
MAURITANIA

2024

January

Components: Revenue and Spending

Modules: RM I – Tax Policy

RM II – Revenue Administration

SM I – Spending Policy

SM II – Managing Public Finances

*MAURITANIA***PROJECT SUMMARY**

COUNTRY (S): Mauritania

LEAD DEPARTMENT: Fiscal Affairs Department

REGION (S): Middle East and Central Asia

PROGRAM ID: (To be filled out by Secretariat)

PLANNED DATES: 2/1/2024– 4/30/2027

FUNDING PROGRAM TITLE: GPFP Mauritania

PROJECT MANAGERS:

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ESTIMATED BUDGET \$4,193,872

BUDGET FOR ENDORSEMENT: \$1,679,594 through FY25

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I. PROJECT PURPOSE

The Mauritanian authorities have expressed interest in a new CD program to ensure continuity of reforms in both revenue and spending, which benefited from support of the Fiscal Affairs Department (FAD) in recent years.¹ The authorities started the implementation of an ambitious program to mobilize revenue, with tax revenue collection being key to achieving the expected results; tax-to-GDP ratio in Mauritania has been below 15 percent, which is insufficient to meet the country's development needs. Updating the country's tax system and building capacity at the recently created Tax Policy Unit (TPU) within the Ministry of Finance (MoF) will be instrumental to achieving a higher tax-to-GDP ratio. At 25 percent of GDP, spending is not particularly low, but authorities have concerns on the adequacy, fiscal sustainability, and efficiency in the use of these resources.

Based on these priorities, this program will support both revenue and spending reform efforts, with the medium-term objectives and outcomes being part of ongoing and new initiatives agreed with authorities. On Tax Policy (RM I), the project will help authorities improve their tax policy design through reforms of different tax regimes and existing regulation (e.g., general tax code, investment code) and strengthen their policy monitoring, evaluation, and institutions within the MoF, through the operationalization of the TPU and the improvement of tax expenditures estimation. On Revenue Administration (RM II) CD focus will be on improving organizational and governance arrangements as well as enhancement of tax compliance, including preferential regimes, and supporting the modernization of core tax and customs administration. On Spending Policy (SM I), the MoF should acquire new skills and expertise for its staff to conduct spending reviews, identify areas where the spending is not adequate, fiscally sustainable, or efficient. The Managing Public Finances (SM II) module will support authorities in their efforts to adapt to climate change and mitigate its impact by improving the efficiency of public investment and better tracking of climate-related expenditures.

The four-year project has been discussed with the authorities, and the medium-term objectives and outcomes were agreed upon. The estimated budget for this four-year project is \$4,193,872, but endorsement is requested for \$1,679,594 through FY25. Endorsement for future plans will be requested at a later date as funding for the program is secured and reform plans gain traction.

¹ Fiscal Affairs Department (FAD) and AFRITAC West (AFW) support was provided to the General Tax Directorate (GTD) from January 2012 to January 2024, using funding of the Tax Policy and Administration Topical Trust Fund (TPA-TTF) and the Revenue Mobilization Trust Fund (RMTF). More recently, CD was provided to the Ministry of Finance on public investment and climate-related issues through multiple funds with the financial support of Germany, Japan and the Managing Natural Resource Wealth (MNRW) initiative.

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II. BACKGROUND

Macro-fiscal situation

Mauritania's economic performance in 2022 was positive, with robust real GDP growth driven by the extractive sector, decreasing inflation, and a narrowing current account deficit. The central government non-extractive primary balance (including grants) is expected to narrow from 7.4 percent of GDP in 2022 to 3.8 percent in 2023. Public debt was at 49 percent of GDP at end-2022 and will slightly decline to 48.7 percent of GDP in 2023. However, Mauritania has structural challenges related to infrastructure, governance, vulnerability to economic shocks, and limited economic diversification and has significant development needs. Meanwhile, tax revenue projected at 14.1 percent for 2023, remains insufficient to finance its needs. This low tax performance is mainly attributable to tax expenditure, estimated at over 2 percent of GDP in 2021.² Additional factors include the size of the informal economy, low levels of industrialization, and weak administrative capacity.

Country engagement and alignment to reform priorities

Mauritania is pursuing a medium-term fiscal consolidation strategy under the ongoing IMF-supported ECF/EFF program, amid significant development and climate change adaptation needs. Previous CD support and FAD-led diagnostics (e.g., PIMA, C-PIMA and TADAT) have identified reforms needed in key areas, which are at different stages of development. Though enhanced tax collection is a crucial source of funding for higher social and investment spending, higher efficiency and eliminating wasteful spending should provide additional fiscal space.

