areas like financial management and planning) and training, are considerably more effective when they are linked with a system which creates demand on the part of targeted local governments.

44. Second, maintaining the integrity of performance grant systems is critical. Recent global comparative studies[31] have suggested a checklist of issues that must be addressed. These include the measurability of the performance indicators, the ability of sub-national governments to deliver on these indicators, the adequacy of funding, the credibility of the national commitment to the achievement of the indicators by beneficiaries, the degree to which the indicators require "real-but-realistic" effort from sub-national governments, and the ability of the beneficiaries to sustain the results over time.

45. Third, recent implementation experiences have highlighted the importance of developing robust, clearly understood and well-supported implementation arrangements that are mainstreamed into core government functions[32]. The design and implementation readiness activities undertaken during preparation have taken specific account of these aspects.

46. Fourth, the design of the project is emphasizing sustainability by focusing on strengthening national and local capacity for managing decentralized service delivery, and allowing for flexibility in the gradual roll out of the new grant system. Therefore, the need for flexibility – given that the introduction of the performance-based grant also introduces new requirements on national institutions and local governments – is addressed in the design that emphasizes gradual roll out of the grant and provide for opportunities for revisions and improvements.

IV. IMPLEMENTATION

A. Institutional and Implementation Arrangements

47. The project is considered by the Government to be cross-sectoral in nature. Consequently, a national level Inter Ministerial Committee, supported by a Technical Committee, has been established to provide broad oversight of PNIDDLE. The Inter-Ministerial Committee for Local Development and Decentralization (IMCDL) is chaired by the Prime Minister (PM), with representation from all key ministries[33]. The IMCDL meets annually (plus exceptionally as

[31] See Dumas, V. and Kaiser, K, Sub-national Performance Monitoring: "Issues and Options for Higher Levels of Government", 2010

[32] E.g. UNCDF: Performance-Based Grant Systems: Concept and International Experience". United Nations Capacity Development Fund, 2010.

[33] Membership of the IMCDL includes the ministers from the following ministries: (i) Interior and Decentralization, Economic Affairs and Development, (iii) Finance, (iv) Housing, Urban Development and Regional Management, (v) Water and Sanitation, (vi) Health, (vii) Basic Education, and (viii) Labor.

needed). The role of the IMCDL is to provide strategic leadership and direction for overall decentralization reforms in the country, including specific strategic matters related to the implementation of PNIDDLE, and to review and approve conditional performance grant allocation recommendations based on the consolidated report from the PCU. The Technical Committee is chaired by the Adviser to the PM and will meet quarterly (plus exceptionally as needed) to review progress and provide general direction for program implementation. A sub-steering committee under the Technical Committee has been established to provide oversight and project implementation support. This sub-steering committee includes representatives from the key ministries as well as from the PCU, the Association of Mayors, and the Development Partners (in this case the EU and the Bank[34]).

48. The project will be managed by a Project Coordination Unit (PCU). The PCU established under the Bank-supported Urban Development Project has performed well, and the PCU to be established for this LGDP project will build on resources from the previous PCU under the UDP. The PCU will be responsible for: (i) overall project oversight, coordination and management, and (ii) specific responsibility for procuring and supervising the capacity building components, as well as all studies and audits, including procurement of the independent Performance Assessment team (which will report directly to the IMCDL). The PCU will be supported by a number of additional advisers with specific expertise, e.g. capacity support adviser, procurement, financial management and monitoring and evaluation (M&E). The PCU will report to the sub-steering committee.

49. The LG oversight systems and monitoring requirements will be located in the relevant line ministries (Ministry of Interior and Decentralization for HR, capacity and functional requirements; Ministry of Housing, Urban Development, and Regional Management for planning and land use management purposes; and Ministry of Finance for operation of the CPG system). However, project-specific implementation requirements will rest with the PCU.

50. Draft performance agreements between the PCU and the various agencies at the regional and national level, specifying their key tasks and deliverables as specified in Component 2, will be completed before project effectiveness and annexed to the Project Implementation Manual (PIM). A PIM will be available and will describe the monitoring, implementation and evaluation arrangements. A simplified operational manual will be made available for the LGs, adapted to their capacity and with simplified guidelines in French and Arabic. Furthermore, a Procurement Manual is being prepared to provide procurement guidelines for the LGs.

51. The LGs will be responsible for the planning, implementation and management of the projects financed under the CPG in accordance with the PIM. Furthermore, LGs will be responsible for actively engaging the capacity support mobile teams. The responsibilities and requirements of the LGs will be based on the PIM and the Grant Participation Agreement that each LG are required to sign with the PCU, and will be complemented by the overall oversight function of the PCU, the line ministries and their deconcentrated departments.

[34] In the case of the Bank, it has notified the authorities that it can only participate in the meetings as an observer.

B. Results Monitoring and Evaluation

52. Results monitoring and evaluation will be the responsibility of the PCU. The PCU will rely on reporting from MF, MIDEC, and MAED and from individual reports from the LGs for physical progress reports. Training and additional permanent technical assistance (TA) support to the PCU will be provided to ensure that the coordination of information flows between the different institutions will be completed and delivered on a timely basis and with sufficient quality, and that it will be consolidated and reviewed regularly. The mobile teams will also provide support to the LGs to complete reporting in a timely and comprehensive way. The PCU will closely monitor the annual performance assessment under the CPG. Specific M&E activities will include:

(i) Regular collection and monitoring of data related to the annual performance assessments of the 100 LGs, including regular field visits. The PCU will consolidate annual assessment findings and submit annual reports to the Bank on significant trends in performance scores.
(ii) Support to LGs to strengthen their ability to report on all LG resources (FRD, CPG, OSRs, etc.) and expenditures based on the existing national systems and formats. The PCU will also be supported to regularly review LG budgets, annual action plans and procurement plans to ensure that expenditure falls within the agreed expenditure items and follows procurement and safeguards guidelines and requirements.
(iii) Annual performance assessments of the 100 LGs, supported by mid-term and end-of-project citizen satisfaction surveys, will provide data to measure actual improvements in service delivery and in the LGs' performance.
(iv) Regular third-party FM reviews, procurement audits, and value-for-money reviews of expenditure and performance at the LG level.
(v) Regular collection of reports and data tracking for the performance of national and regional level agencies as against their contractual commitments (under Component 2).
(vi) Reports and tracking of performance of mobile teams (under Component 2).
(vii) Overall project midterm review and final end-of-project evaluation, including covering social, environmental and economic aspects.

53. The project thus contributes to developing the Government's internal performance monitoring system and financial reporting system through direct support to LGs and central government institutions. In addition, there will be formal mid-term and final evaluations of the project itself. Separate reviews will also be commissioned to assess specific aspects of the project, such as third-party procurement and financial management reviews, and value-for-money audits.

C. Sustainability

54. *Policy sustainability* is very likely, given the strong commitments provided by the Government as reflected in the policy letters, reviews of legislation, and most recently the firm commitment provided in the budget statement for Fiscal Year 2013, with specific commitments to establish the Conditional Performance Grant and provide US$52 million in financing for the entire period of the project. It is expected that even in the event of a change of government, the support and push for decentralization reforms will continue.

55. *Fiscal sustainability*. The project will incorporate almost half of the LGs in Mauritania (100 of 216 LGs). The GoM already makes significant contributions to LGs, most notably through the FRD that allocates approximately 1.4 percent of the national budget (still short of the announced target of 3 percent). The real fiscal sustainability of the project – and of LGs more generally – is more directly related to the extent to which participating LGs are able to sustainably generate additional OSRs. Local revenue management is a key focus area for the project through incentives provided in the performance-based CPG to LGs and through capacity support.

56. *Service-delivery and physical asset sustainability*. The project creates performance incentives for asset maintenance and management and provides targeted capacity support for effective management of LG assets, including assets procured and produced under the project. With regard to institutional capacity, the PDO reflects the overall project focus of building viable local government entities and improved capacity for service delivery.

V. KEY RISKS AND MITIGATION MEASURES

A. Risk Ratings Summary Table

Risk Category	Rating
Stakeholder Risk	High
Implementing Agency Risk	
- Capacity	High
- Governance	High
Project Risk	
- Design	High
- Social and Environmental	High
- Program and Donor	Moderate
- Delivery Monitoring and Sustainability	Moderate
Overall Implementation Risk	Substantial

B. Overall Risk Rating Explanation

57. The overall risk rating is **Substantial**. The key risks are related to: (i) the large number and the limited implementation capacity of the 100 LGs, including with regard to procurement and safeguards, and absorptive capacity; (ii) the limited oversight and monitoring capacity of several of the central level agencies; and (iii) the complexity of the institutional setup and the ambitious design with multiple stakeholders involved. The detailed risks are outlined in Annex 4.

58. Mitigation measures established include coordination structures at the national level, and substantial and frequent engagement with key project stakeholders at all levels in the project preparation process. In the project design, project risks are addressed through: (i) targeted capacity support program for all 100 participating LGs; (ii) technical assistance to address

capacity constraints at central level agencies, including in procurement and environmental and social safeguards oversight, financial management, and M&E; (iii) procurement support to carry out oversight of LG procurement; (iv) undertaking independent local government audits (financial and physical) every six months; and (v) addressing sustainability challenges through empowering LGs with better management, higher revenues and improved social accountability. The project supports systemic improvements of the overall decentralization system in Mauritania, rather than stand-alone project funding. This will contribute to improvements in the overall functionality of decentralized service delivery.

VI. APPRAISAL SUMMARY

A. Economic and Financial Analyses

59. The project through PNIDDLE will contribute to the GoM's PRSP-3 priorities through the provision of US$70 million to 100 LGs under the CPG over the life time of the project. It is estimated that participating LGs will receive, on average, a total amount equivalent to US$60 per capita over the project period, on average around US$12 per capita per year. The total annual allocation to an LG will average US$147,000 per year over the life of the project, ranging from approximately US$100,000 to around US$200,000 a year depending on their performance, population size and the size of the annual pool. While the nominal amounts represent a large increase in the budget portfolio of the LGs, it is expected that with the hands-on support and incentive based approach, the amounts are unlikely to overwhelm the absorptive capacity of the LGs. Instead, LGs would be in a better position to deliver critical basic local public goods and services assigned to them.

60. In terms of a cost-benefit analysis, the project seeks to strengthen local governance and administration, leading to increased resources available to address service and infrastructure deficits, better allocation of resources to address local needs, and improved operational efficiencies. While these benefits are expected to be significant, they are not easy to quantify. The CPG will finance local infrastructure investments, whose benefits are more easily identified. However, unlike traditional investment operations, the actual investment composition under the CPG cannot be determined a priori since the choice of investments will result from an annual local planning process. Based on experience under the UDP, it is expected that most investments will be in sub-projects related to local roads, drainage, small water supply systems, small solid waste management systems, street lighting, public and school latrines, construction and/or upgrading of school buildings and health facilities, and investments in public facilities such as bus terminals and markets. LGs do not currently undertake systematic economic analyses of their small-scale infrastructure projects. Under the project, with the support of the mobile teams, the LGs will be required to carry out feasibility analyses prior to construction in order to assess technical and financial feasibility and sustainability of the investment, and conduct periodic ex-post evaluations of sub-projects and sectors. The pre-construction feasibility analyses include

reasonably detailed assessments of the needs and expected benefits, though these are usually not quantified[35].

61. Previous Bank-financed projects in Mauritania, similar to LGDP, demonstrate a satisfactory economic rate of return (ERR) for investments. Analyses for the UDP, (which focused on investments in urban infrastructure in Mauritania's 12 regional capitals) indicate that the project was economically viable with a Net Present Value (NPV) discounted at 10 percent reaching US$7.6 million with an ERR of 18 percent and a median economic rate of return (MERR) of 14 percent and a present value benefit-cost (PV B/C) ratio of 1.2 – for water, sanitation, and roads. In addition, emerging evidence from projects similar to LGDP suggests that potential efficiency gains can be derived from implementing decentralization reforms. These efficiency gains include the reduction of transaction costs associated with the delivery of local public goods and services due to: (i) improved predictability and reliability of transfers from central government to local government; (ii) improved public financial management at the LG level, resulting in improved budget credibility and management, and reporting and accounting; and (iii) strengthened budgeting processes and improved responsiveness of LG service delivery to citizen's priorities, resulting in a more efficient allocation of resources based on needs, requests and strategic importance.

B. Technical

62. In accordance with current practice, officials at the LG level in collaboration with officials at deconcentrated services at the department level are responsible for jointly developing and finalizing technical designs for investments that may be financed using the CPG. These procedures include planning, procurement and execution. The project will also strengthen processes for community participation in project planning and oversight of LG performance. High levels of community awareness of LG sub-projects, together with improved reporting by LGs on their expenditure activities (supported under project components 3 and 1 respectively), are expected to lead to improved technical project quality. There is also extensive international evidence to show that when investments are identified through community participation processes, there are strong incentives for improved operation and maintenance.

63. During project implementation, detailed designs of infrastructure and cost estimates, preparation of bidding documents, including Environmental and Social Management Plans (ESMP) and Resettlement Action Plans (RAP), as appropriate, will be undertaken for the subprojects in each participating LG. The procedures for this will be detailed in the Project Implementation Manual and the Simplified Operational Manual for the LGs. Labor-intensive construction techniques will be applied when feasible to maximize generation of local employment.

[35] For roads, bridges and public transport infrastructure projects examples of benefits include: (i) improved access to transportation, (ii) improved access to markets, schools, and health care, and (iii) incentives for residents to engage in small-scale micro-businesses.

C. Financial Management

64. The existing financial management systems have been assessed to determine to what extent the Bank could use them to implement the proposed project. This assessment was made in accordance with the Financial Management Manual issued on March 1, 2010. It concluded that the proposed financial management arrangements to be put in place before effectiveness are acceptable and in compliance with the Bank's minimum requirements under OP/BP10.00.

65. The overall risk for the project is rated Substantial mainly due to: (i) the large number and the limited financial management capacity of most local governments; (ii) the limited oversight and monitoring capacity of several of the central level agencies; and (iii) the complexity of the institutional setup with the new Inter Ministerial Decentralization Policy Committee (IMCDL). The risk at the local government level is rated High.

66. The following mitigation measures have been set up with the aim to contribute to lowering the project risk: (i) development of a PIM including financial, administrative and accounting procedures; (ii) purchase of an appropriate computer hardware and accounting software not later than 3 months after effectiveness; (iii) recruitment of a local government audit consultant firm and involvement of the national audit institutions (State General Inspectorate (IGE) and Inspector General of Finance (IGF)) to audit LGs' activities on a regular and periodic basis; (iv) recruitment of a qualified external auditor with Terms of Reference (ToR) acceptable to the Bank not later than 6 months after effectiveness to undertake the project audit; (v) support for installation of Central Treasury financial software in all local treasuries; (vi) recruitment of an FM specialist and two FM assistants for the PCU; and (vii) provision of technical assistance to the LGs through a multidisciplinary mobile team (including a financial management specialist and a procurement specialist).

67. The main mitigation measure will consist in testing the financial management arrangements after the first 6 months of this implementation. An Independent Local Government Audit (ILGA) will be performed within six months of the first disbursement of the GoM-funded CPG and take stock of the demonstrated capabilities of the local governments and local treasuries. These ILGAs, combining financial audit and verification of physical implementation, will then be performed on a bi-annual basis as long as the FM risk rating at the LG level remains High.

68. Component 1 (Performance-Based Grant) will be managed through a Designated Account opened in the Central Bank and a Treasury account where the Government funds will be pooled with the Bank's funds. Components 2 (Capacity Support and Institution Building) and 3 (Project Management Support) should be managed following conventional project management arrangements through two Designated Accounts: B (DAB – grant proceeds) and C (DAC – credit proceeds) opened in a commercial bank deemed acceptable by IDA[36]. A chart in Annex 3 summarizes those arrangements.

69. However, the proposed FM arrangements may be changed if, during project implementation, it is shown that they are not appropriate for meeting the project development objectives. This is especially the case with regard to FM arrangements for Component 1 of the project.

[36] This is subject to payment of outstanding amounts under existing lapsed loans in Mauritania, as of May 2013.

D. Procurement

70. Procurement under the project would be carried out in accordance with the World Bank's "Guidelines: Procurement under IBRD Loans and IDA Credits" dated January 2011; and "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated January 2011, and the provisions stipulated in the Financing Agreement. "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006, and as revised in January 2011, shall apply to the project.

71. The Mauritanian Procurement Code is regulated by Law No. 2010-044 of July 22, 2010 and its regulation (several decrees and by-laws issued by the Prime Minister and MAED). This code was developed and reviewed with IDA assistance. In general, the country's procurement procedures do not conflict with the Bank Guidelines. However, procurement practices allow IDA procedures to take precedence over any contrary local regulation or practice.

72. A procurement assessment was carried out for the PCU and a selected sample number of the 100 LGs that will be implementing the project. The assessment reviewed the organizational structure for implementing the project and the interaction between staff responsible for procurement and other relevant technical units of local government. While the PCU has gained extensive experience in IDA-specific procurement procedures under previous projects, the assessment indicated gaps and weaknesses at the LG level with little difference between rural and urban LGs. The overall procurement risk is rated High.

73. The keys risks for procurement are: (a) inadequate capacity of LGs to handle the volume of procurement for their respective activities under the project; (b) possible delays in the procurement process and poor quality of contract deliverables; and (c) absence of clear procedure for contracts with amounts below the threshold of the law (US$33,000).

74. To address the above risks the following mitigation measures have been put in place: (a) development of a procurement procedural manual, approved by the Bank, for contracts with values below the threshold; (b) implementation of the capacity building action plan prepared by the Government and approved by the Bank for LGs and for the national procurement agencies; and (c) recruitment of two procurement specialists in the PCU.

E. Social (including Safeguards)

75. The social impacts of the proposed project activities are expected to be positive. The activities to be undertaken by the LGs will improve their capacity to deliver better services, be transparent, use resources effectively and thereby improve the living conditions of their respective communities.

