

Validation of MAURITANIA
Validation Report
Sustainable Development Strategies Group (SDSG), Independent Validator
20 January 2017

1. BACKGROUND

Mauritania borders Algeria, Senegal, and Mali in northwest Africa, and well over a third of the country's population of about four million is rural and nomadic. The country has witnessed modest economic GDP growth of 3.1% in 2015 and poverty reduction from 42% to 31% from 2008—2015.* One contributor to this is Mauritania's relatively small extractives sector consisting of one producing oilfield and four large-scale mines (as of 2014), however, social conflicts and tensions in the sector are present, arising principally from issues relating to labor, the environment, and impacts on communities.

The country began implementing EITI in 2005 as it restructured its petroleum sector and later established its sovereign petroleum fund in 2006, the country's first reporting year. It has published EITI Reports since 2007 when it became an EITI candidate country. Following its first Validation in 2010 under the previous EITI rules, it was determined to be EITI compliant in February 2012. While Mauritania was briefly suspended by the EITI Board in February 2013 for failure to timely publish its 2010 EITI Report, this was lifted months later with the publication of its 2010 and 2011 EITI Reports. Reporting has since been timely.

The EITI Board agreed in June 2016 that Mauritania's Validation against the 2016 EITI Standard should commence on 1 July 2016. Pursuant to the Validation Guide, the International Secretariat carried out the first phase of validation—initial data collection, stakeholder consultations, and preparation of their initial evaluation of progress against the EITI requirements (the "Initial Assessment"). SDSG was appointed as the independent Validator to evaluate whether the Secretariat's work was carried out in accordance with the Validation Guide. SDSG's principal responsibilities as Validator are to review and amend the Initial Assessment, as needed, and to summarize its independent review in this Validation Report for submission to the Board through the Validation Committee.

- **Work Performed by the Independent Validator**

The Secretariat's Initial Assessment was transmitted to SDSG on 13 December 2016. Our Validation Team undertook this phase of the Validation process through: (1) In-depth review and marking up of the EITI Assessment by each team member; (2) Detailed review and comments by the Multi-Stakeholder Specialist of Requirements 1 and 7; (3) Detailed review and comments by the Financial Specialist of Requirements 2 through 6; (4) Overall review and drafting coordination by the Team Leader; (5) Review of the comments from the country's multi-stakeholder group (MSG), the National EITI Committee or CNITIE (*Comité National ITIE*); (6) Consolidation of detailed comments on the mark up of the Initial Assessment; (7) Peer review of the draft mark up and Validation Report by an additional expert; and (8) Consolidation of reviews and finalization of this Validation Report.

The SDSG Validation Team received CNITIE's comments on the International Secretariat's Initial Assessment on 10 January 2017 (English version). Their comments were detailed, well documented, and

* African Economic Outlook, *Mauritania*, last visited January 20, 2017, <http://www.africaneconomicoutlook.org/en/country-notes/mauritania/>. African Economic Outlook is a partnership with the African Development Bank, OECD Development Centre, and the United Nations Development Programme.

clearly organized in accordance with the Requirements. These comments demonstrated a commitment to continued and improved EITI implementation. However, their comments generally referred to actions that took place or will take place after 1 July 2016. While the Validation Team is not permitted to take these into account in our evaluation, we nevertheless reviewed these and also note that the Board has the discretion to consider said actions in its overall evaluation of compliance.

- [Comments on the Limitations of the Validation](#)

Mauritania is among the 14 countries undergoing the EITI Validation process between the latter part of 2016 and early 2017. Compared to the first half of these countries, relatively more time was provided for the Validation Team to undertake this phase of the review process for Mauritania. This provided the opportunity for further team discussions, receipt and review of the MSG's comments, and consideration of areas where the Validation Team's assessment diverged from that of the International Secretariat. Nevertheless, the time provided, in general, and the nature of this phase of the process do not readily accommodate further stakeholder outreach beyond the Secretariat, particularly when no requests for issues to be 'spot-checked' were received, and given that the Independent Validator is not expected to duplicate data collection and consultation work completed by the Secretariat. Neither is it permitted to consider activities after 1 July 2016, per express directive of the Board. Notwithstanding these limitations, the Validation Team has carefully reviewed the Secretariat's Initial Assessment, the comments of the CNITIE, and applicable references to determine Mauritania's level of progress against the requirements of the 2016 Standard.