On Tax Policy, the authorities have leveraged the IMF program to support key structural reforms. Tax-related regulation has been updated to: (i) make corporate income tax (CIT) declaration compulsory, including for companies that benefit from tax holidays; (ii) submit a revised investment code that rationalizes derogatory regimes; and (iii) reform the consumption tax. CD support has also been provided to improve tax expenditure assessments and support the operationalization of the TPU established in September 2023. Moreover, the authorities have embarked on a revision of the 2013 Free Zone law that covered a large area, including the town of Nouadhibou, thereby creating substantive fiscal risks without demonstrating clear benefits. Unclear administrative arrangements and lack of collaboration with the Zone authorities continue to hamper the management of taxpayers operating in the Free Zones by the Tax and Customs administrations (CA).

On the revenue administration side, several obstacles are preventing the GTD and the CA from implementing an efficient and effective tax collection. The obstacles in tax administration include but are not limited to: (i) an extremely complex legal-fiscal system with too many derogatory tax arrangements (Free Zones, tax provisions existing in the oil and Mining codes, Investment Code, specific scheme for the Grand Tortue Ahmeyim (GTA) gas project); (ii) an outdated organizational structure; and (iii) absence of a modern reform governance framework. Absence of proper exchange of information between CA and other public administrations; high concern of the integrity and efficiency of customs particularly present in the trade free zones, are key challenges in the customs administration (CA).

² Some tax expenditures are not included in the estimate due to identification issues. Ongoing and forthcoming reforms will allow improving tax expenditures identification.

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Mauritania is undertaking significant efforts to improve the quality of its spending. Developing a more targeted approach to subsidies should enhance the impact of social spending, while additional fiscal space can result from the elimination of wasteful spending, such as public utility subsidies. Authorities are also interested in building capacity to identify expenditure savings without compromising social outcomes.

Moreover, authorities are taking steps to make its public infrastructure more climate resilient and reduce emissions, for which a strengthened management of public investments is required.

Following a CPIMA in 2023, the authorities are working on a set of actions to make public infrastructure more climate resilience. To achieve this, regulation and investment strategies in key sectors, such as energy, agriculture, water management and land utilization, are being developed, while legislation strengthening project preparation and oversight is under preparation. PFM support will aim to create an enabling environment to strengthen Mauritania's adaptive capacity and support its transition to climate-sensitive PFM and green and resilient infrastructure.

III. PROJECT LEVEL DESCRIPTION

A. Project Scope

Mauritania has substantial and wide-ranging CD needs. The proposed CD activities will support the implementation of the IMF-supported program (ECF/EFF and RSF) deemed macro-critical to support reforms of economic frameworks and institutions, with a view to improving economic outcomes, policymaking, transparency, and governance. CD will focus on building capacity in key functions on both revenue and spending, acknowledging the authorities' request for increased traction and training of staff to ensure sustainability and onboarding of new senior staff.

Module RM I / Tax Policy

This module will build on previous CD work and a TP diagnostic requested by the Mauritanian authorities to define a priority action plan for specific activities related to TP.³ A CD engagement planned for January 2024 will aim to review the various tax regimes with the objective of improving and simplifying the tax policy framework to reduce tax expenditures and improve domestic revenue mobilization. This will likely require rationalizing derogatory regimes to make the tax system more equitable and efficient and cover work on the general tax code, the investment code, the Nouadhibou free zone law, and other sectoral laws, including the hydrogen sector.

Capacity-building activities will focus on improving the evaluation of tax expenditures and operationalizing the newly created TPU. Previous activities have enabled the modernization of the methodology for estimating tax expenditure. Structural reforms implemented by the authorities and supported by the IMF program, i.e., the reform of the codification of imported products, the CIT declarative obligation for all taxpayers, e-filing and online payment, as well as the reform of the consumption tax, are elements which will improve the tax expenditure assessment exercise. Next steps include continuing capacity building within the MoF, through support for the TPU training and further modernizing the estimation of tax expenditures.

³ A tax policy diagnostic engagement is planned for January 2024.

Module RM II / Revenue Administration

This project will support the transformation of the GTD and the CA into modern and efficient RAs.

CD activities undertaken as part of this project will assist the GTD and the CA with the practical implementation of most of the following objectives:

- development and implementation of a strategic reform program;
- building effective reform governance and ensure efficient organizational arrangements are in place for the effective delivery of strategy and reforms;
- strengthening of core tax and customs administration performance areas; and
- improving customs administration functions enforcement strategies, valuation techniques, and post clearance audit (PCA) processes.