76. From a social safeguards perspective, the activities likely to be undertaken by the LGs using the grant funds may have an impact on livelihoods, restrict access to resources, and/or involve land acquisition. The exact location of the sites is not known and will only be identified on an

annual basis during project implementation. In view of the above, the project triggers the World Bank policy on involuntary resettlement, OP 4.12 for which the Government has prepared a Resettlement Policy Framework (RPF) to guide the response to any potential land acquisition/ involuntary resettlement. The RPF has been prepared through a consultative process. The RPF was disclosed in the country and at the World Bank's Infoshop on April 16, 2013. Any resettlement that may be required under a sub-project will be identified during sub-project preparation, and a Resettlement Action Plan (RAP) will be prepared, consulted upon, disclosed and subject to IDA approval prior to commencement of the relevant activity. During site selection for the proposed sub-projects, the LGs will aim at providing projects sites, free of claims, from the public land patrimony in order to avoid displacement and land acquisition,

77. During project implementation, each project financed by the CPG will be subject to a screening and control process undertaken by the LG itself, supported by regional mobile teams and MEDD inspectors at the regional level. On the basis of this screening, it will be determined if there will be acquisition of land leading to involuntary resettlement and if a RAP is required.

78. With regard to capacity support, the following two core areas of support for strengthening social safeguards compliance will be addressed under the project: (i) strengthen the role of the Department of Environmental Control (DCE) in MEDD in overseeing LG compliance with safeguards standards, including social aspects (support to the Department to fully carry out this mandate will be provided under project Component 2); and (ii) strengthen the capacity of LGs to manage and supervise social safeguards compliance, including through technical assistance provided by the mobile teams as well as pre-identified training sessions for LG staff.

F. Environment (including Safeguards)

79. The project will be implemented at the national level in 100 LGs selected according to a set of criteria established with the Government. The Government and the European Union are co-financing the operation, however, the Bank's safeguards policies will apply to the project as a whole and to all sub-projects. The project is rated as a Category B project as it is expected that the sub-projects' proposed activities will have limited negative impacts on the environment. Further, any such impacts are anticipated to be site-specific.

80. OP 4.01 (Environmental Assessment) has been triggered. The overall environmental impact of the project is expected to be positive. Significant positive impact on the natural and socioeconomic environments is likely to result from the implementation of activities on the part of participating LGs. By developing institutional capacity and environmental and social management systems, the project will help improve the capacity of the LGs to deliver quality services. While it can be expected that the majority of investments with environmental impacts will include civil works, the precise nature, size, location, and characteristics of the sub-projects will only be determined during project implementation. The Government has therefore prepared an Environmental and Social Management Framework (ESMF) which was consulted upon and disclosed in-country and at the World Bank's Infoshop on April 16, 2013. The ESMF provides a step-by-step process for sub-project selection that will ensure that all investment are adequately screened for their potential environmental and social impacts, and that correct procedures are followed to mitigate and minimize any potential negative impacts arising from these impacts. Any Environmental Assessment (EA) or Environmental Management Plan (EMP) that may be

required under a sub-project will be identified during the preparation of the sub-project and the EA and/or EMP will be prepared, consulted upon, disclosed, and subject to IDA approval prior to commencement of the relevant activity. In order to define the scope and boundaries of the project, an indicative menu of eligible investments for the sub-projects is provided in the ESMF as well as an exclusion list for ineligible activities (e.g., Category A type sub-projects or projects that may trigger any additional safeguards policies).

81. There are gaps and weaknesses in the environmental assessment and management framework (and legislation) in Mauritania resulting mainly from the lack of decrees, regulations, and sector guidelines. Some Bank-funded projects have provided capacity building in the past, but both the MEDD and the line Ministry in charge of the project have very limited experience with the Bank's environmental and social safeguards policies and implementation procedures.

82. The project will put the following measures in place to address these institutional weaknesses: (i) an Environmental and Social Safeguards specialist will be included on each of the four mobile capacity building teams that will be established under the project, and capacity building will be budgeted and provided throughout the project's lifetime; (ii) the PCU will recruit an Environmental and Social Safeguards Specialist who will be the safeguards focal point for the project and will coordinate implementation of the safeguards instruments; (iii) under Component 2, the project will provide targeted institutional capacity support to key actors at each level of government; and (iv) the project will finance assistance to the Government to undertake an assessment of existing legal provisions and make recommendations on additional measures the Government could adopt to strengthen and mainstream practice in these areas.

G. Other safeguard policies

83. Physical Cultural Resources (OP 4.11). Among the 100 LGs, the project will target four ancient cities classified by UNESCO as World Cultural Heritage (Chinguit, Ouadane, Oualata, and Tichi). Provisions have been included in the ESMF to ensure the requirements of Bank safeguards policy on Physical Cultural Resources (OP 4.11) are met and that due attention is taken to protecting the cultural assets. Chance Find Procedures are also included in the contractors' contracts and adhered to in the event that archaeological relics, historic sites or other physical cultural resources are discovered during any construction.

84. Natural Habitats (OP 4.04). The project will be implemented in three zones that include protected areas and forests, pristine and/or biologically sensitive areas. The ESMF includes measures for protecting these areas and avoiding activities which may have a negative impact on them. The project description includes a negative list precluding infrastructure investments in protected areas, in accordance with Bank safeguards policy on Natural Habitats (OP 4.04). All eligible investments will, on the other hand, be screened to identify potential impacts on all aspects including the natural habitats, and recommended mitigation measures to avoid or at least minimize such impacts and screening and mitigation measures to follow when an activity is implemented near a natural habitats.

Annex 1: Results Framework and Monitoring

Country: Mauritania

Project Name: Local Government Development Program (P127543)

Results Framework

Project Development Objectives

PDO Statement

The Project Development Objective (PDO) is to strengthen the institutional performance of Mauritania's targeted local governments in order to improve their capacity to deliver services.

These results are at	Project Level

Project Development Objective Indicators

Indicator Name	Core	Unit of Measure	Baseline	Cumulative Target Values[37]					Frequency	Data Source/ Methodology	Responsibility for Data Collection
				YR1	YR2	YR3	YR4	End Target			
Participating LGs scoring at least 75 of 100 points in the annual performance assessment	☐	Number	0	N/A	10	30	50	75	Annual	Annual independent performance evaluation report	PCU
Participating LGs meeting the Minimum Conditions for access to the Conditional Performance Grant	☐	Number	0	70	80	90	100	100	Annual	Annual independent performance evaluation report	PCU

[37] The years refer to calendar years as per the Mauritanian Fiscal Year.

Direct project beneficiaries[38]	☒	Number	0	N/A	57,000	120,000	300,000	456,000	Annual	Physical project reports	PCU
Female beneficiaries	☒	Percentage Sub-Type Supplemental	0	N/A	51	51	51	51	Annual	Physical progress reports	PCU
Financed subprojects functioning and delivering services to communities one year after completion	☐	Percentage	0	N/A	N/A	70	80	90	Annual	Technical Audits and Mid-term Evaluation	PCU
Number of agencies achieving at least 70% of their performance targets as per the contracts agreed with the PCU	☐	Number	0	3	7	10	10	12	Annual	Project progress reports	PCU

Intermediate Results Indicators

Indicator Name	Core	Unit of Measure	Baseline	Cumulative Target Values					Frequency	Data Source/ Methodology	Responsibility for Data Collection
				YR1	YR2	YR3	YR4	End Target			
Timely publication of indicative allocation of Conditional Performance Grants to LGs	☐	Text	0	October 1, 2013	October 1, 2014	October 1, 2015	October 1, 2016	October 1, 2017	Annual	Publications	PCU
Participating LGs under the project that produce timely and acceptable	☐	Number	0	70	80	90	100	100	Annual	Annual Financial reports from	PCU

[38] Targets have been set according to the population of the estimated number of participating LGs using latest available census figures (2000), with a gradual increase in the number of beneficiaries rising from 5% of the population of the participating LGs in the first year of the grant (using an average LG population of 11,000), to 40% of the population of the participating LGs by the end of the project.

final accounts at the end of FY										LGs	
Participating LGs that receive audits that are either unqualified or if qualified only with minor comments	☐	Number	0	N/A	80	90	100	100	Annual	Annual Consolidated Audit reports for LGs	PCU
Number of person-days employment created under LG's sub-projects	☐	Number	0	tbm[39]	tbm	tbm	tbm	tbm	Annual	Contracts for CPG financed projects	PCU
Disaggregated list of investments by type and sector	☐	Text	0	tbm[40]	tbm	tbm	tbm	tbm	Annual	Annual physical progress reports from LGs	PCU
Number of mobile teams achieving at least 90% of their performance targets per the contracts agreed with the PCU	☐	Number	0	2	3	4	4	4	Annual	Project Progress Reports	PCU
Number of persons trained (disaggregated by gender)	☐	Number	0	400	900	1,200	1,700	2,000	Annual	Project progress reports	PCU
Number of persons trained, of which women (%)	☐	Percentage Sub-Type Supplemental	0	20	20	20	25	30	Annual	Project progress reports	PCU

[39] No specific targets can be established for this indicator since the nature of works has not been determined. The outputs will be measured as they occur in the annual reports and based on the contracts for work undertaken in the LGs under financed by the CPG.

[40] No specific targets can be established for this indicator since the nature of works has not been determined. This indicator will be measured annually based on the progress reports from the LGs and consolidated by the PCU.

Annex 1: Results Framework and Monitoring

Country: Mauritania

Project Name: Local Government Development Program (P127543)

Results Framework

Project Development Objective Indicators

Indicator Name	Description (indicator definition etc.)
Participating LGs scoring at least 75 of 100 points in the annual performance assessment	Scores are calculated in accordance with the performance criteria set out and agreed in the Project Implementation Manual and the manual for the performance assessment.
Participating LGs meeting the Minimum Conditions for access to the Conditional Performance Grant	According to minimum conditions set out and agreed in Project Implementation Manual.
Direct project beneficiaries	Direct beneficiaries are people or groups who directly derive benefits from an intervention (i.e., children who benefit from an immunization program; families that have a new piped water connection). Please note that this indicator requires supplemental information. Supplemental Value: Female beneficiaries (percentage). Based on the assessment and definition of direct project beneficiaries, specify what proportion of the direct project beneficiaries are female. This indicator is calculated as a percentage.
Female beneficiaries	Based on the assessment and definition of direct project beneficiaries, specify what percentage of the beneficiaries are female.
Financed subprojects functioning and delivering services to communities one year after completion	According to verification of completed subprojects in technical audit reports.
Number of agencies achieving at least 70% of their performance targets as per the contracts agreed with the PCU	According to criteria and outputs agreed in contracts

Intermediate Results Indicators

Indicator Name	Description (indicator definition etc.)
Timely publication of indicative allocation of	As per the Project Implementation Manual requirements

Conditional Performance Grants to LGs	
Participating LGs under the project that produce timely and acceptable final accounts at the end of FY	According to existing financial regulations and requirements
Participating LGs that receive audits that are either unqualified or if qualified only with minor comments	As per the audit reports produced on an annual basis
Number of person-days employment created under LG's sub-projects	Calculated based on contracts for sub projects. No specific targets can be established for this indicator since the nature of works has not been determined. The outputs will be measured as they occur in the annual reports and based on the contracts for work undertaken in the LGs under financed by the CPG.
Disaggregated list of investments by type and sector	Based on physical progress report from each LG. No specific targets can be established for this indicator since the nature of works has not been determined. This indicator will be measured annually based on the progress reports from the LGs and consolidated by the PCU.
Number of mobile teams achieving at least 90% of their performance targets per the contracts agreed with the PCU	According to criteria and outputs agreed in contracts
Number of persons trained (disaggregated by gender)	Persons trained under capacity support program
Number of persons trained, of which women (%)	Persons trained under capacity building program (women)

Annex 2: Detailed Project Description

ISLAMIC REPUBLIC OF MAURITANIA: Local Government Development Project

1. The project will provide an integrated package of support to build the capacity of 100 LGs to deliver services. At the core of the intervention is a performance-oriented Conditional Performance Grant (CPG) (Component 1) that provides a predictable flow of resources to LGs, alongside capacity support activities. These include support to national and regional institutions to deliver on their mandates at the decentralized level and targeted capacity support to LGs through training and just-in-time TA by mobile teams (Component 2). This proposed systematic and dynamic approach to capacity building aims to provide an appropriate enabling policy, regulatory and fiscal environment at the national level that supports efforts to strengthen local government capabilities. This ensures that the capacity of LGs is built in relation to functions that they actually perform ("learning by doing"), and that LGs are held to account (by citizens and national government) and appropriately rewarded for the performance of these functions.

2. The project focuses specifically on 100 LGs, both rural and urban. The project will support the roll out of the first performance-based grant in the history of Mauritania. In doing so, it will play a key role introducing a performance culture in the public service, in particular at the subnational level. For the 100 LGs, the challenges of managing large territories with limited service provision, ensuring minimum service delivery standards, and becoming sustainable entities as LGs require the development of a tailored package of support and incentives for urban governance and service delivery improvements. This will be supported in the project.

3. The project strategically targets and addresses the specific systemic capacity gaps that characterize Mauritania's local government system. The project will build on the incentive-driven approach to enhancing LG performance in planning and implementation of services, revenue collection, financial management, and procurement and asset management.

4. The project will complement and harmonize with existing and planned support from other Development Partners to the overall decentralization framework of government. Specifically, the project will integrate support from the EU for the CPG (joint funding under Component 1) and will closely coordinate the support provided from the EU for Component 2 (parallel funding)[41]. By using a program approach under PNIDDLE, it is expected that more DPs will join PNIDDLE over time, since both the grant and capacity building component provides opportunities for strategic support. Additional support will also be needed if the Government, based on the results achieved, decides to scale up PNIDDLE to cover all 216 LGs in the country.

5. The local government system in Mauritania is characterized by a limited and incomplete intergovernmental fiscal framework. Currently, there is no policy framework for fiscal relations between local and central government. However, despite the lack of an overarching vision for intergovernmental fiscal framework, the GoM has shown commitment to fiscal decentralization through establishment of the Regional Development Fund (FRD).

[41] The specific details of the collaboration with EU are provided in Annex 7.

6. The only formal intergovernmental transfer is the FRD – most other sector grants and project investments are off-budget (for LG). This is a major limitation in the process of determining the level of capital investment at each LG level - there is only very limited spatial data available on resource flows, and normally only on a regional level, if any. A global comparison of major sectors with the total FRD grant shows that FRD remains a minor grant compared to both sector investments from line ministries as well as off-budget projected donor investments (such as UDP) – e.g. the budget for the education sector (and construction alone) was more than US$25 million in 2010, against a total FRD of around US$10.5 million for the same year. Other large sectors such as roads and water have similar or even larger volumes. These transfers have their own separate reporting and M&E systems, and they are usually handled by independent implementing agencies (procurement) or by the central level agencies and ministries. LGs are normally not involved in the management of indirect transfers that are related to their functional assignments. This speaks to the larger problem of not having clear picture of spatial dimensions of investments across sector in regions and in LGs.

7. LGs budgets are therefore to a large extend not comprehensive, and only include FDR, operational costs, salaries, etc. Other sector grants and donor-funded projects are off-budget. This is a major problem as it is impossible for LGs to determine, plan for, monitor and evaluate the level of investment in their areas.

8. While the revenue regime allows for LGs to collect property tax, LG taxes and other fees, analyses indicate that apart from larger urban areas, most local governments depend up on FRD for operational expenditures, due to limited revenues.

9. With regards to expenditure performance on FRD, studies of a sample of LGs indicate that performance is limited:

- (i) Average size of investment projects is very small, at around 900,000 MRO per project (i.e. approximately US$3,000 per project). This is evidence that projects are small, compartmentalized operations, with limited development value;
- (ii) Absorption capacity is on average 73 percent, though several regions have lower performance, again related to low capacity in investment planning and organization;
- (iii) 25 percent of investment projects are focused on LG buildings (administrative building), IT equipment etc. and not on infrastructure or development investments. There are no regulations as to maximum percentage for administration investments against infrastructure investments;
- (iv) 5 percent of investments are targeting buildings and roads, 18 percent on drainage and water, and 10 percent on new purchases and vehicles.

10. The LGs are governed by the Council headed by the mayor. Administrative guidelines dictate that the administrative wing of the LG must be headed by a Secretary General (SG) appointed by the central government. The role of the SG is to assist LGs in the day-to-day functioning, management and organization of the LG. Three key technical departments operate under the supervision of the Secretary General and the Council: (i) Administration and Finance Service, (ii) Technical Service, and (iii) Socio-cultural Service. Based on this, each LG would be expected to have approximately 10 staff: Secretary General, administrative secretary, municipal

police officer, development and cooperation officer, and staff in the three service departments. However, the prescribed framework above is far from the reality on the ground. The 216 LGs employ a total number of approximately 2800 people, according to Government statistics. Of these, approximately 56 percent are employed in the 8 LGs of Nouakchott and in the regional capitals, with the regional capitals ranging between 10 to 459 staff and the LGs of Nouakchott ranging between 28 to 295 staff. Many of the SGs are not capable of communicating in French and their education level is generally low, making them incapable of writing reports, for instance. They are typically staff from central level ministries, e.g. Ministry of the Interior. There is often poor collaboration between Councils and SGs, due to issues pertaining to trust and confusion regarding their exact role. In most LGs, additional staff at LG level are typically support staff, not technical engineers.

11. Studies undertaken for 6 sample LGs and the baseline of the 100 LGs indicate the following gaps:

(i) Poor framework for key staff remuneration at the LG level: Some salary levels have not been adjusted since the 1970s and are below living standards;
(ii) No consolidated framework for staff qualifications and requirements: Government staffing requirements are not adjusted to reflect reality on the ground, including the differentiated needs of rural and urban LGs with regard to technical skills, staffing numbers and oversight functions. The lack of a clear staff establishment impedes effective delivery of the mandates of LGs;
(iii) Inconsistencies in reporting and oversight of staff: Some staff are paid by, and report to, central government, others are paid by, and report, to the LG,
(iv) No clear national procedures exist for training and capacity building at the LG level: Training and capacity building is provided by many different programs (most often donor-funded) but in parallel interventions. There is no overall capacity building plan at the LG level, no clear needs assessment available, and no overall coordination or guidance provided by the DGCT or any other stakeholder; and
(v) Generally low staff competence: The competence levels of staff often do not meet the technical criteria for delivery of public services. One example is that large urban LGs still lack technical staff capable of providing basic project management. Similar gaps are found in other areas, including financial management and procurement.