- [Comments on the International Secretariat's Initial Assessment](#)

The initial data collection, stakeholder consultations, and drafting of the Initial Assessment were generally undertaken by the International Secretariat in accordance with the 2016 Validation Guide. This entailed a desk review of relevant documents from 1–24 August 2016, a country visit by a three-person team from the International Secretariat that conducted stakeholder consultations exclusively in the capital city of Nouakchott on 5–10 September 2016, and the production of the Initial Assessment. These consultations focused principally on stakeholders in the capital who are already familiar with the EITI, and outreach beyond them was limited. The Secretariat's team was identified by name, though it would be helpful to also indicate each member's level of familiarity or engagement with EITI in Mauritania to confirm the appropriate balance in perspectives and experience.

2. [GENERAL COMMENTS](#)

- [Progress in EITI Implementation](#)

The technical secretariat of the CNITIE drives EITI implementation in Mauritania. The CNITIE meets more often than required under its Terms of Reference, although it has been hampered by lack of internal coordination and other challenges. Implementation has been vulnerable to high-level political changes. Constraints in funding and human resources have at times affected EITI implementation, particularly the capacity of civil society engagement. Procedures for the representation of civil society organizations (CSOs) and their refreshment have largely been unclear. (CSOs adopted an internal Code of Conduct in August 2016 that aims to provide greater clarity and improved internal governance, however, this corrective action took place after 1 July 2016.)

Company participation in EITI reporting increased from nine companies for the 2006 EITI Report to 17 for the 2014 Report. This increase is a positive indicator of industry's engagement in the EITI. But for its delayed 2010 EITI Report, Mauritania has timely produced EITI Reports since 2007. Government participation has largely been steady but limited, and needs to be expanded to other key agencies. Further integration of EITI reporting in government and company systems is needed. The Treasury's automation of EITI data collection is expected to improve the efficiency of government reporting. The focus on improved reporting and reconciliation is laudable, however, greater attention is also needed with respect to the contextual, non-revenue information required under the EITI Standard, for example, on license allocations and contract disclosure.

Other areas of concern for which corrective actions are strongly recommended include data quality assurance and comprehensiveness of reporting by the government, state-owned enterprises (SOEs), and industry. Dissemination of data in EITI Reports also needs to be improved, hampered as it is by the low level of literacy, severely limited access to the Internet, and focus of discussion in the capital. There have been increased efforts to disseminate EITI information in Arabic since 2015 with the support of international organizations. The establishment by the CNITIE of "focal points" in major towns is an important step toward improving subnational information dissemination, outreach, and engagement.

- [Impact of EITI Implementation](#)

Mauritania has implemented the EITI for over ten years, and given the serious concerns surrounding corruption, the initiative has played a critical role in raising awareness and highlighting the importance of fiscal transparency and improved governance of its extractive industries. The government views the EITI as central to public finance management and its anti-corruption strategy in the extractives sector. While some stakeholders reportedly view the country's past EITI compliant status as a reason for complacency, it can and should instead be an incentive to pursue a higher level of implementation and engagement.

Through the EITI, Mauritania has sought to strengthen financial management of the extractives sector, modernize the cadastre systems, and improve auditing of SOEs. The government's commitment to EITI is evidenced by, among others, an *ad hoc* Inter-Ministerial Committee established to follow up EITI recommendations and the requirement that the MSG be chaired by a senior advisor to the Prime Minister. Another key impact of EITI has been improved reporting, and participation in EITI reporting is enshrined in legislation. This has contributed to greater awareness and use of EITI data by government ministries and parliamentarians. This also helps to ensure that the work program and budgetary requirements are consistent with national priorities.

Mandated reporting would also contribute to replicating the EITI framework and process in other sectors. An important impact has been the interest since 2010 in extending the scope of EITI reporting to the fisheries sector. While progress is unclear, a multi-stakeholder initiative was launched—the Fisheries Transparency Initiative—and the Prime Minister requested the support of the CNITIE.

While engagement in the CNITIE has been uneven, the MSG has brought together stakeholder groups from government, industry, and civil society, and is generally considered by them as a forum for gradual trust building. The impact of implementation on public debate across the country is limited, given the relatively low level of information dissemination and outreach beyond the capital. The EITI's greater impact on public debate has principally been among stakeholders involved in the MSG and in the capital of Nouakchott, and secondarily in areas where mining operations are located.