The GTD and the CA already have some priority actions to implement. A key priority is to develop a medium-term strategic plan and to prepare and adopt strategic and operational plans. Some key areas that have been identified for CD under this program include:

- Build staff understanding of the risk management approach. Improve the structure and operations of tax administration to gradually implement this approach. Enhance the knowledge and skills of customs staff to develop a structured risk assessment process to assess and prioritize compliance risks and strengthen the role of the existing risk committee.
- Clarify roles of tax and customs stakeholders. Review the organizational structure to differentiate the roles of headquarters and regional offices, and the mandates of the GTD and the CA for taxpayers, public and private institutions.
- Strengthen tax audit. The current tax audit is not following the risk-based approach, lacks quality control and is not managed by a dedicated unit. The next steps are to review the governance framework of the audit function, ensure that the tools and procedures specified for high-coverage audits are applied institutionally.
- Clarify tariffs of imported products. Exempted goods are special tax incentives constituting tax expenditures. In addition, the risk-based approach is still at a very early stage and has to be strengthened by improving the governance framework, developing procedures and increasing the capacity building of the customs staff.
- PCA is currently in a very basic stage. The CA has applied the PCA approach only on few cases due to the limited knowledge of the staff, therefore a proper PCA program has to be developed to improve the trade facilitation process.

CD will also be delivered to the RAs to assist with strengthening the revenue management of the free zones. Mauritania has an extremely complex legal-fiscal system with too many derogatory tax arrangements (Free Zones, specific scheme for the GTA, tax provisions existing in the oil and Mining codes, Investment Code, agreements signed with certain economic operators), in summary jurisdictions that do not cover entirely the Mauritanian territoriality (Free zones, GTA, etc.). Since the CA has a very limited power on trade free zones, efforts should be invested to set up a framework to improve the control of the free zones and the businesses operating in those zones. Involvement of the GTD and the CA from the beginning in the development of the above arrangements proves to be an essential condition to improve domestic revenue mobilization.

Module SM I / Spending Policy

The program will support the authorities in reviewing the impacts of subsidies. A priority is the reform of water subsidies to address its key fiscal, economic, environmental, and social impacts. CD in this area will help authorities to undertake (i) an estimation of the total subsidies (gap between cost-recovery and tariffs), (ii) an incidence analysis of subsidies across households (to assess targeting), (iii) simulations of tariff reforms and their redistributive impact, and (iv) develop recommendations of measures to mitigate the impact of price changes on vulnerable households. This CD work will provide crucial input for the forthcoming RSF program and assist the authorities in implementing agreed reform measures.

A second program priority is the development of a spending reviews and policy analysis to enrich policy discussion. CD following a workshop format should provide authorities with a high-level benchmarking of public expenditure in Mauritania and outline the organization of the spending review process. This interaction will start building capacity among staff in this area and will also provide an opportunity to identify priority topics and scope subsequent CD engagements to allow for a more in-depth assessment of public spending. In addition to the work on pensions conducted in FY23, other areas of interest could be:

- Energy subsidy reforms component would support authorities identify options to reduce the cost of subsidies, assess distributional implications, design pricing mechanisms, and implement mitigating measures to protect the vulnerable.
- Public wage bill management component would assess compensation and employment measures consistent with efficient service delivery.
- Sustainable development goals (SDG) costing would result in estimates of the spending required to reach the SDGs.
- Social safety nets (SSNs) reviews would assess the ability of SSNs to protect the vulnerable from shocks without undermining fiscal sustainability and macroeconomic stability.

Building capacity in these areas is a priority to ensure a continuous policy analysis and ensure integration with decision-making processes. Enhanced policy analysis capacity and demonstration effects for senior management in ministries in the value of such analysis should also lead to changes in internal processes to better integrate the analytical findings into decision-making, ultimately leading to improved policies. Hands-on demonstration on the Expenditure Assessment Tool (EAT) should enable authorities to strengthen spending analysis and identify sources of spending inefficiencies.

Module SM II / Managing Public Finances

This module will support Mauritania enhance the climate change sensitivity of its PIM and budget frameworks. In the medium term this should make the country's public infrastructure more climate resilient and reduce emissions, while allowing enhanced monitoring of climate change-related expenditures. Support will build on the recommendations of the 2020 PIMA and 2023 Climate PIMA.

CD will support the review of legislation to integrate climate aspects in the different PIM stages.

This implies introducing climate change considerations into project conceptualization, appraisal, and selection, procurement, and implementation execution. In particular, authorities are amending a decree from 2016 to integrate climate aspects into the stages of PIM (conceptualization, appraisal, selection, and execution) and will publish all documentation. At a later stage, they will pilot the implementation of a climate screening template for major projects.