12. A baseline study conducted for the 100 participating LGs in December 2012 revealed the following key findings with regard to key areas of financial management, functionality of the Council, procurement management, revenue collection and safeguards[42]:

[42] A summary of the baseline survey is attached in Annex 8.

Functionality of LG Councils and management:

- Only 46 of 100 LGs have functioning commissions as stipulated by law; many of these committees are non-functional.
- Decision-making power is heavily centralized with the Mayor: Less than 50 percent of the mayors delegate tasks and responsibilities to other Council members, and very few delegate tasks related to financial management.

FM and revenue collection

- Tax collection is so low that it often does not cover the costs of collecting: Only 27 LGs collect more revenue that they spend to cover the costs of the LG tax collectors.
- Most expenditures are implemented in accordance with requirements by law, i.e. the ceilings for allocations for investment and for operational costs/recurrent.
- Expenditure control is largely completed in consultation with the Council, but in 12 LGs the Mayor is the only person deciding the level and nature of expenditures.
- In 69 LGs, only the Mayor is responsible for signing off and completing the expenditures. There is no a priori expenditure control in 45 of the 100 LGs.

Financial reporting

- There is limited and insufficient reporting on expenditures: Only 30 LGs complete monthly financial reports as required by the law. However, annual financial accounts are completed on time by 91 LGs.
- In almost 75 percent of the cases, the annual accounts are debated with the LG Council and in 15 LGs, the budget is also presented with the citizens in regular meetings. Very often, there is no separation of roles at the LG level: the reporting is completed by the same person who is developing the budget (the Mayor).

Safeguards

- There is limited safeguards management capacity: 89 of 100 LGs have not completed any assessment on environmental or social impact of investment projects.
- There is limited basic safeguards knowledge at the LG level: 73 LGs have no knowledge at all of the existing environmental regulations and codes of the country.

Staffing levels per LG (of the 100 LGs targeted by the project)

Category of LG	Total # of LGs	Secretary General	Administration and Finance Officer	Technical Service Officer
Best performers (all three positions filled)	8	8	8	8
Medium performers (one to two staff)	32	32	22	10
Low performers (none or one staff only)	60	50	2	1

13. Finally, government oversight of LGs is limited, as the reporting and auditing framework is fragmented. Financial reporting is embedded in the regular system and reports to the Treasury at the regional level (for submission to national level and annual reports). In general, urban LGs are able to deliver timely reports whereas many rural LGs are not able to complete this on time. The audit regime is divided among several national level stakeholders (including IGE and CDC) but the number of audits delivered per year is very limited and ad-hoc; for 2011, less than 5 of the country's 216 LGs were audited. In addition, there is no systematic monitoring and implementation of recommendations made by external agencies conducting inspections and audits. The M&E regime for physical progress is similarly fragmented along sectoral lines; there is limited data available at the LG level, and the only physical progress report that LGs are

required to complete is a simple FRD report. While this report includes some basic information about cost and outputs, it is only due annually, and is often submitted late.

Component 1: Conditional Performance Grants for Local Governments (US$70 million, of which: GoM US$42 million, IDA US$15 million and EU US$13 million equivalent)

14. The core of this component is the Conditional Performance Grant providing funding for LG infrastructure investment and management, structured to create incentives for enhanced performance in key management areas of the targeted LGs. All 100 targeted LGs are technically eligible. Actual access by the LG to its projected annual transfer under the performance grant and the amount of its allocation will be determined by an independent technical audit - the performance assessment (PA) - and only those LGs meeting the minimum conditions would qualify for the performance grant funding for the forthcoming budget year.

15. With the addition of the CPG, the overall government fiscal decentralization program will comprise two sub-programs as follows:

Government of Mauritania: Fiscal Decentralization Program	
FRD - Unconditional Grant	**Conditional Performance Grant (supported under LGDP)**
• 100% Government-financed • All LGs eligible • Access unconditional • Allocation principle of equalization, and formula based mainly on poverty indicators • Currently averages about US$3.5 per capita per annum • Use of funds unconditional within brackets - can be applied to operating/overhead as well as for development purposes (30% for operations versus 60% for investments) • No grant-specific accountability requirements • No capacity building support outside of existing training institutions	• 58% Government and 42% Donor financed • Phased, with first phase comprising initial complement of 100 targeted LGs • Grant principle based on incentivizing LGs to satisfy indicators of good performance • Annual access to grant funds conditional on annual performance assessments • For qualifying LGs, grant allocation formula based on simple, objective criteria • Average per capita allocation per year would be around US$12 • Use of funds limited to development-related expenditures • Specific upward and downward accountability requirements on use of grant resources • Customized capacity building support, both institutional and "just in time/on the job"

16. Financing of the Conditional Performance Grant for the first five years will be comprised of 58 percent government-sourced funds, and 42 percent from development partners (including co-financing from the EU through Bank-administered TF). In order to ensure that own source revenue collection efforts by the LGs are not undermined by the availability of the additional grant funds, one set of the performance criteria will examine the success of the LGs in increasing OSRs.

17. The above framework implies that Bank support is mainstreamed and linked to the existing government systems, with modifications to safeguard and fiduciary requirements. The support provided to national level institutions responsible for fiduciary and regulatory oversight

will help strengthen upward accountability, thereby providing an enabling environment for improved government control and oversight of resources spent at the LG level.

18. Grant Participation Agreement. In order to make LGs eligible to access the grant, LGs must sign a participation agreement emphasizing their commitment to join the CPG, and outlining the principles, roles and responsibilities of the LG as well as the objectives of the grant and the disbursement triggers. The Agreement will bind LGs to general compliance with the PIM as well as to specific compliance with the ESMF, RPF, financial management and procurement rules of the project and the anticorruption guidelines of the Bank.

19. Annual eligibility. In order to access the grant, each year the LGs (in addition to signing the participation agreement), will have to meet a set of ***minimum conditions*** which measure a minimum level of essential functional capacity in two areas: (a) the functioning of the LG Council, and (b) the functioning of the LG administration. These conditions must all be complied with individually and repeatedly for each year of the project for an LG to receive a grant allocation for the following year. The aim is to ensure that LGs have a basic level of capacity and that higher performers will access grant funding first. Eligibility for each year will be assessed as part of the annual performance review and communicated to each LG along with their indicative allocation for the forthcoming year. Due to the low capacity environment, and to ensure a gradual phase-in of LGs with an increasing demand on basic institutional capacity, the number of minimum conditions will be gradually increased over the first three years of the project, starting from a low base.

Indicative Minimum Conditions for the Conditional Performance Grant

Function	**Indicator**	**2013 (Year 1)**	**2014 (Y 2)**	**2015[43] (Y3)**
LG functions according to national regulations, and LG Council meets regularly	Budget is approved by LG Council within the timeframe prescribed by law	x	x	x
	Annual accounts approved the LG Council within the timeframe prescribed by law	x	x	x
	Timely submission of annual reports (financial and physical) for implementation of projects funded under CPG			x
	Availability of LG Development Plan			x
	LG audit is either unqualified or if qualified, only with minor comments			x
Minimum LG human resource and administrative capacity available	Continued appointment of a qualified Secretary General	x	x	x
	Continued appointment of an LG staff (or if not available, a member of the LG Council) responsible for Administration and Finance)		x	x
	Continued appointment of an LG staff (or if not available, a member of the LG Council) responsible for environmental and social safeguards		x	x
	Continued appointment of an LG staff (or if not available, a member of the LG Council) responsible for procurement		x	x

[43] These will be the minimum conditions for 2015 until project closure.

20. Performance Measures. The criteria for the performance assessment are related to the following core performance areas: (a) planning and budgeting; (b) organization and human resources; (c) financial management and revenue collection; (d) procurement management; (e) asset management and maintenance; and (f) transparency and accountability. Each performance area is weighted and scored according to pre-set criteria.

Indicative Performance Measures[44] for the Conditional Performance Grant

Thematic area	Criteria	Source of verification	Relative weight
1 – Planning and budgeting	1.1 Evidence that LG is using a participatory process for development of an LG Development Plan (PDC)	- Minutes of public meetings, reports from planning workshops	20%
	1.2 Evidence of (i) LG holding public meetings with broad based stakeholder participation for discussion of budget and CPG investments, (ii) All activities in LG budget are derived from the latest available PDC	- Minutes from public meetings on budget preparation	
	1.3 Evidence of LG promoting sustainable development[45] for elaboration of PDC and Investment Plans	- Minutes of public meetings, reports from planning workshops; - Review of Plans	
2 – Organization and human resources	2.1 LG has Organogram with clear job descriptions	- Minutes of meeting approving organizational structure and job description; - Memo nominating the different staff; - CVs of the staff	15%
3 – Financial Management and revenue collection	3.1 Budget execution (annual)	- Annual Financial report: Budget execution (both revenue and capital expenditures budget) as against budget approved by LG Council	25%
	3.2 Mobilization and collection of own source revenue (increase in OSR per year)	- Annual Financial Report: Year to year growth on total OSR collected	
4 – Procurement management	4.1 LG manages all procurement in compliance with procurement management guidelines and regulations as per the Procurement Manual	- Reports from mobile teams; - LG archives with procurement files	15%
5 – Asset management and maintenance	5.1 LG regularly maintains assets and infrastructure	- Share of budget allocated and utilized for maintenance and asset management; - Technical audit (quality, functionality and maintenance of infrastructure)	10%

[44] These measures will be further specified and weighted including scoring in the Project Implementation Manual.
[45] "Sustainable development" refers to aspects related to sustainable use and management of natural resources and improved environmental and social governance.

6 – Accountability and transparency	6.1 Publication of core public financial management information[46] in public areas that are accessible	- Evidence of updated public financial management information on display; - Copies of information notices to the public; - Publication on the web	15%
	6.2 Regular public meetings held with citizens	- Minutes of public meetings held; - Record of citizen's complaints	
	6.3 LG implements all projects in compliance with environmental and social safeguards guidelines and regulations	- Evidence of compliance with environmental and social regulations	

Formula for allocation

21. The annual amount of the CPG is allocated based on three principles: Part 1 represents 30 percent and is equally distributed among eligible LGs; Part 2 represents 50 percent and is distributed according to the population of the LG (or the population of the department for LGs which are also the department capital), and Part 3 represents 20 percent and is distributed according to the poverty index in the region. This will provide the annual nominal allocation. The nominal allocation will then be adjusted with the actual performance score obtained by each LG.

22. For each LG, the CPG is divided into two portions: (i) Basic grant and (ii) Performance grant. The basic grant is allocated independently of the performance assessment to reward compliance with the minimum conditions and the disbursement triggers. For 2013 and 2014, when no full performance assessment is available, the entire annual allocation will be provided as basic grant, and will be provided to LGs fulfilling the eligibility criteria and complying with the minimum conditions. Starting from 2015, performance scores will be integrated into the formula for allocation and the share of the total grant distributed on the basis of performance scores will increase.

23. The CPG will be phased in over 3 years to allow for gradual uptake of LGs and to gradually enable measurement of performance. Thus, in Year 1 (2013) and Year 2 (2014) of the project, allocations will be made on the basis of a baseline study from December 2012 and a follow up baseline update in June 2013. For these two years, all LGs meeting the minimum conditions and the disbursement conditions will be eligible (i.e. there is no performance score available until 2014). Starting from 2014, performance of LGs will be integrated into the grant model. The two-year phasing-in model will allow the Government to test the different tools and the approach, and to undertake adjustments at midterm as needed.

24. For 2013, to allow for a gradual roll out of the grant, and taking into consideration the weaknesses in the overall oversight and compliance system, only the 32 department capitals are eligible to receive the grant. These 32 LGs are regional centers; they have all complied with MCs, and they have completed detailed participatory investments plans. This reduced number of

[46] E.g. Annual budget, annual accounts, disclosure of funds received under FRD and CPG, disclosure of audit opinions, etc.

eligible LGs will reduce the risk of capacity backlog and disbursement delays. For the allocation for 2014, which will be announced in October 2013 (based on the updated baseline assessment), all 100 LGs will be eligible if they comply with the required minimum conditions and have signed the Grant Participation Agreement.

Indicative Projections for Allocation of CPG Grant under LGDP 2013-2018

	2013	2014	2015	2016	2017	2018	Total
Total Grant Pool (US$)	**6,000,000**	**11,500,000**	**12,500,000**	**13,000,000**	**13,000,000**	**14,000,000**	**70,000,000**
Government contribution (US$)	**6,000,000**	**7,000,000**	**7,000,000**	**7,000,000**	**7,000,000**	**8,000,000**	**42,000,000**
World Bank and EU contribution (US$)	**-**	**4,500,000**	**5,500,000**	**6,000,000**	**6,000,000**	**6,000,000**	**28,000,000**
Number of Eligible LGs (projected)	32	87	100	100	100	100	
Basic grant as share of total CPG	100%	100%	30%	20%	10%	10%	
Performance grant as share of total CPG	0%	0%	70%	80%	90%	90%	
Population	361,000	983,100	1,130,000	1,130,000	1,130,000	1,130,000	
US$ per capita (average)	16.6[47]	11.7	11.1	11.5	11.5	12.4	

Allocation criteria and disbursement procedures

25. The CPG will be provided in addition to existing grants under FRD. The size of the grant available to each participating LG will be determined annually based on the annual allocation of the overall CPG, and in accordance the agreed allocation formula. An overall indicative five-year envelope for the grant has been agreed, together with related projections for annual allocations within the five-year timeframe. It is expected that the CPG will provide approximately, on average, an additional US$12 per capita per year to the targeted LGs (over and above the US$3.5 per capita all LGs currently receive annually under the existing, unconditional FRD) i.e. on average from approximately US$125,000 to more than US$180,000 per LG per year. The specific amount will depend on performance of each LG.

[47] The per capita amount if calculated using the entire population of each department (including rural LGs) is US$8. Since department capitals are providing services for the entire population of the department (health centers, schools, markets, etc.) this approach can be applied.

Phasing in of the Conditional Performance Grant

Budget year	Basis for evaluation	Completion of Evaluation	Notification to LGs	Disbursement to LGs
2013	Baseline Report December 2012	May 2013	August 2013	September 2013[48]
2014	Updated Minimum Conditions Status Report for 2013	August 2013	October 2013	January and August 2014
2015	Performance assessment for performance in 2013	June 2014	September 2014	January and August 2015
2016	Performance assessment for performance in 2014	June 2015	September 2015	January and August 2016
2017	Performance assessment for performance in 2015	June 2016	September 2016	January and August 2017

26. Participating LGs will be provided with indicative allocations for each year of project implementation from their first year of grant eligibility, based on compliance with the minimum conditions and their performance score for that year's allocation. This indicative allocation will be updated by notification in September of each year in order to account for changes in the number of LGs who are eligible and the absolute and relative changes in their performance score. These allocations will be made publicly available in newspapers, websites and other online instruments. The allocation letter will be issued to coincide with the formal annual planning and budgeting procedures. Monitoring systems will confirm that the indicated grant amount reconciles with figures presented in the LG budget and financial statements.

27. The disbursements to LGs will be made at the beginning of each fiscal year in January as 25 percent of the total allocated amount for the given fiscal year for each LG, and then subsequently disbursed on a quarterly basis. The installments will be transferred to the local treasurers of MoF at the department level (*receveur-percepteurs municipaux*) for use by the LGs, as reported on their original participation agreement, and the LGs will be notified of the transfer. The FM arrangements may be revised during implementation if the overall FM risk is reduced[49].

Annual assessment process and approval of allocations

28. Eligibility and performance assessments will be conducted annually by multi-disciplinary teams of specialists with skills that cover each of the key performance areas and associated indicators in the project. These teams will be independent consultants that will be procured under the program by the PCU. Each LG will be assessed in accordance with an Assessment Manual in order to produce a brief assessment report. Consulting firms will be contracted to provide assessment teams across a number of LGs, in multiple procurement packages. The findings of the assessment in each LG will be subject to verification by the PCU (including review of accuracy and consistency of the collected data and the scores). LGs will have an option to submit complaints to the PCU on the assessment results following the completion of the assessment process. Once the scores have been verified and confirmed (including consideration of any official complaint made by the LG), these findings are final. In addition to the formal verification process under the PCU, the Bank will carry out quality assurance of the assessment process through spot checks as part of project implementation support missions. Following verification

[48] The Government intends to complete the first disbursement for CPG after all effectiveness conditions have been met.
[49] Please refer FM section in Annex 3 for details.

of the assessment results, the PCU will submit the notional allocation and the documentation of the assessment results to the Bank for no objection. Following Bank approval, the PCU will provide notification to all LGs regarding their scores, and the final ratings and corresponding allocations will be publicly disseminated through national daily newspapers. It is crucial that the assessments each year will take place in time for the allocations to feed into the budget planning cycle of the LGs – i.e. the assessments must be completed by June each year.

Annual cycle for Performance Assessment and Disbursement under CPG

Utilization of the Grant

29. The overall principle for grant use is that it is discretionary and aligned with the framework of the legal mandate and functions of Local Governments as defined in the Article 1 of the order of 87, 289 October 20, 1987, i.e. (a) local roads; construction, maintenance and equipment of school buildings of primary education; (b) construction, maintenance and equipment of clinics and maternal and child health; (c) water supply and public lighting; (d) Urban transport, health and education; (e) fire prevention; (f) sanitation; garbage collection; markets; abattoirs; and (g) sports and cultural grounds, parks and gardens, cemeteries, assistance to the poor, development and management of areas granted by the central government to the LG. Based on the draft investment plans of the 32 LGs identified to receive the grant in 2013, the

following typical investments have been noted: community health centers and small scale hospitals, primary school buildings, markets, wells, abattoirs, bus parks and sports stadiums.

30. The choice of sub-projects within these functional areas will be made by the LGs with the following restrictions:

- Allowable expenses include, among others: (i) maintenance of community and social infrastructure (expenses related to furniture and fixtures, plant and machinery, and general equipment); and (ii) expenses related to construction (new projects, completion of on-going/abandoned projects, and rehabilitation of buildings, plant and machinery).
- Excluded expenses (negative list) are as follows: investments outside of the LG development plan, purchase of cars, motor bikes, and bicycles; construction and furnishing of LGs, administrative offices and residential accommodations; investments in loans, other microcredit schemes and other securities; payment of allowances to LG members and staff; acquisition of land, as well as activities which would have the effect of triggering additional environmental or social safeguard Bank's policies or changing the Bank's environmental category from B to A.