- [The Independent Validator's Assessment of Compliance](#)

Figure 1 – Validator’s assessment

EITI Requirements		LEVEL OF PROGRESS					Note
		No Progress	Inadequate	Meaningful	Satisfactory	Beyond	
Categories	Requirements						
MSG oversight	Government engagement (#1.1)						
	Industry engagement (#1.2)						
	Civil society engagement (#1.3)				←		1
	MSG governance (#1.4)						
	Work plan (#1.5)						
Licenses and contracts	Legal framework (#2.1)						
	License allocations (#2.2)						
	License register (#2.3)						
	Policy on contract disclosure (#2.4)						
	Beneficial ownership (#2.5)						
	State participation (#2.6)						
Monitoring production	Exploration data (#3.1)						
	Production data (#3.2)						
	Export data (#3.3)						
Revenue collection	Comprehensiveness (#4.1)						
	In-kind revenues (#4.2)						
	Barter agreements (#4.3)						2
	Transportation revenues (#4.4)						
	SOE transactions (#4.5)						
	Direct subnational payments (#4.6)						
	Disaggregation (#4.7)						
	Data timeliness (#4.8)						
	Data quality (#4.9)						
Revenue allocation	Revenue management & expenditures (#5.1)						
	Subnational transfers (#5.2)		←				3
	Distribution of revenues (#5.3)						
Socio-economic contribution	Mandatory social expenditures (#6.1.a)						4
	Discretionary social expenditures (#6.1.b)						
	SOE quasi-fiscal expenditures (#6.2)						5
	Economic contribution (#6.3)				←		6
Outcomes and impact	Public debate (#7.1)						
	Data accessibility (#7.2)						
	Follow up on recommendations (#7.3)						
	Outcomes/impact of implementation (#7.4)						

1-6: Please see Detailed Findings. 2,4,5: Previously found not applicable by the International Secretariat.

3. DETAILED FINDINGS

- 1.1 Government engagement. We agree that Mauritania has made SATISFACTORY progress, noting, however, that other key government agencies such as the Ministry of Economy and Finance and the Ministry of Economic Affairs and Development should be more engaged in the CNITIE and in EITI implementation. The government should also institutionalize financial support for EITI implementation to ensure its sustainability.
- 1.2 Company engagement. We agree that Mauritania's progress in implementing this provision is SATISFACTORY, but strongly recommend that companies participate more actively in information dissemination and outreach, including to the wider sub-constituency of mining companies.
- 1.3 Civil society engagement. We disagree that Mauritania has made satisfactory progress and find that its progress is MEANINGFUL. Given financial and capacity constraints, CSOs are not fully and effectively engaged in the design, implementation, monitoring, and evaluation of the EITI process.
- 1.4 MSG Governance. We agree with the International Secretariat's finding that Mauritania has made MEANINGFUL progress in meeting this requirement.
- 1.5 Work Plan. We agree with the International Secretariat's finding that Mauritania's progress is MEANINGFUL in meeting this requirement.
- 2.1 Legal Framework and Fiscal Regime. We agree that Mauritania has made SATISFACTORY progress in meeting this requirement.
- 2.2 License Allocations. We agree with the finding of the International Secretariat that Mauritania has made MEANINGFUL progress in meeting this requirement.
- 2.3 Register of Licenses. We agree with the finding of the International Secretariat that Mauritania has made MEANINGFUL progress in meeting this requirement.
- 2.4 Contract Disclosures. We agree with the International Secretariat that Mauritania's progress is INADEQUATE in meeting this requirement.
- 2.5 Beneficial Ownership. Disclosure under this provision is NOT YET APPLICABLE, however, Mauritania's participation in the pilot to advance implementation is commendable.
- 2.6 State Participation in EI. We agree with the finding of the International Secretariat that Mauritania's progress under this requirement is INADEQUATE.
- 3.1 Exploration. We agree that Mauritania has made SATISFACTORY progress.
- 3.2 Production Data. We agree that Mauritania has made SATISFACTORY progress.
- 3.3 Export Data. We agree that Mauritania has made SATISFACTORY progress, however, the Initial Assessment does not state that the export values and volumes were disaggregated by state/region. We assume that the International Secretariat found, as it did with the production

data, that the disaggregation provided in the EITI Report permits extrapolation of the state/region disaggregation data. The Initial Assessment should clarify this.