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Authorities are envisaging a sequence of reform measures to establish a comprehensive climate budget tagging (CBT) in the medium-term to improve quality of spending and accountability. This will require creation of a taskforce to lead the development of guidelines and planning tools to piloting the CBT in key areas, to ultimately introduce the full-fledged CBT. FAD will support this process while at the same time advise on the necessary pre-requisites and accompanying reforms needed for CBT to effectively play a role in encouraging the allocation of budget resources towards climate mitigation and adaptation.

Table 1. Summary of Objectives covered by the Proposal

Component	Module	Objective
Revenue	RM I / Tax Policy	Improve Tax Policy Design Strengthen Policy Monitoring, Evaluation, and Institutions
	RM II / Revenue Administration	Strengthened revenue administration management and governance arrangements. Strengthened core tax administration functions. Improved customs administration functions.
Spending	SM I / Spending Policy	Strengthen Expenditure Policy Formulation and Design Strengthen Policy Evaluation and Institution Building
	SM II / Managing Public Finances	Integrate climate aspects in PIM cycle, notably at project selection, appraisal and ex-post evaluation. Track climate related spending in the budget. Build capacity to better coordinate efforts on climate PIM and green public financial management (PFM) across key ministries.

B. Country Engagement

Mauritania has been a beneficiary of FAD CD in both revenue and spending. Significant CD support has been provided to the GTD between FY2012 and FY2024 under the TPA-TTF and the RMTF projects, but reforms have progressed too slowly. Those projects aimed at (i) improving the tax administration organization structure; (ii) developing and implementing modern systems and procedures; (iii) improving resource management and performance assessment, and (iv) compliance enforcement. As a result, a compliance risk management (CRM) framework has been implemented, and with FAD support, actions plans were developed to deal with the major weaknesses identified through the FAD missions and the 2022 TADAT assessment. More work needs to be done to fully implement reforms in many areas.

FAD's CD activities on tax policy in recent years include two missions on tax expenditure assessments and tax incentives and a joint mission on climate and tax policy with FAD's Climate Policy division. The latest CD on tax expenditures assessment recommended measures to improve tax expenditure exercise. These are implemented under the IMF ECF/EFF program and include the reform of the codification of imported products to better identify imports benefiting from special regimes, the declarative obligation for all taxpayers, the tele-declaration and online payment, as well as the reform of the consumption tax. The methodology will thus be improved considering those updates and developments.

Key support on spending has also been provided and will inform future CD engagements and reform priorities. On spending policy, a CD mission on the assessment of the Mauritanian pension system was provided by FADEP in FY2024. On managing public finances, a Public Investment Management Assessment (PIMA) in 2020 and a climate PIMA in 2023 identified key reforms in this area,

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which are currently being implemented by the authorities. It also supported a governance diagnostic and provided advice on gas revenue management through the MNRW.

C. Delivery Modalities

CD delivery will prioritize in-person activities due to the low capacity of the country and the need for a more hands-on approach. Virtual deliveries will be used to the extent possible specially to provide efficiencies to on the ground support, including pre-engagement meetings and post-up meetings. The following CD activities will be delivered as a package:

- **Headquarters-led (HQ) missions and staff visits** to provide strategic recommendations, conduct regular follow-ups, assess progress, inspect STX work, coordinate with other TA providers, and adjust reform implementation plans.
- **Short-term expert (STX) visits** to help implement the recommendations delivered by the HQ missions; a limited number of STXs will be assigned to provide specialized assistance in specific areas of revenue administration.

D. Coordination / Cooperation

Authorities are receiving FAD support through multiple channels. The GTD and the CA are currently receiving FAD CD on tax and customs through AFW, while the MoF is receiving support on PFM through AFW and the MNRW initiative.⁴ Recent AFW CD support to the GTD has focused on strengthening the medium-sized taxpayer unit (MTU) of Nouakchott, assessing the Information Tax Core System. Support was provided to CA in the areas of digitalization, risk analysis, and post clearance audit (PCA). On spending, climate and PIM have been main areas of recent focus.

When designing specific country-based activities and workplans, this program will seek to define the emerging challenges in an integrated and coordinated manner. Appropriate linkages with the existing CD programs are defined using the IMF's result-based management (RBM) framework. Under FAD supervision, AFW will continue to provide CD support to both tax and customs administrations. FAD will continue to 'backstop' AFW CD planning and delivery in Mauritania to ensure consistency and quality control. This CD, alongside that provided under the MNRW, will be fully integrated with this program in a single work plan to be agreed with the authorities.