31. As part of each withdrawal application submitted to the Bank for the release of funds, the PCU must submit documentation to demonstrate that: (i) each LG is in compliance with the disbursement conditions; (ii) all planned expenditures at the LG subproject level are eligible; and (iii) procurement plans are designed and implemented in accordance with the requirements stipulated in the procurement manual.

Component 2: Targeted Capacity Support to Targeted Local Governments, Deconcentrated and Central Institutions and agencies (US$19 million, of which: GoM US$4 million, IDA US$6 million and EU US$9 million equivalent)

32. The project, through support to the overall Government program, provides an integrated customized package of support to build LG capacity and to strengthen the supporting national framework for decentralization, thus enabling improved performance and promoting sustainable development. A systematic and dynamic approach to capacity support is proposed, aimed at ensuring that an appropriate enabling policy, regulatory and fiscal environment at the national level supports efforts to strengthen local governmental capabilities. It would also ensure that the capacity of LGs is built in relation to functions that they actually perform ("learning by doing"), and that they are held to account (by citizens and national government) and appropriately rewarded for the performance of these functions.

33. This component will consist of two subcomponents: (i) Targeted capacity support to local governments, and (ii) Institutional Support to national, regional and deconcentrated agencies.

Subcomponent 2-A: Targeted Capacity Support to Local Governments (US$12 million, of which: GoM US$2 million, IDA US$5.5 million, and EU US$4.5 million equivalent)

34. This subcomponent will provide targeted capacity support directly to LGs to strengthen their ability to manage and implement decentralized service deliver (with specific emphasis on the CPG) through two different windows: (i) mandatory but customized training and courses in core aspects of LG management (including local government regulations and laws, financial management, procurement, planning and budgeting, own source revenue management, and sustainable natural resources management) linked to a national framework of minimum qualifications and conditions for different levels of staff in LGs; and (ii) a system of "mobile teams" staffed with key personnel able to provide "just-in-time" on-the-job training and assistance. Both these types of capacity interventions will strategically build upon the findings of the annual assessments which will specifically identify weaknesses and strengths of each LG. The assessment reports will provide valuable information for the identification of training programs and for elaboration of the mobile teams' work plans.

35. The mandatory training will be based around the development of national training program with minimum standards and modules for corresponding staff levels. For the first two years, the program will target be particularly focused on strengthening the capacity of the Secretary Generals as the core LG administrative staff, and the financial officer (RAF), but will also include other staff and LG Councilors. The aim of this approach is to build and strengthen LGs' basic capacity to manage, plan, and implement activities (including procurement, financial management and environmental and social safeguards management) as well as strengthen the transparency and accountability of LG activities. The training program will be delivered at regional levels to LGs under the auspices of DGCT, building a cadre of trainers. It will be provided in a consistent and timely manner with the necessary frequency to ensure that institutional memory is retained despite staff transfers and changes. The main objective of the mandatory training is to ensure that basic minimum capacity and knowledge is built in all LGs.

36. The mobile teams will consists of consultant teams staffed with technical experts linked to the key performance areas of the annual assessments, i.e. financial management, procurement and asset management, planning and budgeting, own source revenue collection and management, and environmental and social safeguards management. The teams will provide LGs with just-in-time support with particular focus on the following core areas: (i) tracking and assisting LGs in addressing capacity gaps at the administration and council level; (ii) supporting LGs to develop and/or revise, as well as implement annual investment plans[50] and procurement plans; (iii) assist LGs in taking necessary actions to meet the minimum conditions under the CPG; (iv) supporting collaboration between deconcentrated agencies and the LGs; and (v) support the LG in ensuring fiduciary and safeguards oversight and management of the activities under CPG. It is expected that the frequency of visits and support will be particularly substantial in the first 2 years of implementation, reducing over time, depending on the performance of each LG. The mobile teams (working under contract with the PCU) will report to the Mayor and SG of each LG and will be working within a specific work plan with concrete deliverables. The mobile teams will

[50] At the planning level, support will be provided to LGs to ensure that LG Development Plans and Investment Plans are aligned with Mauritania's national strategies and policies on sustainable development; and that activities under the CPG are promoting sustainable natural resources management and environmental and social governance.

also be required to coordinate their work plans and activities with the department and regional institutions.

Subcomponent 2–B: Institutional support to national, regional and deconcentrated agencies to facilitate implementation of the performance-based grant (US$7 million, of which: GoM US$2 million, IDA US$0.5 million and EU US$4.5 million equivalent)

37. This subcomponent will provide support to national agencies and their deconcentrated departments at the regional and department level. First, support will be provided to strengthen central government capabilities to undertake their oversight and regulatory mandates more effectively, including technical assistance to: (i) operate the performance grant program, including ensuring timely releases of funds, regular reporting and auditing; (ii) more effectively monitor overall operation of the local government system and performance of individual LGs, including their financial management and their management of environmental and social aspects; (iii) regulate the LG/decentralization operating framework; develop and/or modify legislation as appropriate; and identify and arrange for capacity support to LGs requiring further assistance. The support under this subcomponent will be provided through specific performance contracts between the PCU, the relevant agencies (including MIDEC, DGCT, Ministry of Finance, CDC, MEDD, MAED, MHUAT, MDEED, ARMP, and IGE), and their deconcentrated departments, for the delivery of specific outputs related to the effective functioning of the performance-based grant system. Provision of funding will be linked to specific quantitative targets on an annual basis. These targets will be related to the specific mandate of each agency, but will address the following areas, among others:

Institutional support to national agencies and their deconcentrated departments

Institution	Target Area	Targets
DGCT	(i) Oversight and management of the national training program (ii) Recruitment and retention of Secretary Generals at all LGs (includes performance monitoring)	- Number of trainings delivered - Number of beneficiaries of training - Number of SGs recruited, retained
ARMP	(i) Effective management and response to LG procurement processes (ii) Training of LG staff in procurement regulations	- Responsiveness for procurement requests from LGs over $50,000 - Number of trainings delivered per year
MEDD	(i) Oversight of LG compliance with environmental and social safeguards in implementation (ii) Mainstreaming of sustainable resource management into local planning	- Number of LGs reporting on safeguards compliance - Two biannual reports on safeguards compliance consolidated and submitted to Bank
MoF	(i) Effective management of allocation and disbursements (ii) Supervision and management of financial and physical reports from LGs,	- Timely biannual release of grant - Timely announcement of allocation - Number of LGs timely reporting on financial and physical progress
CDC	Timely and comprehensive financial audits of all participating LGs in accordance with national standards	- Number of audits delivered on time for all LGs

IGE	Regular supervision of LGs	- Number of monitoring visits and associated reports

38. Second, support under this component will be provided to regional and deconcentrated agencies, including the regional authorities responsible for oversight and monitoring program implementation at the LG level, and the deconcentrated Education, Health, Roads, Agriculture, Environment agencies, respectively. Support will also be provided to the regional and department-based Treasury offices of the Ministry of Finance to undertake and perform their required, statutory roles facilitating decentralized service delivery. The support will be provided through their national agencies. The particular role depends on the institution in question but includes: (i) planning and executing meetings with the LGs; (ii) sharing plans and budgets with LGs; (iii) undertaking regular monitoring visits to track progress on projects, to submit timely reports to the national level, and to provide technical support to the LG. For MoF regional offices, the particular tasks include: (i) ensuring timely and complete submission of financial reports from each LG to the national level; and (ii) providing quality assistance and support to LGs in financial reporting. The support will be provided within a performance framework based on a specific contract, i.e., each agency will have annual targets and deliverables against which they will be measured every year. Support will be provided for logistical expenditures and operational support only.

Component 3 – Project Management Support and Monitoring and Evaluation (US$11.3 million, of which: GoM US$ 6 million, World Bank US$2.3 million and EU US$3 million equivalent)

39. This component will provide support to program project management. Specifically, support will be given to the PCU to conduct and deliver the following: (i) overall project management and stakeholder coordination; (ii) overall responsibility for M&E of all project activities and components; (iii) contract and oversee independent consultant teams to undertake the annual independent PA of all the participating LGs; (iv) a bi-annual audit of the quality and independence of the PA process; (v) a baseline, mid-term and end-of-project (EOP) resident satisfaction survey in participating LGs; (vi) an independent assessment of mobile teams effectiveness (at mid-term); (vii) an assessment of the effective use of investment resources by the participating LGs (mid-term and EOP); (viii) external financial audits of the participating LGs and of the Designated Account(s); and (ix) specialized studies to enhance overall operation of the LG system.

40. The PCU will be responsible for management and oversight of agencies involved in implementation of Components 1 and 2. For Component 1, management involves: (i) overall financial management of the CPG, including monitoring delivery of LG financial reports and audits; and (ii) monitoring of physical progress under the investment projects financed by the CPG in the LGs, including compliance with safeguards and procurement requirements. For Component 2, the core function of the PCU is to ensure adequate supervision and monitoring of the participating stakeholders in the capacity building program, as evidenced by their performance agreements, including the national and deconcentrated agencies as well as the mobile teams.

41. The PCU will also be responsible for communication about the program as well as sensitization campaigns. The PCU will be staffed with existing Government staff and project staff from the recently closed UDP. These staff gained considerable experience managing Bank projects during UDP implementation over the last 10 years. They will be complemented by additional staff in core technical areas in cases where the PCU does not have adequate in-house capacity, or where the workload of shifting to management of 100 LGs will require additional support (i.e. in capacity support program, FM and procurement management, and safeguards).

Annex 3: Implementation Arrangements

ISLAMIC REPUBLIC OF MAURITANIA: Local Government Development Project

Project Institutional and Implementation Arrangements

Overall framework for project oversight and management

1. The project is considered by government to be cross-sectoral. Consequently, at the national level, an Inter-Ministerial committee supported by a Technical Committee has been setup for broad oversight of PNIDDLE. The Inter Ministerial Committee for Local Development and Decentralization (IMCDL) is established, chaired by the Prime Minister (PM), with representation from all key ministries. The IMCDL will meet annually (plus exceptionally as needed) to review and approval of the performance grant allocation recommendations, based on the consolidated report from the PCU. The role of the IMCDL is to provide strategic leadership and direction for the overall decentralization reforms in the country, including on specific strategic matters related to the implementation of PNIDDLE. The Technical Committee is chaired by the Adviser to the PM and will meet quarterly (plus exceptionally as needed) to review progress and provide general direction. A subcommittee under the Technical Committee has been established to be in charge of actual project preparation and monitoring of its implementation. This subcommittee includes representatives from the key ministries as well as from the PCU, the Mayors Association, and the donor partners (in this case, the EU and the Bank).

2. At the day-to-day management level, the project will be managed by a Project Coordination Unit (PCU). The PCU that was established under the Bank-supported Urban Development Project has performed well. The new PCU to be established for the project will build on resources from the PCU under UDP, and will be responsible for (i) overall project oversight, coordination and management, and (ii) specific responsibility for procuring and supervising the capacity building components, as well as all studies and audits, including procurement of the independent Performance Assessment team (which will however report directly to the IMCDL). The PCU will be supported by a number of additional advisers with specific capacity: i.e. capacity support, procurement, financial management and M&E. The PCU reports to the Sub-Committee and to the Technical Committee.

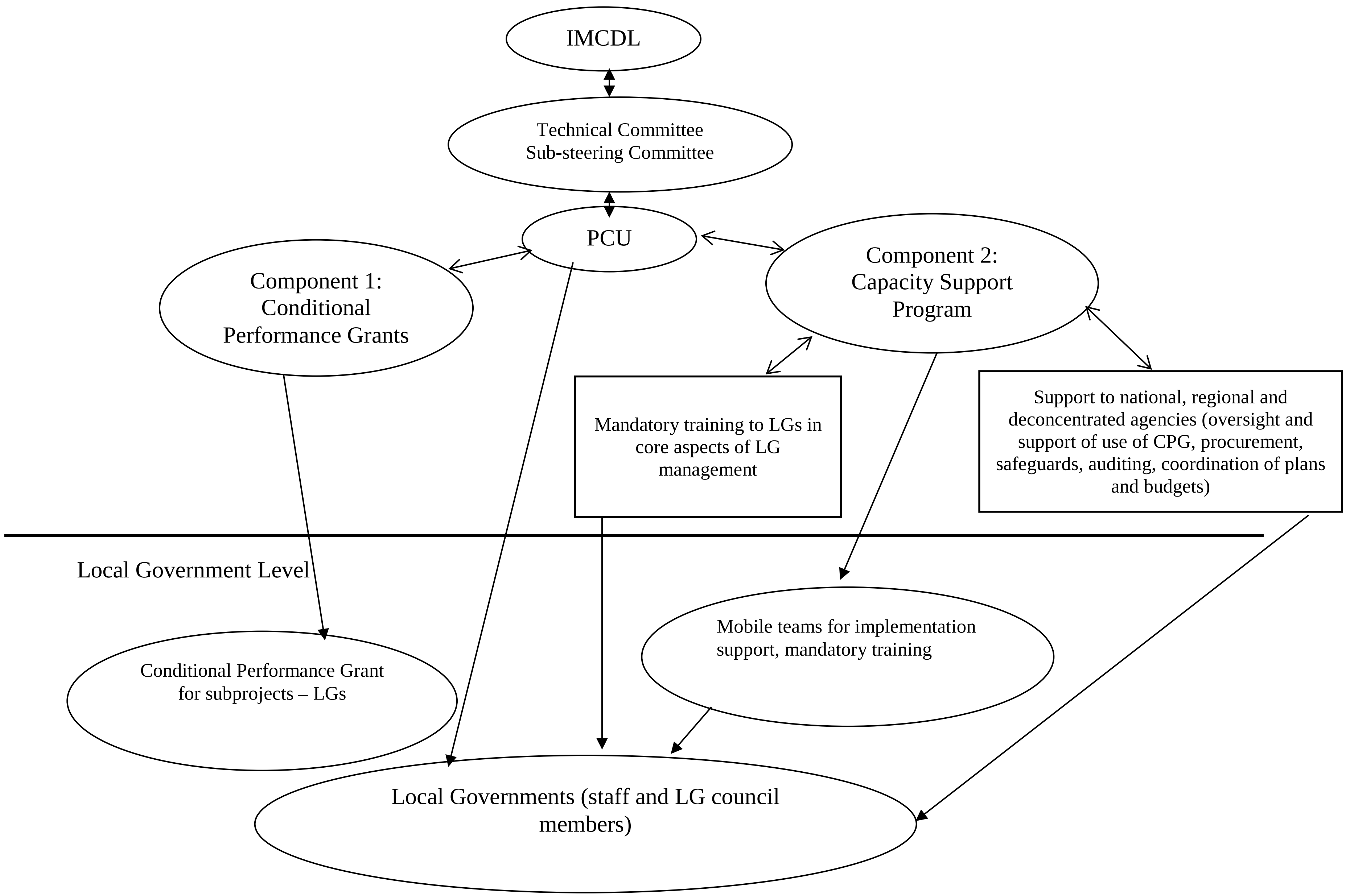
3. The LG oversight systems and monitoring requirements will be located in the relevant line ministries (e.g Ministry of Interior and Decentralization for HR, capacity and functional requirements; Ministry of Housing, Urban Development, and Regional Management, for planning and land use management purposes; and Ministry of Finance for operation of the CPG system). Project specific implementation requirements will vest with the PCU.

4. Draft performance agreements between the PCU and the various agencies at regional and national level, specifying their key tasks and deliverables as described in Component 2, will be completed before project effectiveness and annexed to the Project Implementation Manual (PIM). A PIM for PNIDDLE will be available and describe the monitoring, implementation and evaluation arrangements. A simplified operational manual will be made available for the LGs, adapted to their capacity and with simplified guidelines in French and Arabic. A Procurement

Manual for contracts managed by the LGs (i.e. with values below the level of competency of the Procurement Boards) is also being completed.

5. The LGs will be responsible for implementation and management of subprojects financed under the CPG. The responsibilities and requirements for implementation will be based on the Grant Participation Agreement that each LG will have to sign with the PCU, and will be complemented by the overall oversight function of the PCU, the line ministries, and the regional departments of the line ministries.

Diagram of Implementation Arrangements for Mauritania LGDP



Financial Management, Disbursements and Procurement

Financial Management

Country issues

6. The inherent risk of the Public Financial Management (PFM) system is rated **Substantial** at the country level. The most recent Public Expenditure and Financial Accountability (PEFA) review dates back to 2008 and rating for two key indicators (*Transparency of Inter-Governmental Fiscal Relations* and *Oversight of aggregate fiscal risk from other public sector entities)* were low - D+ and D respectively[51]. No evidence was found that this situation has improved in the past few years. Moreover, from a general PFM perspective, the PFM reform action plan (*Schéma Directeur des Réformes des Finances Publiques – SDRFP*) implementation is not yet underway, except in the GoM Treasury (*Direction Générale du Trésor*) where some progress has been made. The Bank is considering undertaking a Public Expenditure Management and Financial Accountability Review (PEMFAR) in FY2014 to take stock of the progress made and adapt the country risk rating accordingly.

Risk Assessment and Mitigation

7. The overall risk for the project is rated **Substantial** mainly due to: (i) the large number and limited financial management capacity of participating local governments; (ii) the limited oversight and monitoring capacity of several of the central level agencies; and (iii) the complexity of the institutional setup with the new Inter-Ministerial Committee for Local Development and Decentralization (IMCDL).

[51] The main reasons were that the LGs were informed about the amount of subsidies from the central government in February only and that accounting information reported from local governments was missing or incomplete and not consolidated at central level.