- 4.1 Comprehensiveness. We agree with the International Secretariat's Initial Assessment that Mauritania's progress is MEANINGFUL.
- 4.2 In-Kind Revenues. We agree that Mauritania has made SATISFACTORY progress.
- 4.3 Infrastructure Provisions and Barter Arrangements. We disagree that this requirement is not applicable. 4.3 requires the MSG and Independent Administrator to consider whether there are agreements in place that contain infrastructure or barter arrangements. Given that MSG meeting minutes do not reflect any such consideration, it cannot be determined whether the provision is or is not applicable. Progress is thus INADEQUATE.
- 4.4 Transportation Revenues. We agree that this provision is NOT APPLICABLE to Mauritania as there were no transportation revenues in the applicable reporting period. We note, however, that this issue was considered and discussed in the EITI Report.
- 4.5 Transactions Related to SOEs. We agree that Mauritania has made SATISFACTORY progress.
- 4.6 Subnational Payments. We agree that this provision is NOT APPLICABLE to Mauritania.
- 4.7 Level of Disaggregation. We agree that Mauritania has made SATISFACTORY progress.
- 4.8 Data timeliness. We agree that Mauritania's progress has been SATISFACTORY.
- 4.9 Data Quality and Assurance. We agree that Mauritania's progress in implementing this provision has been MEANINGFUL.
- 5.1 Distribution of Extractive Industry Revenues. We agree that Mauritania's progress in implementing this provision has been MEANINGFUL.
- 5.2 Subnational Transfers. We agree with the International Secretariat's analysis but disagree with its finding that Mauritania's progress in meeting this requirement is inadequate, and find that it has made NO PROGRESS. There is no evidence that the nature of these payments were discussed and confirmed by the MSG, whereas it is documented in the EITI Report and noted by stakeholders that these are or may be sub-national transfers. If so, the MSG must determine whether these are material and ensure that these and the revenue-sharing formulas are disclosed. Going forward, the CNITIE has committed to reviewing the nature of these payments and to describing these in future EITI Reports.
- 5.3 Revenue management and expenditures. Disclosure under this requirement is encouraged and is thus not taken into account in the overall assessment of compliance.
- 6.1 Social Expenditures by Extractive Companies. We disagree that this requirement is not applicable, and find that Mauritania's progress in implementing this provision is INADEQUATE. Contributions to an annual manpower training fee are reported to be mandatory – as may be other aspects of local content – thus, these should be disclosed together with the value thereof and the

beneficiaries. There also appear to be long-term community or operating agreements with social expenditure provisions.

- 6.2 Quasi-fiscal expenditures. We disagree that this requirement is not applicable and find that Mauritania's progress is MEANINGFUL. SNIM Foundation is either owned and/or controlled by SNIM, and it appears clear that social contributions were made. Most, but not all, appear to have been disclosed per 6.2.
- 6.3 Contribution of the Extractive Sector to the Economy. We disagree that Mauritania's progress in implementing this provision has been satisfactory and is instead MEANINGFUL, noting that there is no estimate of the informal sector provided. The contribution of the extractive sector to Mauritania's economy should be discussed more thoroughly, including any limitations there may be in obtaining estimates of the informal sector. The 2014 EITI Report states that there appeared to be no *significant* activity in the informal sector, thus, even estimated data on the scope or size of the sector is required under this provision.
- 7.1 Public Debate. We agree that Mauritania's progress has been SATISFACTORY.
- 7.2 Data Accessibility. Disclosure under this requirement is encouraged and is thus not taken into account in the overall assessment of compliance.
- 7.3 Discrepancies and Recommendations from EITI Reports. We agree that Mauritania's progress has been SATISFACTORY.
- 7.4 Outcomes and Impact of EITI Implementation on NR Governance. We agree that Mauritania's progress has been MEANINGFUL.

4. RECOMMENDATIONS

Following are the Secretariat's overarching recommendations for improving EITI implementation in Mauritania, with the Validation Team's modifications and supplements in italics.

- 4.1 *The MSG is encouraged to strengthen engagement of other key government agencies, such as the MEF and MAED.*
- 4.2 The MSG is encouraged to implement its newly adopted TOR, particularly in renewing its membership, and to ensure that records adequately reflect the substance of MSG meetings. The MSG should agree a process to ensure greater accountability of MSG representatives to their constituencies. This would include establishing mechanisms of consultation and reporting between CSO representatives and their wider constituencies as per their new Code of Conduct.
- 4.3 As civil society's internal challenges effectively hamper the participation of the broader constituency in the EITI process, Mauritania will need to take steps to ensure that the CSOs' new Code of Conduct is implemented to enable full civil society participation in EITI implementation. This should include establishing clear mechanisms of communication and collaboration with local communities in mining areas. In light of the significant logistical challenges, the MSG may wish to consider developing more formalised consultation mechanisms with mine-affected communities, perhaps by strengthening the

regional focal points and providing them with a meaningful voice on the MSG.