Several development partners (DP) support tax administration and tax policy reforms in Mauritania. The World Bank (WB) provides support for taxpayer registration and intends to start a 3-year program on tax policy issues, including analytical studies on tax potential and the cost-benefit analysis of tax incentives. It also provides support on the management of public finances, in particular in procurement and in sectors such as water management. The German Agency for International Cooperation (GIZ) helps with communication tools. The European Commission (EC) supports general capacity building and is expected to help build internal audit capacity. France has assigned a long-term advisor to the Director General of the GTD and provided some support in the past to the CA. France also supported the move to accruals accounting through a resident advisor at the MoF.

Project managers will seek collaboration with CD providers in the respective areas to ensure regular exchange of information and discuss areas of support. While there is not a formal DP

⁴ Mauritania is a member of AFW since 2003.

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coordination committee, the IMF Res. Rep. assists FAD by setting up meetings with donors during major CD deliveries in the country, and this practice will continue. The authorities will be advised on the need to coordinate the various CD providers to seek a more formal arrangement to improve cooperation among the IMF and the other three key DPs.

CD activities in spending policy area should be complemented by institutional capacity to strengthen the MOF's capacity to effectively engage with line ministries and agencies and inform policy makers. This will require careful collaboration with other CD providers focused on developing the capacity of line ministries and agencies in sectoral spending policy formulation, design, and implementation (e.g., UNICEF and World Bank) and on strengthening PFM systems (FAD, UNICEF, and World Bank).

IV. RISK ASSESSMENT AND MITIGATION

General or Module	Description	Risk Probability	Risk Impact	Mitigation Measures
External climate/conditions				
General	Higher frequency and severity of climate-related natural disasters, which affect economic stability and growth and create large adaption needs.	High	Low	Further strengthening of revenue policies to deal with natural disasters and to ensure continued and additional revenue mobilization.
Political Support				
General	There is strong support for revenue administration and TP modernization from the Minister of Finance. Authorities expressed their willingness to receive support to improve spending efficiency and level up existing capacity conduct spending reviews.	Low	Low	Maintain good contact with the Minister of Finance and ensure Minister's support to strengthen the work of the GTD and leverage MCD to maintain contact and provide progress briefings with Minister on priority areas. Conduct a scoping mission to gain a fine-grained understanding of the needs and take stock of the existing capacity.
	Some issues, including subsidies removal, infrastructure governance, and resource revenue management are usually politically sensitive and could trigger some resistance.	High	High	Highlight the pressing needs in terms of infrastructure and social spending. Reiterate the case that subsidies are an inefficient type of spending.

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Management and Technical Staff Support and Commitment				
RM I / Tax Policy	Reform commitment with the newly agreed IMF ECF/EFF program, but weak capacity of staff could delay the execution of the project.	Medium	Medium	Strengthen Staff management and technical abilities and ensure effective knowledge sharing between Staff
RM II / Revenue Administration	Reform commitment of senior officials is high but weak technical skills among the staff could create obstacles to efficient delivery of the program.	High	High	Strengthening management capabilities and technical knowledge of staff.
SM I / Spending Policy	The activities need to be tailored to the technical capacity of officials	High	High	Establish contact with counterparts to identify the needs more precisely through a scoping mission.
Managing Public Finances / SM II	Reform commitment is high under the IMF program, but coordination between MOF and M. of Economy needs to be enhanced and staff turnover minimized	Medium	Medium	Better coordination between Ministries of Finance and Economy, which has started in a number of areas
Resource Adequacy				
RM I / Tax Policy	Current capacity to achieve results is low, as is the adequacy of resources	High	High	More resources and stronger reform management are needed
RM II / Revenue Administration	Lack of office space and equipment for tax administration staff.	High	High	Authorities to be encouraged to provide necessary resources to the tax administration to maintain the day-to-day operations (infrastructure, etc.)
SM I / Spending Policy	Quantitative skills and analytical software proficiency	High	High	Scoping mission to establish contact with counterparts to identify the needs more precisely, adjust the pace and overall expectations of the workshop.
SM II / Managing Public Finances	Historically high staff turnover, especially at senior level.	Medium	Medium	In the last year, senior staff turnover has reduced considerably in MOF
Other risks				
RM II / Revenue Administration	Multiple donors are providing assistance to the revenue agencies which could possibly create gaps and overlaps in donor	Low	Low	Establish mechanisms to incorporate and coordinate all partner CD relevant to the program's implementation.