Description of Risk	Risk Mitigation Measures incorporated in Project Implementation	Condition of Effectiveness (Yes/No)	Residual Risk rating
INHERENT RISKS			
Country Level			
There are general weaknesses in national and local PFM, the last PEFA assessment was completed in 2008, and most planned reforms are still pending.	The Bank is considering carrying out a PEMFAR in FY2014 to take stock of the progress made and adapting the country risk rating accordingly.	No	S (to be updated)
Project Level			
The PCU from the previous Urban Development Project may be disbanded or lose part of its skilled FM staff.	Contracts will be renewed for key- and well-performing PCU FM staff.	Yes	M
Local Government Level			
Capacity in some local governments is very weak and could lead to unauthorized use of funds, compliance issues with FM rules, and incorrect or insufficient financial reporting, etc.	A robust capacity reinforcement component will be implemented through mobile teams. The first 9 months of the project (after first disbursement from the Government to LGs) will be Government-funded only and subject to an Independent Local Government audit to identify specific weaknesses and correct them before any Bank disbursement.	No	S
Overall Inherent Risk			**Residual Risk: S**
CONTROL RISK			
Internal control			
The control environment is weak, lacking financial management procedures and an internal audit function.	Development and completion of a Project Implementation Manual (PIM) including financial, administrative and accounting procedures. An Independent Local Government audit will be performed 6 months after first disbursement from the Government and take stock of the demonstrated capabilities of the local governments and local treasuries. It will then be performed on a biannual basis. National audit institutions, IGE and IGF, will be associated to audits covering LGs' activities on a regular and periodic basis.	No Dated covenant No	S

Description of Risk	Risk Mitigation Measures incorporated in Project Implementation	Condition of Effectiveness (Yes/No)	Residual Risk rating
Budget			
Some of the local governments are not yet capable of publishing a budget. The risk is that they will not be able to report on the use of funds and will not qualify for the CPG.	Technical assistance to the LGs will be provided through multidisciplinary mobile teams (including financial management and procurement specialists)	No	S
Accounting			
It will be difficult to consolidate financial reporting from the 32 local treasuries.	A FM officer with qualifications and experience satisfactory to the Bank will be recruited to fulfill the function within the PCU prior to effectiveness.	Yes	M
	Purchase of appropriate computer hardware and accounting software for the PCU, not later than three months after project effectiveness.	Dated covenant	
	Support to the installation of the Central Treasury financial software in all the local treasuries.	No	
Funds Flow			
Funds may be diverted or used for non-project eligible purposes.	Three Designated Accounts and two Treasury accounts will be opened. All movements from these accounts will be managed by the PCU and audited by the Bank. However, the risk remains high at the local government level.	No	S
Financial Reporting			
The submission of agreed quarterly SOEs, IFRs and annual project financial statements may be delayed.	The format and timeliness of these reports will be defined in the PIM.	No	S
Auditing			
Inadequate institutional arrangements are in place for the appointment of external auditors	A qualified external auditor will be recruited with ToRs acceptable to the Bank not later than 6 months after effectiveness to undertake the project audit. For more ownership and capacity reinforcement, the Court of Audits will be associated to the selection of this external audit firm.	No	M
Overall Control Risk			**Residual risk: S**

Overall Risk	**S**

Budgeting arrangements

8. The project budget process (elaboration, implementation and follow-up) will be documented in the Project Implementation Manual. The PCU will coordinate and prepare the annual budgets, in accordance with the annual work plan and related procurement plan. These documents will be submitted to the TC as early as possible to allow approval before the beginning of the year. The TC will also approve changes in the annual work plans. The PCU will manage the annual budget through its specific accounting software, but the project's budget execution will be aligned with the national budget execution process through project transaction records in the national budget execution reports.

9. The LGs' budget will follow the national budget process. Notification of annual CPG allocation to LGs will be early enough to ensure timely elaboration of LGs' respective annual investment programs. The eligibility of subproject expenditures at the subnational level will be verified ex ante as part of the verification of disbursement conditions for the CPG.

Internal Control and Internal Audit

10. An Independent Local Government Auditor will be recruited with terms of reference (TORs) acceptable to IDA. These TORs should include the possibility of joint audit missions with the national internal audit institutions, the State General Inspectorate (IGE), Inspector General of Finance (IGF) and the Treasury Audit Directorate (DACIT). These institutions will have their capacities reinforced through a technical assistance program on Risk-Based Internal Audit (RBIA) included in the project. This will allow them to carry out internal audit missions covering LGs' activities on regular and periodic bases.

11. Prior to the RBIA, however, an Independent Local Government Audit will be performed six months after the first project disbursement of Government funds and take stock of the demonstrated capabilities of the local governments and local treasuries. Such audits, combining financial audit and verification of physical realizations, will then be performed on a bi-annual basis as long as the FM risk rating at the LG level remains.

Accounting

12. The computer hardware and accounting software will be operational not later than three months after effectiveness and will be used to record all the project's transactions in accordance with Bank guidelines. This system will be used to prepare the financial statements for the project. The FM team should be familiar with handling accounting and reporting activities through the software consistent with Bank procedures. In parallel, the transactions will also be recorded in the national budgeting system by the public accountants at the central and regional level. The transactions will be recorded by the PCU following Bank guidelines thus ensuring appropriate reports on the use of the funds. If the software is not yet operational during the first three months of effectiveness, the project activities could be recorded using an appropriate Excel spreadsheet and ensuring that the accounting documents are well classified.

Flow of funds and Disbursement

13. For project implementation, three Designated Accounts will be used[52]:

(i) Designated Account A (DAA) will be opened in the Central Bank of Mauritania for Component 1 (Performance-Based Grant). Its disbursements will be authorized jointly by the Project Coordinator and by the FM specialist of the PCU. The resources from DAA will be transferred progressively to the Treasury Account opened in the Public Treasury and will constitute the contribution from development partners (World Bank and EU). These resources will be transferred to the local treasurers at the department level for use by the LGs qualifying for the performance-based grant.

(ii) Designated Accounts B (DAB – grant proceeds) and C (DAC – credit proceeds) will be opened in a commercial bank deemed acceptable by IDA. They will finance Components 2 and 3. Disbursements under these accounts will also be authorized jointly by the Project Coordinator and by the FM specialist of the PCU.

14. The DAs and LG accounts in local treasuries will be managed according to the detailed disbursement procedures described in the PIM and in the Disbursement Letter. Disbursement procedures and arrangement will be detailed in the PIM.

Financial reporting

15. With assistance from local Treasurers, the LGs will submit monthly statements of expenditures (SOEs) (as they currently do for the Central Treasury), addressed to the PCU. These SOEs will clearly distinguish between expenditures financed from the CPG and standard budget expenditures. They will be issued not later than two weeks after the end of the reported month. The reporting format will be documented in the administrative, financial and accounting procedures. From these monthly SOEs, the PCU will submit consolidated SOEs to IDA on a quarterly basis to support the disbursement procedures as long as the risk at the LG level remains rated High and the Bank has not issued new instructions to the Government for disbursements.

16. From these SOEs, the PCU will also prepare quarterly Interim Financial Reports (IFRs) encompassing activities for all components. Interim Financial Reports will be sent to the Bank not later than 45 days after the end of the quarter. They could become the new basis for disbursement as soon as the risk at the LG level has been brought down to, or below, Substantial.

17. Annual consolidated financial statements will be prepared by the PCU and will be subject to yearly external audits.

18. The LGs will align with their annual legal reporting requirement through (i) the annual administrative reports to be elaborated by the LG's financial services unit and approved by the mayor, and (ii) the annual financial management report elaborated by the local treasurer. A copy

[52] Due to the existence of lapsed loans in Mauritania as of May 2013, advances to Designated Accounts are not a disbursement method available at this stage. Once the situation is satisfactorily resolved, the Disbursement Letter may be amended and the advance method made available for project implementation. Once the advance method is available, advances can be made to the three Designated Accounts.

of these yearly reports will be transmitted to the PCU. Supporting documentation of local expenditures (administrative and management reports, invoices, contracts, cheques, etc.) should be made available for audit or supervision purposes in the local treasuries.

Audit arrangements

19. Audited Financial Statements for the PCU shall be submitted to IDA within six months after year-end. An external auditor acceptable to the Bank will be recruited based on acceptable ToRs that will include International Standards on Auditing (ISA) 240 and 250 on fraud and corruption.

20. The auditor will conduct an annual audit of the annual financial statements. A single opinion on the Audited Project Financial Statements in compliance with ISA will be required. The external auditors will prepare a Management Letter giving observations and comments (including comments from the audited entities), and providing recommendations for improvements in accounting records, systems, controls and compliance with financial covenants in the Financial Agreement.

21. The financial audit of the LGs will be carried out under supervision from the Mauritanian Court of Accounts. The court will supervise the TORs and accept them on the basis of a no-objection silence procedure (i.e., the TORs will be considered as accepted one month after having been sent to the Court of Accounts).

22. The LGs' audit reports should be available not later than March 30 of each financial year. They will serve as a basis for the yearly financial audit of the project. Given the very limited frequency of independent audits of LGs in the current LG system, the project will target the delivery of timely and comprehensive audits as a key priority of fiduciary oversight and as a key tool for accountability.

Fraud and corruption

23. The decentralized context of the project involving numerous central and local entities implies risk of fraud and corruption. This risk is evaluated as **High**. The following mitigation measures will be implemented:

- At the central level, the three designated accounts and the two treasury accounts will disburse only with double signature from the Project Coordinator and the Financial Director of the PCU. The yearly accounts of the project established by the PCU will be audited every year.
- An Independent Local Government Audit will be performed six months after the first disbursement of the CPG on Government funds and take stock of the demonstrated capabilities of the local governments and local treasuries.
- Such audits, combining financial audit and verification of physical realizations, will then be performed on a bi-annual basis as long as the FM risk rating at the LG level remains High.

- If this audit gives evidence that one or more LGs has not demonstrated sufficient capability to appropriately manage funds, these LGs will be suspended from the CPG until appropriate action has been taken. This ineligibility will also be the sanction if fraud and corruption are suspected.

Financial Covenant

24. The Financial Management covenant is as follows: The Recipient will submit to the Association an Independent financial and physical audit of the activities of the Targeted Local Governments financed from the proceeds of the Conditional Performance Grants from the first disbursement of funds from the Project Account A (or thereafter from the end of the period covered by the previous audit). Auditors' report must be provided to the Association no later than two (2) months after the end of the period covered by such audit. Such Independent Local Government Audit shall be carried out by independent auditors selected on the basis of terms of reference, qualifications and experience satisfactory to the Association.

Effectiveness conditions:

(i) The Recipient has recruited the following key staff for the Project Coordination Unit, each on the basis of terms of reference, qualifications and experience satisfactory to the Association and in accordance with the provisions of Section III to Schedule 2 to this Agreement to be posted in the Project Coordination Unit: (i) a Project coordinator; (ii) an administrative and financial specialist; (iii) one senior procurement specialist; (iv) one monitoring and evaluation specialist; and (v) one environmental and social safeguard specialist; and

(ii) The Recipient has adopted for the Project, and disseminated to the entities involved in the implementation of the Project: (i) the Project Implementation Manual, (ii) the Procurement Manual for Contracts under the Level of Competency of the Procurement Sector Board, and (iii) Simplified Local Government Guidelines for the Implementation of the Program, each in form and substance satisfactory to the Association.

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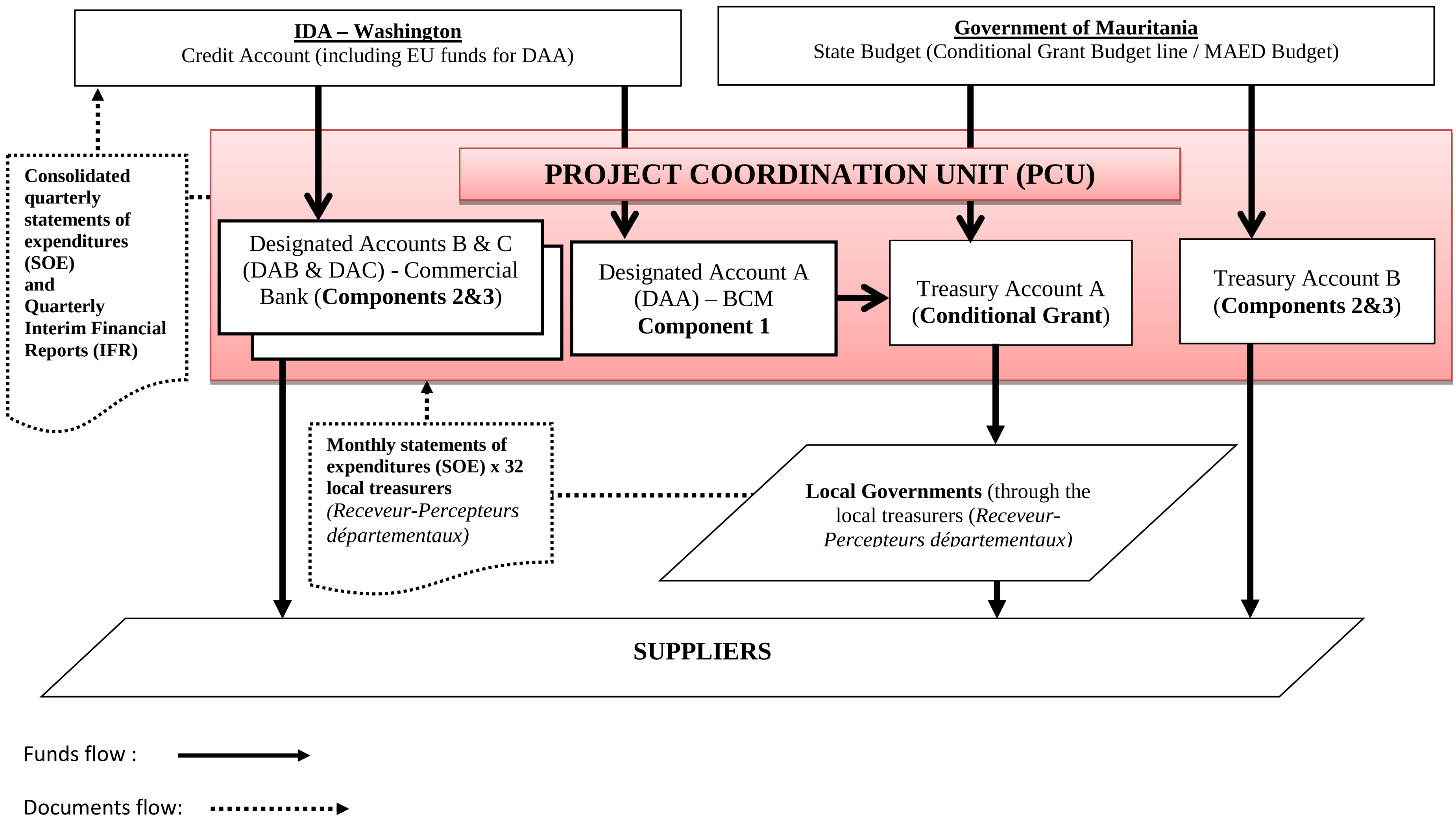
DIAGRAM : OVERALL FUNDS AND INFORMATION FLOW MECHANISM[53]



[53] As described in the main text, the US$ 12M provided by the EU in support of Components 2 and 3 will be provided as parallel financing. It will be transferred and managed separately by the EU. Another DA D will be established for the resources provided by the EU in support of Component 1 (US$13 million equivalent) through a TF managed by the WB.

Procurement

25. Guidelines: Procurement for the proposed project would be carried out in accordance with the World Bank's "Guidelines: Procurement of Goods, Works and Non-consulting Services Under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011, and "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011, and the provisions stipulated in the Financing Agreement will apply. The general description of various items under the various expenditure categories is described below. For each contract to be financed by the Financing, as well as contracts financed from CPG flowing through the pooled Treasury Account, the different procurement methods or consultant selection methods, including the need for prequalification, assessment of estimated costs, prior reviews, and time frames for processing contracts will be agreed between the Government and the Bank in a manner consistent with the Bank's guidelines and included in the Procurement Plan. The Procurement Plan will be updated at least annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

26. Procedures: All International Competitive Bidding (ICB) for Works and Goods and Consultant Selection will be carried out in accordance with Bank Guidelines mentioned above. The Mauritanian Procurement Code is ruled by Law No 2010-044, July 22, 2010, and regulation associated with the law (several decrees bylaws). The law was drafted with IDA assistance. In general, the country's procurement procedures do not conflict with Bank Guidelines. Where they do conflict, Mauritania procurement regulation allows IDA procedures to take precedence over local regulation or practice. Thus, for the National Competitive Bidding (NCB) procedure to be acceptable to IDA, the following special requirements will be taken into account: (1) eligible firms, including foreign firms, will not be excluded from the competition; (2) no preference margin will be granted to domestic bidders; (3) at least four weeks will be provided for preparation and submission of bids, after the issuance of the Invitation for Bids or the availability of the bidding documents, whichever is later; (4) if bidders are authorized to submit an alternative bid with or without a bid for the base case, the bids offered for alternatives, meeting the specified requirements, shall be evaluated on their own merits; (5) if the bid which results in the lowest Evaluated Bid Price is significantly unbalanced or front loaded in the opinion of the Employer, the Employer may require that performance security be increased at the expense of the Bidder to a level sufficient to protect the Employer against financial loss in the event of default of the successful Bidder under the Contract; (6) provisions related to the use of a merit point system will not be applied; (7) less than three bids submitted should not be considered a reason for re-bidding; (8) the evaluated lowest bidder should be authorized to complete an administrative statement of proof; (9) an anonymous offer cannot justify bid rejection; (10) a newly-created firm cannot quality based on the experience of management staff only; (11) no bid will be rejected because it is considered too low.

27. Procurement Documents: Procurement transactions will be carried out using the Bank's Standard Bidding Documents for all ICB for goods and works or Standard Request for Proposal (RFP), for selection of consultants. For NCB, the Borrower will submit a sample form of bidding documents to the Bank for prior review and will use this type of document throughout the project once agreed upon.

Advertising procedure

28. General Procurement Notices, Specific Procurement Notices, Requests for Expression of Interest (EOI), and results of the evaluation and contracts award should be published in accordance with advertising provisions in the World Bank guidelines: "Guidelines: Procurement under IBRD Loans and IDA Credits" dated January 2011, and "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated January 2011. The Borrower will keep a list of received responses from potential bidders interested in the contracts.

Procurement methods

29. The detailed nature of the goods, works and services to be procured through this project cannot be predetermined due to the nature of the conditional performance grant cycle. However, all procurement will be within the framework of the functional responsibilities of the LG (education, health services, waste management, water, etc.). Based on anticipated investment plans of involved LGs, procurement activities will follow the procedures outlined below and it is expected that most contracts will have a value of less than US$50,000 equivalent. All contracts managed by LGs (less than US$33,000) will be awarded through procedures outlined in the Manual for Procurement below the level of competency of the Procurement Sector Boards, approved by the Bank.