- 4.4 *It is recommended that the CNITIE work with CSOs to undertake a capacity building needs assessment and that actions to address civil society capacity constraints are included in the workplan and implemented. Increased knowledge and understanding of extractive industries will strengthen the capacity of CSOs to engage in public debate.*
- 4.5 *The MSG should establish systems for record keeping to ensure that meeting minutes reflect MSG deliberations. The MSG and government stakeholders are encouraged to consider strengthening the national secretariat through focused and specific capacity building or further recruitments, as appropriate.*
- 4.6 As a matter of priority, the MSG should agree a workplan that is linked to national priorities and that is the product of wide consultation with stakeholders. The MSG should consider discussing the role the EITI could play in achieving national priorities in reforms of the extractive industries as part of its annual review of the workplan. *The government is encouraged to review the financing for EITI implementation to ensure sustainability over the longer term.*
- 4.7 The MSG may also wish to consider undertaking an impact assessment, with a view to identifying tangible impacts of mining on local communities and other stakeholders to determine the extent to which the EITI has contributed to improving public financial management and governance of the mining and oil and gas sectors.
- 4.8 In preparing the next EITI Reports, the MSG should clarify the rules and practices governing financial relations between extractives SOEs and the government, the level and terms associated with state equity participation in the sector as well as a comprehensive overview of loans and guarantees extended by the state or SOEs. It should also clearly define and distinguish quasi-fiscal expenditures and social expenditures.
- 4.9 The MSG should ensure that future EITI Reports clarify the government's policy on contract disclosure, document any planned or ongoing reforms, and specify which oil, gas and mining contracts are in the public domain.
- 4.10 The MSG should ensure that future EITI Reports clearly describe the agreed approach to materiality and reliability, based upon a review of actual audit practice in the period under review. The MSG is encouraged to include the Court of Counts (CdC), the General Inspectorate of Finance (IGF), and Treasury in these discussions to ensure compliance with the agreed procedures and reforms of government systems.
- 4.11 In preparing its next EITI Reports, the MSG should clarify the number of mining and oil and gas licenses awarded or transferred, provide an overview of the technical and financial criteria used for assessing bids through direct negotiation, and note any non-trivial deviations for the year under review. The MSG should ensure that future EITI Reports provide dates of application, commodities covered, and coordinates for all licenses held by material companies. They may wish to consider ways of using EITI reporting to track progress in implementation of cadastral reforms.
- 4.12 In preparing its next EITI Reports, the MSG should document its discussion on barter and infrastructure agreements and should consider any such agreements active in the year under

review, irrespective of the year in which the original agreement was signed.

- 4.13 The MSG should ensure that future EITI Reports clearly describe the statutory process for subnational transfers and any deviations in practice as well as its materiality considerations for excluding certain payments earmarked for communities from the scope of reconciliation.
- 4.14 In preparing its next EITI Reports and as the first audit of the FNRH, if published by end-2016, the MSG is encouraged to document its assessment of the government's management of off budget revenues and could consider using EITI Reports as a means of tracking implementation of public financial management reforms. The government is encouraged to consider formalising its ad hoc Committee on following up on EITI recommendations to link it to ongoing reforms within the Mauritanian Government.
- 4.15 The MSG is encouraged to further entrench extractive sector transparency in government systems, and take steps to move towards more frequent production of EITI information on a routine basis. There is also potential for industry to consider opportunities to integrate assurance of EITI disclosures in the routine audit and public financial reporting. The MSG may consider undertaking a study to identify what information required to be disclosed under the EITI Standard is already publicly available and what information is not yet routinely disclosed. Opportunities for providing more EITI data in open data formats could also be explored.
- 4.16 *The MSG should discuss and agree on the scope and applicability of social contributions under 6.1 and quasi-fiscal expenditures under 6.2. The MSG should confirm that these would include local content and contributions or expenditures made pursuant to community or other agreements. In this regard, the MSG should, with guidance from the International Secretariat, ensure that future EITI Reports clearly distinguish quasi-fiscal expenditures from social expenditures, particularly in relation to payments undertaken by the SNIM Foundation.*
- 4.17 *The MSG may wish to consider using future EITI Reports to clarify the barriers to implementation of mandatory social expenditures and could consider including more consistent information on the identity of beneficiaries of voluntary social expenditures. Social expenditures are varied, and these are important in demonstrating impacts of extractive operations on host communities and how any benefits are translated to development. These should be identified, articulated, and reported more rigorously by companies.*
- 4.18 *The MSG should undertake and document its efforts strengthen impacts of EITI implementation on extractive sector governance, specifically on increasing engagement with stakeholders at the local level and extending the detail and scope of EITI reporting. The MSG should develop specific approaches to engage stakeholders outside of the MSG in soliciting their views, developing APRs, and reviewing the impact of EITI implementation. The MSG may wish to consider developing more formalised consultation mechanisms with mine-affected communities through established regional focal points.*