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V. CD DELIVERY PLAN COUNTRY LEVEL

Table 2. Summary of Indicative CD Delivery

CD Modalities (Remote or Field-based CD)	FY24	FY25	FY26	FY27	Grand Total
RM I / Tax Policy					
HQ-led CD mission	1	1	1	1	4
STX visits	-	1	1	1	3
Staff or other visit	-	-	1	-	1
Interactive Learning (in-person workshop)	1	1	1	1	4
RM II / Revenue Administration					
HQ-led CD mission	1	1	-	-	2
STX visits	1	5	4	4	14
Staff or other visit	-	-	1	1	2
SM I / Spending Policy					
HQ-led CD mission	-	1	1	1	3
Interactive Learning (in-person workshop)	-	1	1	1	3
SM II / Managing Public Finances					
HQ-led CD mission	-	1	-	-	1
STX visits	-	1	2	-	3

Table 3. First year workplan

Timing	CD Area	CD Delivery	Proposed Topics of CD
RM I / Tax Policy			
FY24 – Q4	HQ-led CD mission	HQ mission	General TP Diagnostic mission
FY24 – Q4	Workshop	1 STX	Training for the Tax Policy Unit
FY25 – Q1	Workshop	1 STX	Training for the Tax Policy Unit
FY25 – Q2	STX visit	2 STX	Tax – Follow up mission on tax expenditures assessment
FY25 – Q4	HQ-led CD mission	HQ mission	Follow up mission on the TP Diagnostic
RM II / Revenue Administration			
FY24 – Q4	Diagnostic / Scoping	HQ (FB)	Development of a reform plan
FY24 – Q4	STX visit	1 STX (FB)	Tax: Assessment of the management of the free zones in the GTD
FY25 – Q1	Diagnostic / Scoping	HQ (FB)	Customs - Diagnostic mission
FY25 – Q2	STX visit	1 STX (FB)	Tax: Reviewing free zones procedures

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Timing	CD Area	CD Delivery	Proposed Topics of CD
FY25 – Q2	STX visit	2 STX (FB)	Customs – strengthening control of special regimes (free zones) Tax: Reviewing organization structure including derogatory regimes
FY25 – Q3	STX visit	1 STX (FB)	Customs follow-up - strengthening control of special regimes
FY25 – Q4	STX visit	1 STX (FB)	Tax – Developing coordination procedures between tax, customs, and free zones administrations.
SM I / Spending Policy			
FY25 – Q1	HQ-led CD Mission	HQ (FB)	Water Subsidy Reform
FY25 – Q2	Workshop	HQ (FB)	Spending Review
SM II / Managing Public Finances			
FY25 – Q2	HQ-led CD mission	HQ (FB)	Implementing C-PIMA and green budgeting
FY25 – Q3	STX	1 STX (FB)	Climate budget tagging – guidelines and manuals

VI. PROGRAM FINANCIALS

	FY24 Q4	FY25	FY26	FY27	FY28	TOTAL (USD)
Direct Delivery	357,247	1,212,466	923,320	819,820	606,653	3,919,507
Module RM I - Tax Policy	64,403	301,066	340,744	319,401	328,983	1,354,596
Module RM II - Revenue Administration	292,844	422,562	224,112	230,836	0	1,170,354
Module SM I - Spending Policy	0	254,108	261,731	269,583	277,671	1,063,093
Module SM II - Managing Public Finances	0	234,730	96,733	0	0	331,464
Subtotal	357,247	1,212,466	923,320	819,820	606,653	3,919,507
Trust fund management fee (7%)	25,007	84,873	64,632	57,387	42,466	274,365
TOTAL	382,255	1,297,339	987,953	877,207	649,119	4,193,872

The estimated budget for this four-year project is \$4,193,872, but endorsement is requested for \$1,679,594 through FY25. Endorsement for future plans will be requested at a later date as funding for the program is secured and reform plans gain traction.

ANNEX I. REVENUE MODULE 1 – TAX POLICY

A. Program Objectives

On Tax Policy (TP), the project will have two main objectives: (i) Improving the Tax Policy Design with a reform of the different tax regimes and texts, including the general tax code, the investment code, the free zone law, and other sectoral regimes and (ii) strengthening policy monitoring, evaluation, and institutions. CD activities will focus on:

- Simplifying the different tax regimes to improve business environment and remove inconsistencies in the different legislations,
- Improve distributional fairness across taxpayers by reducing tax expenditures and promoting a more equitable tax system,
- Improving domestic revenue mobilization through higher tax revenues,
- Updating the tax expenditures assessment methodology considering developments over years,
- Improving structures and capacity related to tax policy advice and analysis, including organization of the tax policy unit, and building tax models or other tools for analysis and revenue forecasting.