30. Procurement of Works: The Works to be financed would include construction of primary schools, health centers, markets, water towers, drilling water, extension of drinking water network, small dams, parks of cattle, small roads, etc. Works estimated to cost US$10,000,000 equivalent or more per contract shall be procured through ICB. Contracts estimated to cost less than US$10,000,000 equivalent may be procured through NCB. Contract for simple civil works estimated to cost less than US$200,000 equivalent per contract may be procured through shopping.

31. Procurement of Goods: The Goods to be financed would include: office and classroom furniture, equipment, office supplies, school manuals and materials, purchasing and installing solar pump equipment, etc. Contracts of goods estimated to cost US$1,000,000 equivalent or more per contract shall be procured through ICB. Contracts estimated to cost less than US$1,000,000 equivalent may be procured through NCB. Contracts for off-the-shelf goods and commodities estimated to cost less than US$100,000 equivalent per contract may be procured through shopping. This threshold may be increased up to US$500,000 for the purchase of vehicles and fuels. Office equipment, computers and vehicles estimated to cost less than US$100,000 equivalent per contract, may also be procured from the United Nations Office for Project Services.

32. Procurement of non-consulting services: Non-consulting services are not likely to exceed US$50,000 equivalent per contract. The procurement of such services will be done using bidding documents agreed with (or satisfactory to) the Bank. Bidding for those contracts will be conducted through NCB.

33. Selection of Consultants: The project will finance consultant services such as surveys, technical and financial audits, technical assistance, and activities under the institutional strengthening component, engineering designs, and supervision of works, trainers and workshops facilitators. Consulting firms will be selected through the following methods: (a) Quality and Cost Based Selection (QCBS); (b) Quality-Based Selection (QBS) for complex or highly specialized assignments, assignments that have a high downstream impact, and assignments that can be carried out in substantially different ways; (c) Least Cost Selection (LCS) for standard tasks such as financial and technical audits; (d) Selection under a Fixed Budget (FBS) when the assignment is simple and can be precisely defined and when the budget is fixed; (e) selection based on the Consultant's Qualification (CQS) for contracts less than US$300,000 equivalent and require unique and robust expertise to carry out exceptional studies and research; (f) Single Source Selection (SSS), with prior agreement by IDA, for services in accordance with the paragraphs 3.8 to 3.11 of the Bank's Consultant Guidelines. Individual Consultant (IC) will be hired in accordance with paragraph 5.1 to 5.6 of the Guidelines. Sole source may be used only with prior approval of the Bank. To obtain expressions of interest (EOIs), the Borrower shall include a list of expected consulting assignments in the General Procurement Notice, and shall advertise a Request for Expressions of Interest (REOI) for each contract for consulting firms in the national newspaper, provided that it is of wide circulation, or in at least one newspaper, or technical or financial magazine, of national circulation in the Borrower's country, or in a widely used electronic portal with free national and international access in English, French, or Spanish. In addition, assignments expected to cost more than US$300,000 equivalent shall be advertised in United Nations Development Business (UNDB) online.

34. Short List composed only of national consultants: Short lists of consultants for services estimated to cost less than US$100,000 equivalent per contract (except for Engineering Designs and Contract Supervisions for which the threshold is US$300.000 equivalent) may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines, if a sufficient number of qualified individuals or firms are available. However, if foreign firms express interest, they would not be excluded from consideration.

35. Training, Workshops and Conferences: The training (including training material and support), workshops and conference attendance, will be carried out on the basis of an approved annual training and workshop/conference plan. A detailed plan giving the nature of trainings/workshops, number of trainees/participants, duration, staff months, timing and estimated cost will be submitted to IDA for review and approval prior to initiating the process. After the training, the beneficiaries will be requested to submit a brief report indicating which skills have been acquired and how these skills will contribute to their enhanced performance and contribute to the attainment of the project objective.

36. Operational Costs: Operating costs financed by the project are incremental expenses, including office supplies, and maintenance, maintenance of equipment, communication costs, supervision costs (i.e. transport, accommodation and per diem), and salaries of locally contracted staff. They will be procured using the procurement procedures specified in the Project Implementation Manual.

Institutional arrangements

37. The project will be implemented by the respective LGs targeted by the program for Component 1 - CPG and by the PCU for Components 2 and 3.

38. Each LG provided with CPG under the project will manage its activities. All contract above US$33,000 equivalent will be procured according to the new code and thus by two Procurement Sector Boards CPMP-SS (Public Procurement Committee for Sovereignty Sectors and CNCMP-SEF (Public Procurement Committee – Economic and Finance Sectors) – CPMP-SEF). All contracts at values less than US$33,000 equivalent (below the level of competency of the Procurement Sector Boards) will be awarded and managed under the Manual for Procurement prepared by client and approved by the Bank. These contracts will be awarded through simplified NCB, shopping or exceptionally through direct contracting for small contract values.

39. Procurement under Components 2 and 3 will be carried out by the PCU (contract amount below US$33,000 equivalent) and CPMP-SS, and under control of CPMP-SEF (contract amount above US$33,000 equivalent).

40. Procurement under Component 1 will be carried out by the municipalities (contract amount below US$33,000 equivalent) and CPMP-SS and under control of CPMP-SEF (contract amount above US$33,000 equivalent).

41. With regards to dispute settlements, all contracts above US$33,000 equivalent will be submitted to a complaint mechanism handled by an independent body, the Public Procurement Regulation Authority (ARMP). The Manual for Procurement below the level of competency of the Procurement Sector Boards will set up a specific complaint mechanism for contracts estimated to cost less than US$33,000 equivalent.

Assessment of implementing agencies' capacity

42. A procurement capacity assessment was conducted for the PCU, the CPMP-SS, CPMP-SEF and all targeted LGs (based on a survey done to determine the baseline of the capacity of beneficiary LGs).

43. The PCU established for the Urban Development Project gained extensive experience in IDA-specific procurement procedures during implementation of UDP. The PCU satisfactorily handled project implementation from 2001 to 2012. The PCU to be established for the LGDP will build on resources of the PCU under UDP. It will be well-organized and have clearly defined procurement responsibilities and skilled staff. However, LGDP has a fundamentally different approach than UDP due to the direct transfer of funds to LGs and the fact that procurement below US$33,000 equivalent is managed by LGs themselves. Thus, the PCU will need to hire additional procurement staff to handle specific procurement under Components 2 and 3 and to monitor procurement managed by the remaining implementing agencies (100 LGs) under Component 1. To manage the new project, the unit will require additional and more qualified procurement staff to handle the additional burden of transactions, the more complex

institutional and regulatory framework (including the changes in the procurement laws), and the requirements for supervision and monitoring of the procurement of LGs.

44. A comprehensive assessment was done for all LGs that will be implementing a part of the program. The assessment indicates significant capacity gaps among all LGs, with little difference between rural and urban LGs. The LGs will handle only contracts that amounted less than US$33,000 equivalent. An action plan was prepared to strengthen LGs' capacities, including procurement, and a Manual for Procurement is being drafted to assist LGs manage the procurement processes in accordance with Bank guidelines, but below the level of competency of the Procurement Sector Boards.

45. An assessment was also completed for CPMP-SS and CPMP-SEF since the two agencies (as per existing law) will be responsible for managing the procurement process for contracts in Component 1 above US$33,000 equivalent. The two institutions were created in February 2012 in the framework of the Government's new law. CPMP-SS and CPMP-SEF are each composed of 10 members who are all selected on a competitive basis. The assessment indicated that CPMP-SS and CPMP-SEF are well-organized but need support in the following areas: (i) strengthening member skills and capacities; (ii) procurement of sufficient equipment (computers, copiers, scanners, shelves, etc.); and (iii) technical support for contracts with complicated technical specifications. The CPMP-SS will benefit from capacity building support provided under the Public Sector Capacity Building Project, but they both need targeted training programs in Bank procurement procedures. Three members of the CPMP-SEF have previously worked with projects financed by the Bank, but CPMP-SS members have no experience with Bank procurement procedures.

Procurement Plan

46. The Borrower has completed a procurement plan for the first 18 months of project implementation based on the annual action plan which provides the basis for determining the procurement methods. The procurement plan will be updated annually or as required to reflect the actual project implementation needs and improvement in institutional capacity. After negotiations, the Bank shall arrange the publication on its external website of the agreed initial procurement plan and all subsequent updates once it has provided a no objection.

Mitigation measures

47. A Manual for Procurement below the level of competency of the Procurement Sector Boards for contracts with amount under US$33,000 equivalent has been drafted and submitted to the Bank for approval.

48. For the PIU, the main mitigation measure will be staffing with at least two procurement specialists and establishing a monitoring system for procurement of the whole program including other implementing agencies (LGs). Due to limited national availability of qualified procurement staff, it is expected that newly recruited staff will require training, specifically in Bank procedures.

49. The Public Sector Capacity Building Project (PSCBP) is providing resources to support the new national procurement system. The PSCBP hired a consultant to identify a capacity building plan to strengthen all new stakeholders. This plan is already approved and its implementation will start shortly. It includes: (i) a detailed review of all standard bidding documents; (ii) a training of staff involved in procurement process at tender boards and control board level; and (iii) supply of equipment for procurement entities. The CPMP-SS and CPMP-SEF will both benefit from this plan. Based on the procurement capacity assessment of the LGs, the Government has prepared a capacity building plan for strengthening of procurement at LG level and this plan will be financed under the project.

50. The Bank's procurement specialist is based in Mauritania, and close supervision and support will be undertaken to propose any additional mitigation measures if and when they are needed.

Action plan

	Recommended Actions	**Due Date**
1	Manual for Procurement below the level of competency of the Procurement Sector Boards for contracts with amount below US$33,000 approved by the Bank	Prior to effectiveness
2	Appoint two procurement specialists in the PCU on Terms of Reference acceptable to IDA	One procurement specialist prior to effectiveness and one procurement specialist during 3 months following effectiveness date
3	Train newly recruited staff	Within 6 months following effectiveness date
4	Train all CPMP-SS members and 7 members of CPMP-SEF on Bank procurement procedures and guidelines	Within 6 months following effectiveness date
5	Implement the capacity building action plan prepared by the Government and approved by the Bank	According to the timeline of the action plan

51. Frequency of procurement reviews and supervision: Bank's pre- and post- reviews will be carried out on the basis of thresholds indicated in the table below. The Bank will conduct implementation support missions every six months and annual Post Procurement Reviews (PPR); with the review covering at least 1 of 10 contracts, including contracts handled by at least 10 LGs. The Bank may also conduct an Independent Procurement Review (IPR) at any time up to two years after the closing date of the project.

Overall Procurement Risk Assessment:

High	**X**
Average	
Low	

Procurement and selection review thresholds

Expenditure Category	Contract Value Threshold (Amounts in US$)	Procurement Method	Contract Subject to Prior Review (Amounts in US$ or equivalent)
1. Works	≥ 10,000,000	ICB	All
	< 10,000,000	NCB	All contracts with a cost estimate equal to or above US$5,000,000; and other contracts on case by case basis
	<200,000	Shopping/price Comparison	On a case by case basis
	No threshold	Direct contracting	All
2. Goods and non-consulting services	≥ 1,000,000	ICB	All
	< 1,000,000	NCB	All contracts with a cost estimate equal to or above US$500,000; and other contracts on case by case basis
	< 100,000	Shopping	On a case by case basis
	No threshold	Direct contracting	All
3. Consultants			
3.1 Firms	No threshold	QCBS; QBS; LCS; FBS;	- All contracts with a cost estimate equal to or above US$200,000; and - All contracts for financial audit and for procurement audit
	<300,000	CQS	All short-lists under CQS and all contracts with a cost estimate equal to or above US$200,000
	No threshold	Single Source Selection	All
3.2 Individuals	No threshold	Selection of Individual Consultants (comparison of at least 3 CVs)	- All contracts with a cost estimate equal to or above US$100,000; - All contracts for financial assistance and for procurement assistance,
	No threshold	Single Source Selection	All
All TORs will be subject to IDA's prior review, regardless of the value of the contract and the selection method, all training program, and all amendments of contracts raising the initial contract value by more than 15 percent of original amount or above the prior review thresholds.			

52. All contracts not submitted for prior review will be submitted to IDA for post review in accordance with the provisions of paragraph 5 of Annex 1 of the Bank's Consultant Selection Guidelines and Bank's Procurement Guidelines.

53. Procurement Plan: All procurement activities will be carried out in accordance with approved original or updated procurement plans. The Procurement Plans will be updated at least annually or as required to reflect the actual project implementation needs and capacity improvements. All procurement plans will be published at the national level and on the Bank website according to the Guidelines.

54. Procurement Filing: procurement documents must be maintained in the project files and archived in a secure place until at least two years after the project closing date. Staff recruited

into the procurement unit within the PIU will be responsible for the filing of procurement documents.

Environmental and Social (including safeguards)

Social

55. The social impacts of the proposed project activities are expected to be positive. The activities to be undertaken by the LGs will improve their capacity to deliver better services, be transparent, use resources effectively and thereby improve the living conditions of their respective communities.

56. The issue of social accountability is integrated in project activities. The performance-based indicators on transparency and participation create incentives for LGs to strengthen involvement of citizens in planning and delivery of services.

57. Social safeguards are relevant, as the activities likely to be undertaken by the LGs using the grant funds may have an impact on livelihoods, restrict access to resources or involve land acquisition. The exact location of the sites is not known and will only be identified on an annual basis during project implementation. In view of the above, the project triggers the World Bank policy on involuntary resettlement, OP 4.12 for which the Government has prepared a Resettlement Policy Framework (RPF) to guide the response to any potential land acquisition/involuntary resettlement. The RPF was prepared through a consultative process and disclosed in the country and at the World Bank's Infoshop on April 16, 2013. Any resettlement that may be required under a sub-project will be identified during the preparation of the sub-project, and a Resettlement Action Plan (RAP) will be prepared, consulted upon, disclosed and subject to IDA approval prior to commencement of the activity. During site selection for the proposed sub-projects the LGs will aim at providing projects sites, free of claims, from the public land patrimony in order to avoid displacement and land acquisition.

58. During project implementation, each project financed by the CPG will be subject to a screening and control process undertaken by the LG itself, supported by regional mobile teams and representatives from the Ministry of Environment and Sustainable Development's (MEDD) deconcentrated services. On the basis of this screening, it will be determined if there will be acquisition of land and/or population displacement and if a Resettlement Action Plan is required.

59. The Bank team completed a consultation workshop with key government stakeholders in January 2013 as part of project preparation. During the workshop, two core areas of capacity support for strengthening social safeguards compliance were agreed: (i) strengthen the role of the Department of Environmental Control (DCE) in overseeing compliance with safeguards standards, including social aspects (support to the Department to fully carry out this mandate will be provided under project Component 2), and (ii) strengthen the capacity of LGs to manage and supervise social safeguards compliance, including through technical assistance provided under the mobile teams as well as pre-identified training sessions for LG staff. It is expected that this support will help LGs comply with the national legal and regulatory framework as well as with

the provisions in the Environmental and Social Management Framework (ESMF) to ensure strict compliance with its provisions.

Environmental

60. The project will be implemented at the national level in 100 LGs selected according to a set of criteria established with the Government. The Government in collaboration with the Bank and the European Union are financing the operation, but the Bank's safeguards policies will apply to the project as a whole and to all sub-projects. The project triggers OP 4.01 Environmental Assessment, 4.04 Natural Habitats, and 4.11 Physical Cultural Resources, and is rated as a Category B project, as it is expected that the sub-projects' proposed activities will have limited negative impacts on the environment.

61. OP 4.01 Environmental Assessment is triggered by the project. The overall environmental impact of the project is expected to be positive. Significant positive impact on the natural and socioeconomic environments is likely to result from the implementation of activities on the part of participating LGs. By developing institutional capacity and environmental and social management systems, the project will help improve the capacity of the LGs to deliver quality services. While it can be expected that the majority of investments with environmental impacts will include civil works, the precise nature, size, location, and characteristics of the sub-projects will only be determined during project implementation. The Government has therefore prepared an Environmental and Social Management Framework (ESMF) which was consulted upon and disclosed in-country and at the World Bank's Infoshop on April 16, 2013. The ESMF provides a step-by-step process for sub-project selection that will ensure that all investments are adequately screened for their potential environmental and social impacts, and that correct procedures are followed to mitigate and minimize any potential negative impacts arising from these impacts. Any Environmental Assessment (EA) or Environmental Management Plan (EMP) that may be required under a sub-project will be identified during the preparation of the sub-project and the EA and/or EMP will be prepared, consulted upon, disclosed, and subject to IDA approval prior to commencement of the relevant activity. In order to define the scope and boundaries of the project, an indicative menu of eligible investments for the sub-projects is provided in the ESMF as well as an exclusion list for ineligible activities (e.g. Category A type sub-projects or projects that may trigger any additional safeguards policies).

62. There are gaps and weaknesses in the environmental assessment and management framework (and legislation) in Mauritania resulting mainly from lack of decrees, regulations, and sector guidelines. Basic regulations such as the decree on the environmental assessment of operations (programs and projects) are in place, but the implementation unit within MEDD lacks the resources for proper enforcement. Some Bank-funded projects have provided capacity building in the past, but both the MEDD and the line Ministry of the project have very limited experience with the Bank's environmental and social safeguards policies and implementation procedures. An Environmental and Social Safeguards specialist will be included on each of the four mobile capacity building teams that will be established under the project, and capacity building will be budgeted and provided throughout the project's lifetime. In addition, the PCU will also include an Environmental and Social Safeguards Specialist who will be the safeguards focal point for the project and will coordinate implementation of the safeguards instruments.

Further, the ESMF outlines the capacity building/strengthening needed at each level of government to adequately implement the safeguards instruments and in alignment with Component 2 which will provide targeted institutional capacity support to key actors at each level of government. Finally, the project will conduct an assessment of existing legal provisions and make recommendations on additional measures the government could adopt to strengthen and mainstream practice in these areas.

Monitoring & Evaluation

63. In the context of decentralization reforms, the program will use a two pronged approach to ensuring comprehensive and timely monitoring and evaluation (M&E): (i) consolidate existing M&E tools and standards used under FRD; (ii) develop additional M&E tools to assist in close monitoring of program activities, including stronger oversight of LG fiduciary and safeguards compliance, and closer monitoring of performance of central and deconcentrated services that are involved in program activities.

64. The main responsibility M&E rests with the PCU. The key M&E activities include: (i) development and implementation of processes, methods and tools to carry out project monitoring and evaluation; (ii) fiduciary oversight of implementing agencies (including LGs and national and deconcentrated agencies working under contract); (iii) ensuring that LGs comply with social and environmental safeguards in project implementation under the CPG; (iv) preparation of bi-annual progress reports, including physical progress reports; and (v) ensuring timely delivery of annual project audits and completion of midterm and end of project review.

65. Through Component 3, the project will provide support to the PCU to ensure timely collection, follow-up, and consolidation of financial and physical progress reports from LGs. These consolidated reports will be used both by the PCU for monitoring purposes and by World Bank implementation support missions for project management and reporting. The PCU will also review LG budgets and procurement plans on a regular basis to ensure that expenditures are authorized and follow procurement and safeguards guidelines and requirements. The annual assessments will provide the PCU with data to measure the performance of all participating LGs. The PCU will consolidate annual assessment findings and submit annual reports to the Bank on significant trends in performance scores.

66. The support to strengthen M&E will also involve key Government agencies responsible for oversight and coordination of local government activities. The work on M&E systems consolidation will be coordinated with the work in the Technical Committee. The Government intends to use the implementation of the new program as an opportunity to develop new M&E tools that can better track performance of LGs, including development of an information center and a database consolidating service delivery information at the regional and LG level.

Role of Partners

67. While no formal Sector Working Group exists, coordination and collaboration is well developed in the decentralization sector in Mauritania. The World Bank meets regularly with key

partners involved in support to LGs – including the Agence Française de Développement(AfD), the German Agency for International Cooperation (GiZ) and the European Union (EU).

68. The design of the new program marks a new beginning for governmental interface with development partners on decentralization. The program sets out a comprehensive approach that allows for donors to provide harmonized support through the three core components. As such, it marks a departure from earlier area-based and project-oriented approaches that had been applied in recent years, including under UDP.

69. Under the program, co-financing arrangements have been established between the Bank and the European Union. This signifies the strong principle of partnership, coordination and harmonization which is the intention of the program. This co-funding principle also means that coordination of project activities and strategic orientation of decentralization reforms will need to be continuously coordinated and discussed between the partners involved and the Government. The National Integrated Program for Decentralization, Local Development, and Employment (PNIDDLE) is set up to allow for new partners to join the program.

Annex 4: Operational Risk Assessment Framework (ORAF)
Islamic Republic of Mauritania - Local Government Development Project
Stage: Board

Project Stakeholder Risks	**Rating**	**High**		
Description : 1. Ownership and commitment: Currently most local services are delivered by central ministries and agencies, despite government's formal policy of, and commitment to decentralization as represented both in the PRSP and the "Declaration of Policy of Decentralization and Local Development" (DPDLD) of 2010 in which many of these local service functions were delegated to LGs. Slow implementation of the DPDLD is attributable partly to inertia and partly to the difficult political economy of shifting resources away from the existing centralized institutional structures. Progress in this area is essential to enhance local autonomy and discretion, which are key goals of the project. 2. Conflicting Donor Approaches: Possible differences in approach to other donors, particularly as the Bank project represents a substantial increase in overall donor support to the LG sector. 3. Resistance from Civic Associations: Possible concern of communities and their civil associations that the project would be supply driven**.**	**Risk Management:** 1. Significant recent actions by government (legislative and fiscal) mandate tangible actions to strengthen decentralized service delivery. Thus, key building blocks for greater decentralization are now in place (well entrenched, open local government elections, the DPLPD, and the FRD, plus the establishment of the Conditional Performance Grant by decree and the allocation of resources to the grant in the national budget 2013). Government at all levels is committed to introducing a performance-based grant under PNIDDLE, as evidenced in the creation of the relevant management and coordination structures, the establishment of the CPG, and the allocation of significant additional resources for PNIDDLE (US$52 million over 5 years). This relatively substantial increase/reallocation of resources will represent an order of magnitude and will make a difference in the LGs' capability to begin delivering tangible service improvements. 2. The relatively large number of donors already engaged in the local government sector generally share objectives that are broadly aligned with each other. Through the creation of the partnership with the European Union that will be providing co-funding to the project, the Bank is placed in an influential role in shaping the decentralization agenda. The mutual work between GoM, World Bank and EU around the design of the PNIDDLE program has further strengthened the partnerships. 3. The project design specifically addresses importance of demand-based priority setting and accountability of elected local governments. The conditional performance grant component of the project requires a high level of participatory planning/budgeting and accountability on the part of the LGs to their communities in order to qualify for access to resources under the grant.			
	Resp: Client	**Stage: Implementation**	**Due Date : Recurrent**	**Status: NYD**
1. Implementing Agency Risks (including fiduciary)				
Capacity	**Rating: High**			
Description : Central government: An Inter-Ministerial Committee, located in the Prime Minister's Office, oversees and coordinates project implementation. This decision presents several risks: (a) the PMs Office has limited experience in project	**Risk Management :** The PM's Office has performed this function on occasion before, and did so quite effectively. It offers the additional mitigating factors that the willingness of the PM Office to play this role is an indication of government's commitment to the project, and, as far as Inter Ministerial Committees go, the PM's Office has the most influential convening authority. In addition, it will be supported for day-to-day management by an existing, well-established PCU with an excellent track record of implementation and collaboration across ministries involved in local development. Project design includes			

coordination and implementation as it does not normally perform this function; (b) such a structure could undercut the oversight and regulatory capabilities that the relevant line agencies need to develop to sustainably oversee enhanced performance by the local government. Local governments: LGs will be the primary implementing agencies. Although capacity is variable across LGs, in general capacity is weak in all primary functional areas (planning and budgeting, accounting and fiduciary controls, and investment preparation, execution and service management). Capacity constraints are partly the result of salary structures and recruitment procedures that inhibit access to appropriate levels of skill, partly due to little incentive to perform since resources are so constrained, and partly due to limited availability of suitably experienced expertise in the labor market**.**	support for activities to clarify and strengthen the oversight roles of the key line agencies. There are three interdependent mechanisms introduced under the project which are intended to address the core issue of LG capacity: significant increases in discretionary fiscal flows to the participating LGs; performance-based access to these funds (using objective performance criteria covering all the key functional areas); and a package of comprehensive capacity support to these LGs. The process depends on a system of transparency where the resources potentially available to each LG are made public in real time, and the LGs performance assessment and success/failure to access its funding are also made public in real time. Hence, two parts of the inter-dependent system (substantial additional discretionary resources and performance requirements) are designed to provide elected LG Council members and their senior staff with substantial incentives to deliver on their responsibilities. The third leg of the system provides the LGs with the kind of capacity support that is intended to enable them to meet the critical performance standards required. It should be noted that there are several examples of LGs that did receive additional funding in a particular year, they did reasonable well in using the funds, doing so relatively cost-effectively and with varying but generally sound community consultation. Consequently, it appears that even with their very limited skills, the LGs appear to have potential absorptive capacity. The details of the three elements of the incentive/capacity support system addresses variable provisions for start-up versus mid-cycle scaling up phases of implementation, including examining alternative approaches to interim staffing arrangements during the earlier phases of the project**.**			
	Resp: Client	**Stage: Both**	**Due Date : Recurrent**	**Status: NYD**
Governance	**Rating: High**			
Description : Current systems and procedures are deficient in both upward and downward accountability of LGs, and this could pose a risk for effective project implementation. LGs do not have the internal financial controls to effectively account for the use of funds, and the center does not have reporting systems at a sufficiently disaggregated level to efficiently track use of funds by LGs (or central line agencies for that matter) leading to the potential fiduciary risks. In addition, the absence of sound planning and budgeting practices (even given the limited resources available) and a lack of public participation in the process of determining investment priorities exacerbate the weak accountability environment.	**Risk Management :** The project includes capacity support for the PCU as well as assistance to the key oversight institutions (treasury, DGCT, etc.) in deepening their capacity and in introducing further improvements in its oversight and reporting systems and procedures. Under the project, several mitigation measures have been put in place to reduce risks: (i) hiring of support staff at PCU level for effective oversight of project implementation, (ii) development of a procurement manual for LGs, (iii) introduction of semi-annual audits to control and review expenditure management at the LG level, and (iv) support to LGs via multi-skilled mobile teams. The introduction under the project of the Performance Assessment (PA) tool will further enhance upward accountability. For downward accountability, the project design is predicated on establishing a functioning social contract between LGs and their electorates; a significant component of the PA system is built around participatory planning/budgeting, and around systems of accountability on key fiduciary and investment implementation. The project's capacity building component will also assist the LGs in establishing improved internal financial management and controls that would comprise part of the PA. There is strong and broad-based support in government for the introduction of the PA process, and this interest is shared by a cross-section of LG elected officials.			
	Resp: Both	**Stage: Implementation**	**Due Date : Recurrent**	**Status: NYD**
Project Risks				
Design	**Rating: High**			
Description : Technical complexity may pose implementation challenges as the project introduces innovations in fiscal transfer systems and accountability practices, in an environment where both these functions face systems and capacity constraints.	**Risk Management :** The programmatic approach to the project mandates the use of country systems to the extent possible. Thus, most of the innovation and/or change will be within existing institutional arrangements, and will comprise adjustments or add-ons within existing practices. In addition, the TA and capacity building under the project will be targeted to support operationalizing these changes. Furthermore, the use of a PCU with strong prior experience will provide reliable implementation oversight and the arrangements for the effective operation of the capacity building teams and related			

	training activities.			
	Resp: Both	**Stage: Both**	**Due Date : Recurrent**	**Status: NYD**
Social & Environmental	**Rating: High**			
Description : Activities undertaken by the LGs utilizing the grant may cause adverse environmental impacts and social outcomes due to the lack of an efficient legal and regulatory framework, and the severely limited experience in environmental and social management in the country.	**Risk Management :** An assessment of environmental and social management practice covering the legislative and regulatory framework in Mauritania, as well as experience and capacity to date in following prescribed practice was undertaken and its recommendations on minimum satisfactory standards (legal, regulatory and institutional) were completed during pre-appraisal. An ESMF and a RPF have been prepared, consulted upon, and disclosed before appraisal. Under the project, an adequate budget will be allocated for safeguards activities and related capacity building. The PCU, which has experience with Bank-funded projects, will receive additional support from the environmental and social development specialist on the mobile capacity building teams. Safeguards management is intrinsically built into the design of the grant – including detailed screening process and requirement for all LGs to have one person appointed as responsible for managing safeguards. In addition, based on the assessment, the project will finance assistance to the government to enhance existing legal provisions and make recommendations on alternative measures the government could adopt to strengthen and mainstream practice in these areas.			
	Resp: Client	**Stage: Implementation**	**Due Date : Recurrent**	**Status: NYD**
Program & Donor	**Rating: Moderate**			
Description : Although the arrangements for co-funding and parallel funding have been discussed and agreed with the EU, there is a risk that delays in approval and signing of the EU agreement with the Government will delay implementation. Furthermore, there is a risk that co-funding arrangements will delay disbursement of funds and that the parallel financing under Component 2 will result in insufficient coordination and duplication of activities.	**Risk Management :** A detailed Trust Fund Agreement with the EU with clear procedures for fund flows is being completed and a clear timeline for EU completion of the agreement with the Government has been agreed, resulting in signing in September/October 2013. Under Component 2, detailed discussions have been completed with regard to the content and activities under PNIDDLE. Therefore, the parallel funding arrangement is not expected to cause any delay or disruption in implementation.			
	Resp: Bank	**Stage: Both**	**Due Date :Before effectiveness and recurrent**	**Status: NYD**
Delivery Monitoring & Sustainability	**Rating: Moderate**			
Description : Sustainability: The commitment of government to contribute substantially to the performance grant in addition to the FRD, and to ensure that these are incremental resources, may be limited to the project in an environment of constrained public funds and in a political context of resistance from the line agencies. Consequently, at the end of the project, these funds may be diverted to other purposes as opposed to being expanded to include more/the rest of the LGs. National budget allocation to the CPG may decrease overtime, or may be taken from the allocation to FRD, undermining the sustainability of	**Risk Management :** In overall budgetary terms, the contribution from Government to the Conditional Performance Grant currently represents a minor share (around 1% of the annual national budget). In addition, through the FA, Government has committed itself to provide resources to the CPG in addition to the FRD. Conservative revenue projections for the Government indicate significant growth during the project period due to rapid expansion of the mining sector, and this is expected to provide substantial fiscal space to accommodate the increases proposed for the participating project entities and for crowding in new LGs. It is also anticipated that the performance gains by LGs under the project will provide the degree of reassurance that government policy makers require regarding decentralization and the lack of capacity by LGs to plan, implement and operate local services. In this event, the basis for a gradual transfer of resources to LGs from central ministries, and greater service delivery coordination between central agencies and the LGs, would be established. Finally, Government in the preparation of PNIDDLE has clearly stated its intention to develop a long term program that can be expanded to the rest of the country.			

the approach. LGs may not be fully capable of operating and maintaining the investments they make in local services. Lack of Sufficient Data Collection and Analytical Capacity: The lack of effective regulatory and monitoring systems and the limited capacities in government to oversee fiduciary and developmental performance of local government are serious constraints and have been elaborated in several sections above.	Regarding LG capacity to operate and maintain local services, they already have that responsibility as this function is generally devolved to them even for facilities built by the central agencies. In addition, sound asset management represents one of the primary requirements to be examined under the PA, and the capacity support system is designed to include expertise in this area. Specific provisions under the project to enhance data collection and management, oversight systems and intervention measures by central agencies are included under the project. The establishment of the TC and strengthening of the PCU will provide an important locus for this initiative, as well as the other key sectoral ministries with regulatory responsibilities for local government. The PA system will add a significant level of rigor and will provide the base for establishing more robust local government monitoring and oversight systems.			
	Resp: Client	**Stage:Both**	**Due Date : Recurrent**	**Status: NYD**
Overall Risk				
Implementation Risk Rating: Substantial				
Risk Description	Political economy considerations of decentralization and its implications for institutional change, and the significant counterpart funding requirements make the risk significant, as do institutional capacity constraints, particularly at the LG level, inadequate LG oversight capability by the center, and poor audit performance to-date. Project design features contribute to mitigating the risk, in particular the control of access to grant funds through the performance assessment regime, and the heavy focus on capacity development of the LGs and in the oversight capabilities of the center. Moreover the commitment of the government to implementing its decentralization policy is evident in the establishment of the new performance grant system by decree, the allocation made for the grant in the national budget of 2013, the commitment from high level cabinet members to advance decentralization, and the linking of the access of these resources to the proposed performance assessment system.			

Annex 5: Implementation Support Plan

ISLAMIC REPUBLIC OF MAURITANIA: Local Government Development Project

Strategy and Approach for Implementation Support

1. The project marks the beginning of a new programmatic engagement on decentralization and service delivery in Mauritania, directly supporting the Government's new National Integrated Program for Decentralization, Local Development and Employment (PNIDDLE), with project and program commencing at the same time. The implementation plan for this project is designed to ensure consolidation and timely implementation of the initial setup project and the Government's related institutional and organizational initiatives and actions. This will ensure that project implementation will start and take off effectively and reduce the risk of any delays. In particular, the support plan strategically targets the set up and processing of administrative and technical steps in relation to: (i) the Conditional Performance Grant; (ii) the establishment of contractual agreements with implementing agencies; and (iii) the establishment of the Project Coordination Unit. The implementation plan is also designed to ensure that the Bank maintains a close dialogue with the Government on decentralization reforms more broadly and to allow continuous engagement with other development partners on the reforms.

2. The project will require extensive support in the startup and early phases. This need is expected to reduce as the processes and management of the Conditional Performance Grant (CPG) and the other program components are consolidated within Government. At midterm, a new phase of implementation support is envisaged to ensure that any necessary adjustments are made.

3. It is projected that a total of 14 supervision missions will be required over the project period. Beyond the startup phase, these are intended to be required semi-annually. Support has been provided in Component 3 for the PCU to undertake a semi-annual field survey in advance of each of these missions. The purpose of this field survey, which will be undertake in a random sample of LGs, will be to review progress with UDG implementation and prepare a draft report for consideration by government and the Bank in the course of each mission.

4. To ensure effective coordination, it is expected that all implementation support missions will be undertaken in close consultation and, when possible, jointly with the European Union.

Time	Focus	Skills Needed	Resource Estimate (US$)	Partner Role
First 12 months	Startup Phase, First assessments for CPG, first disbursement of CPG	Safeguards, Procurement, FM	$200,000	Joint Missions with EU
12-36 months	Consolidation, first disbursement of CPG	Safeguards, Procurement, FM	$300,000	Joint Missions with EU
36 months	Mid Term Review	Safeguards, Procurement, FM	$150,000	Joint Missions with EU

Annex 6: Overview of First Year of Project Implementation

Time	Activity
June 2013	Board Discussion of LGDP
August 2013	Signing of agreements between PCU and central and regional level agencies
August 2013	Signing of agreements between PCU and all eligible LGs
August 2013	Completion and submission of results of Updated Minimum Conditions Status Report for 100 LGs
September 2013	Completion of recruitment of mobile teams
October 2013	Date of Effectiveness (estimated) – assuming compliance with all effectiveness conditions
October 2013	Signing of agreement between EU and Government of Mauritania re. project support
October 2013	Transfer of CPG installment for 2013 for 32 LGs (100% GoM financing) – based on first Minimum Conditions Report
October 2013	Submission and disbursement for first withdrawal application for Bank contribution to Component 2 (Capacity Building) and 3 (Project Management)
October 2013	Submission of Request for no objection to the Bank for projected allocations for CPG for 2014, including Updated Minimum Conditions Status Report
November 2013	Signing of Agreement between WB and EU for transfer of funds from EU in support of Component 1 (Conditional Performance Grant)
November 2013	Announcement to LGs about allocation of Conditional Performance Grant for 2014 – based on Updated Minimum Conditions Status Report
January 2014	Submission of first withdrawal application for Component 1 (CPG), including evidence for compliance with all disbursement conditions
February 2014	1st disbursement for the Conditional Performance Grant for 2014
July 2014	Completion of first performance assessment for 100 LGs for performance in 2013
September 2014	Submission of Request for no objection to the Bank for projected allocations for CPG for 2015, including Performance Assessment Report for 2013
October 2015	Announcement of allocations for 2015 based on performance assessment for 2013
January 2015	Submission of withdrawal application for Component 1 (CPG), including evidence for compliance with all disbursement conditions
February 2015	1st disbursement for the Conditional Performance Grant for 2015

Annex 7: Joint Financing and Parallel Financing Arrangements with EU under LGDP

1. The Local Government Development Project (LGDP) provides for elaborate collaboration between the Bank and the European Union including two types of collaboration on financial support: joint financing and parallel financing. Specifically, the project will integrate support from the EU for the CPG (co-funding under Component 1) and will closely coordinate the support provided from the EU for Component 2 and 3 (parallel funding).