B. Expected Results

The outcomes to be achieved are:

- Economic efficiency of the tax system by minimizing economic distortions or addressing externalities or market failures will be improved. The reform of the different tax regimes and laws will allow to simplify the tax system and improve its productivity through reduced special regimes and higher tax revenue collection. This will improve business environment by simplifying and removing inconsistencies in the tax regimes with regards to the government priorities.
- Distributional fairness across taxpayers due to amended tax rates or bases will be improved. The project will aim to reduce tax expenditures (exemptions, low rates, etc.) benefiting mainly high-income taxpayers. This consists in enhancing transparency of the tax system, reducing special regimes over time, and promoting a more equitable tax system.
- The project will contribute to improve tax revenue mobilization through higher tax-to-GDP ratios.
- The structures and capacity related to TP advice and analysis, including organization of tax policy units, and building tax models or other tools for analysis and revenue forecasting will be improved. That will consist in the strengthening the ability of the TPU to produce tax expenditures assessment, TP analysis, advice, and monitoring work.
- Transparency and outreach will be improved through an operationalization of the TPU and the continuation of the publication of tax expenditures assessment reports.

C. Targeted Logical Framework - TAX POLICY

Objective	
Improve Tax Policy Design	
Outcome(s)	Indicator(s)
Improved distributional fairness across taxpayers due to amended tax rates or base	Laws implementing amendments aimed at greater horizontal equity are passed
	Laws implementing amendments aimed at greater vertical equity are passed
Increased economic efficiency by minimizing economic distortions or addressing externalities or market failures	Adopt legislation that reduces economic distortions
	Taxes are introduced or amended to address externalities
Increased/decreased revenue quantity	Laws implementing amendments to raise revenues are passed
	Revenue change
Objective	
Strengthen Policy Monitoring, Evaluation, and Institutions	
Outcome(s)	Indicator(s)
Improved structures (e.g., tax policy units) or capacity (e.g., models and tools) related to tax policy advice and analysis.	Tax policy and analysis unit is strengthened or setup
	Improved models to evaluate tax policy adopted
Improved transparency and outreach	Dedicated tax policy and analysis unit is set up, staffed and operational
	Tax expenditures are published

ANNEX II. REVENUE MODULE 2 – REVENUE ADMINISTRATION

A. Program Objectives

On Revenue Administration (RA), CD will focus on three objectives: (i) Strengthened management and governance arrangements; (ii) Strengthened core tax administration; and (iii) Improved customs administration. In particular, CD activities will focus on:

- Developing a multi-year reform implementation plan
- Developing and supporting the implementation of strategic and operational plans
- Implementing the compliance risk management approach
- Reviewing the organizational structure of the revenue administrations
- Implementing the risk-based approach during the customs clearance process
- Strengthening the framework for the control of special regimes and exemptions in customs.

B. Expected Results (outcomes)

CD under this module is expected to help Mauritania achieve sustained revenue improvements and develop stronger administrative institutions. The project is designed to strengthen Mauritania's institutional capacity and modernize its overall tax and customs operations and facilitate their further improvement. The expected results of this engagement are:

- The RAs management and governance arrangements will be strengthened. The GTD's capacity to manage compliance risks will be developed and strengthened using a structured approach.
- The project will strengthen the insufficiently developed internal and external governance framework, a weakness identified by the 2022 TADAT assessment. A strategic reform plan, complemented by operational plans, will be developed with appropriate reform governance arrangements.
- The accurate reporting core tax administration function will be improved. Tax audit will be strengthened and will be supported by a quality control.
- Use of information collected by the GTD will be improved. The appropriate use of the information captured in the tax administration Integrated Tax Core System should allow for better monitoring of project deliverables, compliance improvement and revenue increases.
- Weak functions in the CA will be strengthened. The risk-based approach will be efficiently implemented during the clearance process and a proper PCA program will be developed. Support will be provided to set up a framework to improve the control of the free zones and the businesses operating in those zones.