2. EU Joint Financing. The EU has confirmed its support to the Government's PNIDDLE program, with a total EU program contribution of US$25 million. The EU contribution to Components 2 and 3 of the LGDP project will be managed directly by the EU and will be transferred directly to a separate EU project account. The EU contribution under Component 1 will be managed by the Bank, and transferred to the GoM through DAA to the treasury account for CPG. As such, the resources are earmarked for utilization at the local government level as part of the CPG.

3. Joint Financing Arrangements. A trust fund agreement between the Bank and the EU under the existing framework agreement in support of the LGDP will be established to provide administrative arrangements for the transfer of funds from EU to the Bank and then to the DAA through to the special treasury account for CPG. The trust fund is required to make it possible to finance Component 1 of the project, which uses national systems to transfer resources to the local governments. The Bank will have the fiduciary responsibility for the funds provided by EU as per existing World Bank-EU framework agreement arrangements.

4. Justification for EU Joint Financing. The key justification for establishment of a trust fund for the EU co-financing to the LGDP is that the rules of EU development financing currently do not allow for disbursement of resources directly to the local governments using the Government mechanisms and financial management systems. The national program (PNIDDLE) is designed to utilize national systems, and the Bank support allows for transfer of resources under certain conditions. By managing the funding made available by the EU, the Bank will also ensure (i) the timely and reliable transfer of funds to the Government in accordance with the principles of the national program, and (ii) the necessary fiduciary oversight of the resources through financial reporting, auditing and additional project audit as per Bank policies.

5. EU Parallel Financing. Support from EU to Components 2 and 3 will be provided through a regular project approach. EU will supervise the utilization of resources and will target the contributions to the components specifically to the individual budget lines. FM and auditing will be carried in accordance with an agreement between the EU and the Government.

Annex 8: Summary of Baseline Study of Local Governments - December 2012

1. A baseline study for the status of the local governments in Mauritania was conducted in November and December 2012.

2. The main objective of the baseline survey was to provide the Government with updated information about the capacity of local governments in core areas, including:
   (i) Functionality of the LG Council and administration
   (ii) Staffing and HR management
   (iii) Relations with regional departments
   (iv) Financial management (budget preparation, own source revenue collection, expenditure management, reporting, internal controls)
   (v) Budgeting and planning
   (vi) Procurement management
   (vii) Asset management
   (viii) Environmental and social safeguards and management

3. The methodology of the survey was mainly qualitative and based on a simple questionnaire with specific questions for each thematic area. The qualitative information was then complemented by collection of quantitative information, in particular fiscal data.

4. The key findings confirm the overall trends in the LG system in Mauritania in terms of relatively weak capacity, with relatively little difference in capacity between rural and urban LGs. The specific findings per thematic area are as follows:

Staffing levels per LG for three core staff categories (for the 100 participating LGs)

Category of LG	Total # of LGs	Secretary General	Administration and Finance Officer	Technical Service Officer
Best performers (all three staff in place)	8	8	8	8
Medium performers (two-three staff in place)	32	32	22	10
Low performers (none or one staff only)	60	50	2	1

Functionality of the LG Council and administration

- Only 46 of 100 LGs have functioning commissions as stipulated by law - and many of these committees are non-functional
- 89 LGs complete three meetings per year as required by law
- However, the planning of Council meetings is not yet institutionalized. Only 25 of 100 LGs have necessary notification of meetings and preparation of the agenda
- A significant centralization of power with the Mayor: Less than half of the mayors delegate tasks and responsibilities to other Council members, and very few delegate tasks related to financial management
- Only 55 LGs confirm that the agenda for Council meetings is shared with other Council members before the meetings

Staffing and HR management

- 56 LGs have no codified management structure, mainly due to the lack of staff and finances to hire staff
- 47 LGs have a codified management structure for staff, approved by the Council
- 22 LGs have full staff complement, in accordance with their management framework.
- 40 LGs have non-permanent staff who mainly work in supporting functions, secretary, driver, etc.
- 68 LGs declare that they have contracts with all staff, but only 24 LGs are affiliated with the National Public Service
- Staff training and evaluation is not taking place; only 15 LGs are conducting this on a regular basis
- 90 LGs have a SG
- Only 19 LGs have a Technical Officer, 32 LGs have a Finance Officer (RAF)
- 65 LGs have between 2-5 admin support staff and the remaining 35 LGs have more than 5 support staff
- 15 LGs have no archiving and filing system at all (mainly rural LGs)
- Most other LGs have a simple but comprehensive archive system
- Access to archives is restricted – normally only access for the Mayor or the Secretary General

Relationship between the LG and the Department and Deconcentrated services

- The head of department is typically closely involved in LG Council sessions
- However, the relationship is rarely codified in writing and is often informal
- 98 LGs are regularly working with staff from deconcentrated services in project preparation and implementation

Financial Management

- Timeliness of budget preparation: 70 LGs are able to prepare the budget on time (November 30th every year); only 62 have an approved budget by the Council on Dec 31 as per the law.
- Budget preparation: Council Involvement - Mayoral control of budget preparation: The budget is prepared by the Mayor and the Secretary General only in 52 LGs
- Budget compliance: For 83 LGs, all the mandatory items in the budget have been completed and for 73 LGs all the mandatory annexes have been correctly filled.

- Budget performance: 55 LGs have an average budget execution rate of between 80-100%, and 17 LGs have an execution rate of 10-49%.

Revenue Collection

- In total, the 100 LGs in 2010 and 2011 have collected an amount of approximately US$4.8m, or approximately US$5 per capita. The amount collected represents around 20% of the total revenues of the 100 LGs. The amounts vary greatly between different LGs.
- For 62 LGs, the share of own source revenue is between 0-11% of total revenue
- Only 48 LGs complete a tax assessment every year, and only 50 LGs are in possession of a census for tax collection
- Only 37 LGs collect property tax
- Tax collection is limited and often does not cover the costs of collecting: Only 27 LGs collect more revenue that they spend to cover the costs of the LG tax collectors
- The three main taxes collected are: (i) communal tax (69 LGs) (ii) property tax (59) and (iii) fees (41).

Expenditure and expenditure control

- Most expenditures are implemented in accordance with requirements by law, i.e. the ceilings for allocations for investment and for operational costs/recurrent
- Expenditure control is mostly completed in consultation with the Council, but in 12 LGs the Mayor is the only person deciding the level and nature of expenditure
- There is no a priori expenditures control in 45 of the 100 LGs
- Documentation for expenditures is prepared by the Mayor only in more than half of the LGs
- For 65 LGs, expenditure commitments are not managed and controlled in accordance with the legal requirements
- No LG undertakes internal control of expenditures
- More than half of the LGs confirm that the expenditures are not based on minutes from decision in a Council committee meeting
- No external control: only 15 LGs have been exposed to external control (audits, inspection, etc.)

Reporting and supervision of expenditures

- Very limited and insufficient reporting on expenditures: Only 30 LGs complete monthly financial reports as required by the law
- However, the annual financial report is completed on time by 91 LGs. In almost 75% of the cases, the annual financial report is discussed with the LG Council and in 15 LGs the budget is also presented with the citizens in regular meetings
- 27 LGs have no sharing of the financial information to the Council (reporting or budget)
- Very often, there is no separation of roles at LG level: the reporting is completed by the same person who is developing the budget (the mayor)

Procurement

- More than half (59) of the LGs conduct formal request for proposals, whereas a third uses direct procurement
- More than half of LGs have basic procedures of opening bids in public and produce minutes of the evaluation committees meetings
- Almost half of the LGs have no documentation on the procurements completed

Environmental and social safeguards

- Limited capacity: 89 of 100 LGs have not completed any assessment on environmental or social impact of investment projects
- A few LGs have conducted some basis assessment in collaboration with deconcentrated services or with external consultant support
- Limited basic knowledge at LG level: 73 LGs have no knowledge of the existing environmental regulations and codes of the country

Annex 9: List of Participating LGs under LGDP

Wilaya	Capitals - Departments	No.	Rural LGs	No.	Population (2010)
Hodh Echarghi	**Timbedra**	1			14,710
			Touil	1	11,045
			Koumbi Saleh	1	11,404
			Bousteilla	1	18,612
			HassiMhadi	1	12,533
	Amourj	1			3,976
			Adel Begrou	1	44,171
			Bougadoum	1	33,378
	Djiguenni	1			13,028
			Mabrouk	1	6,840
			Feireni	1	7,296
			Benemane	1	5,399
			Aoueinatt Zbel	1	6,801
			Ghligh Ehel Boya	1	5,555
			Ksar El Barka	1	5,564
	Bassikounou	1			9,918
			El Megve	1	7,466
			Fassalla	1	13,182
			Dhar	1	5,732
	Oulata	1			5,509
Hodh El Gharbi	**Tintane**	1			12,556
			Hassi Abdellah	1	4,117
			Aweinatt Tell	1	11,704
			Touil	1	9,498
			Lehreijatt	1	9,401
			Ain Farba	1	8,858
			Gharghar	1	9,477
			Devaa	1	9,498
	Kobeni	1			7,742
			Hassi Ah Bechna	1	14,416
			Timzine	1	15,353
			LeGhlig Ewdje	1	10,746
			Gougui Zemal	1	10,677
			Moudibougou	1	15,718
			Voulaniya	1	11,653
	Tamchkett	1			2,475

Assaba	**Guerrou**	1			20,042
			Oudeyjrid	1	5,021
	Boumdeid	1			4,971
	Kankossa	1			13,533
			Tenaha	1	11,548
			Hamoud	1	25,989
			Sani	1	10,664
			Blajmil	1	15,998
	Barkéol	1			8,147
			Gueller	1	6,054
			Lebheir	1	7,351
			Laweissi	1	14,155
			Daghvegue	1	9,123
			R'Deidie	1	6,544
			El Ghabra	1	16,448
			Bou Lahrath	1	9,739
Tagant	**Moudjéria**	1			2,551
	Tichit	1			3,906
Tiris Zemmour	**F'Dérik**	1			4,632
	Bir Mogrein	1			2,561
Adrar	**Aoujeft**	1			7,587
	Ouadane	1			3,141
	Chinguitti	1			5,192
Gorgol	**Maghama**	1			14,212
	Monguel	1			5,758
			Batet Moit	1	6,818
			Bokkol	1	9,808
			Melzem teichett	1	6,906
			Azgueilim Tiyab	1	11,439
	M'Bout	1			11,371
			Tikobra	1	11,147
			Terenguat	1	10,634
			Voum leghleita	1	20,163
			Edebay Eh Guelay	1	12,828
			Lahrach	1	8,358
			Ndiad Djibeni Gandéga	1	8,275
			Souva	1	8,606
			Chelkhet Tiyab	1	7,878
Brakna	**Boghé**	1			48,006

	Bababé	1			15,090
	M'Bagne	1			13,421
	Magta-lehjar	1			13,988
Trarza	**R'Kiz**	1			12,649
	Boutilimit	1			28,468
	Medredra	1			7,901
	Keurmacène	1			6,881
	Ouad Naga	1			13,094
Guidimagha	**Ould Yengé**	1			6,277
			Bouly	1	13,719
			Tektak	1	7,004
			Dafort	1	14,768
			Bouanze	1	8,770
			Lehraj	1	7,197
			Lewainatte	1	3,450
			Souvi	1	6,182
			Baediam	1	11,602
			Wompu	1	12,363
			Gouraye	1	23,361
			Ghabou	1	27,982
			ARR	1	15,486
			Ejar	1	14,395
			Ould M'Bonni	1	6,628
			Tachott	1	12,170
			Hassi Cheggar	1	14,112
Total		**32**		**68**	**1,140,070**

Annex 10: IBRD Map 39860 showing Local Governments included under LGDP

MAURITANIA
LOCAL GOVERNMENT DEVELOPMENT PROJECT

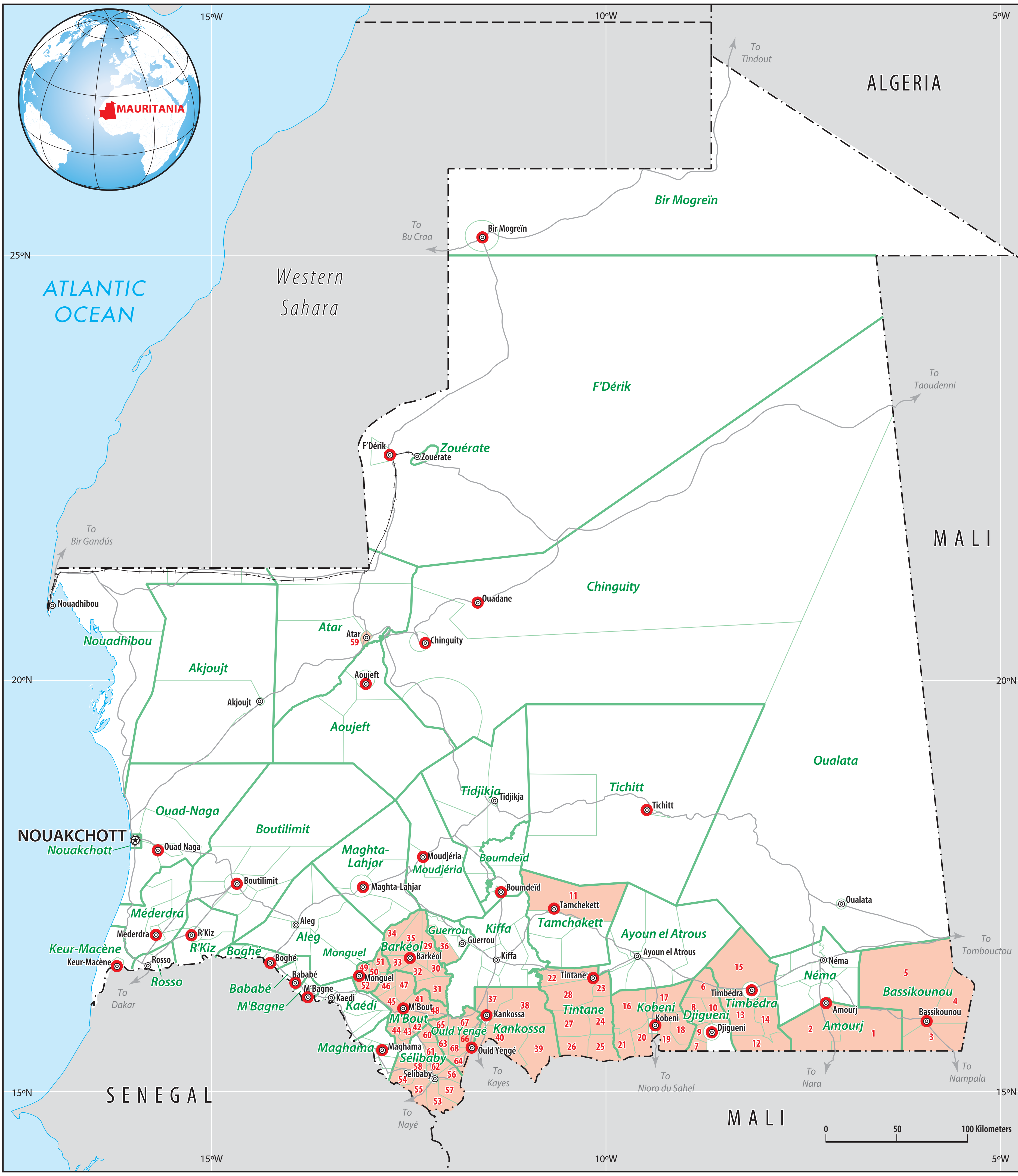
GSDPM Map Design Unit

PROJECT:

- PARTICIPATING MOUGHATAA (DEPARTMENT) CAPITALS
- PARTICIPATING RURAL COMMUNES*

* See list below

- MOUGHATAA (DEPARTMENT) CAPITALS
- NATIONAL CAPITAL
- MAIN ROADS
- RAILROADS
- COMMUNE BOUNDARIES
- MOUGHATAA (DEPARTMENT) BOUNDARIES
- INTERNATIONAL BOUNDARIES



PARTICIPATING RURAL COMMUNES:

1 Adel Bagrou
2 Bougadoum
3 Vessala
4 El Megvé
5 Dhar
6 Aoueinatt Z'bel
7 Feïreni
8 Benamane
9 Kasr El Barka
10 Ghalig Ehel Boye
11 Mabrouck
12 Bousteila
13 Hassi M'hady
14 Coumbi Saleh
15 Touil
16 Hassi Ehel Ahmed Bechine
17 Timzine
18 Leghlig
19 Gogui-Zemal
20 Modibougou
21 Voulaniya
22 Deva
23 Hassi Abdellahi
24 Aouinatt Tell
25 Touil
26 Lehreijatt
27 Aïn-Farba
28 Gharghar
29 Gueller
30 Lebheïr
31 Laoueïssi
32 Daghregh
33 El Ghabra
34 R'Deidih
35 Boulahrath
36 Oudey Jrid
37 Sanni
38 Blajmil
39 Tenaha
40 Hamoud
41 Tikobra
42 Terenguet Ehel Moulaye
43 Diadjibini Gandéga
44 Edebaye Ehel Guelaye
45 Voum Gleïta
46 Chelkett Tiyab
47 Lahrach
48 Soufa
49 Bathet Moit
50 Bokol
51 Melzem Teïchitt
52 Azgueilim Tiyab
53 Ghabou
54 Wompou
55 Gouraye
56 Souvi
57 Baydiam
58 Arr
59 Ajar
60 M'Bonny
61 Tachott
62 Hassi Cheggar
63 Daffort
64 Boully
65 Bouanz
66 Leweinatt
67 Lehraj
68 Tektack

JUNE 2013

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