C. Targeted Logical Framework - REVENUE ADMINISTRATION

Objective	
Strengthened revenue administration management and governance arrangements (SDG 17.1)	
Outcome(s)	Indicator(s)
Capacity to reform increased due to clear reform strategy and strategic management framework adopted and institutionalized	Multi-year reform implementation plan, with supporting resource plan, adopted and well communicated
	Strategic and operational plans prepared and adopted
Corporate priorities are better managed through effective risk management	Better identification, assessment and mitigation of institutional risks (TADAT POA2-6)
	Better mitigation of risks through a compliance improvement program TADAT POA2-4)
Organizational arrangements enable more effective delivery of strategy and reforms.	Clear organizational structure along functional lines and/or taxpayer segments established and operating or strengthened
	Clear separation of roles and responsibilities between HQ (definition of standard operation procedures, planning and monitoring) and local branches (execution) adopted
Objective	
Strengthened core tax administration functions (SDG 17.1)	
Outcome(s)	Indicator(s)
Audit and other verification programs more effectively ensure accuracy of reporting.	Appropriate range of tax audits and other initiatives used to detect and deter inaccurate reporting and fraud (TADAT 2015 POA6-16/TADAT 2019 POA6-19)
Objective	
Improved customs administration functions (SDG 17.1)	
Customs control during the clearance process more effectively ensures accuracy of declarations	Effective application of procedures based on international standards for valuation, origin and the tariff classification of goods improved.
	Risk-based control selectivity applied more consistently
Audit and anti-smuggling programs more effectively ensure enforcement of customs laws	A larger share of trade controlled progressively through a properly designed post clearance audit program
	Framework to control special regimes and exemptions strengthened.

ANNEX III. SPENDING MODULE 1 – SPENDING POLICY

A. Program Objectives

The main program objectives within the spending module are to: i) address key fiscal, economic, environmental, and social impacts of subsidies and their reform, and ii) rationalize public expenditure in the short term. The immediate priority is to support authorities undertake a reform of water subsidies, with subsequent activities aiming at strengthening overall capacity to review and analyze public spending and conduct in depth review of areas identified as crucial during the overall spending review, in coordination with authorities. CD activities will focus on:

- Assessing the size of subsidies in the water sector and the distributional implications of removing them and designing reform scenarios that appropriately take into account mitigation measures to protect vulnerable groups of population.
- Providing a basic understanding of how to strengthen and prioritize spending policies in the main sectors/areas accounting for an important share of government spending and the data and methods required to assess their adequacy, efficiency and fiscal sustainability.

B. Expected Results

CD support under this program should achieve:

- An assessment of the different impacts of water subsidies and opportunities for reform.
- Better understanding of the economic principles guiding spending reviews in the different domains.
- Training on the Expenditure Assessment Tool (EAT) used to frame the spending review.
- Increased capacity of the authorities to independently undertake high-quality policy analysis on a range of spending policy topics and incorporate findings from these analyses into policy discussion.

C. Targeted Logical Framework- SPENDING POLICY

Objective	
Strengthen Expenditure Policy Formulation and Design	
Outcome(s)	Indicator(s)
Reduce subsidies while mitigating impact on vulnerable households	Existing social safety nets are capable of protecting vulnerable groups from price reform
	Public subsidy spending, in percent of GDP
Objective	
Strengthen Policy Evaluation and Institution Building	
Outcome(s)	Indicator(s)
Authorities have an understanding of opportunities to enhance the adequacy, efficiency, and sustainability of public expenditure	A baseline of current and projected spending is developed
	Authorities are able to evaluate impact of different expenditure policy options

ANNEX IV. SPENDING MODULE 2 – MANAGING PUBLIC FINANCES

A. Program Objectives

The module on Managing Public Finances will aim to support reforms in public investment management, taking into account the climate change-related aspects, and in green public financial management. In particular, CD activities will focus on:

- Support on the review and drafting of legislation, regulation and guidance to integrate climate aspects in project appraisal, selection and evaluation.
- Support the implementation of green budget, including the piloting of climate budget tagging in key sectors.

B. Expected Results

CD should help authorities review and update existing regulation and develop new mechanisms and tools to better integrate climate-change considerations into PFM. Some key results include:

- Prepare a climate PIM guidance note that informs about requirements, responsibilities and provides standardized templates and check lists for climate screening at appraisal and climate selection criteria.
- Updated PIM-related decrees and manuals to require the integration of climate aspects and their publication.
- Propose practical actions on a sequence of reform measures for a comprehensive climate budget tagging (CBT) framework.
- Developing CBT guidelines and updating planning tools, such as the budget circular.
- Design and support the pilot phase of the CBT.

C. Targeted Logical Framework - MANAGING PUBLIC FINANCES

Objective	
Strengthened Budget Management	
Outcome(s)	Indicator(s)
Strengthened annual budget process, and effective allocation	Improved allocation to priority areas including climate, gender, and SDGs
	Improved public investment planning and allocation (Record Score: PIMA 3, 9, 7)
Objective	
Build Fiscal Institutions and Frameworks	
Outcome(s)	Indicator(s)
Strengthened capacity to plan, implement and sustain infrastructure governance	Developed strategic and/or operational infrastructure governance action plans