



October 23, 2024

CONGRESSIONAL NOTIFICATION TRANSMITTAL SHEET

The Millennium Challenge Corporation plans to negotiate and sign a Millennium Challenge Threshold Program with the Islamic Republic of Mauritania, through which MCC will grant an amount not to exceed \$27 million. Negotiations with Mauritania may be started on or after 15 days from the date of this notification.

In addition to the enclosed notification, we have included supplemental information regarding the planned threshold program. If you or your staff would like to arrange a meeting to discuss the proposed negotiations with Mauritania, please contact Brian Forni at ForniBJ@mcc.gov.

Sincerely,

/s/

Aysha House
Vice President
Congressional and Public Affairs

Enclosure as stated

MILLENNIUM CHALLENGE CORPORATION
CONGRESSIONAL NOTIFICATION

October 23, 2024

Pursuant to Division K, Title III under the heading “Millennium Challenge Corporation” of the Consolidated Appropriations Act, 2023 (P.L. 117-328), and section 610(a) of the Millennium Challenge Act of 2003, as amended (the “Act”), this notification is to advise you that the Millennium Challenge Corporation (MCC) intends to negotiate and sign an agreement with the Government of the Islamic Republic of Mauritania obligating up to \$27,000,000 of fiscal year 2023 funds for a program of assistance under section 616 of the Act (the “Threshold Program”).

The Government of the Islamic Republic of Mauritania identified electricity and climate adaptation as the preferred issues to address via a threshold program. Mauritania’s electricity system continues to be plagued by costly and unreliable power. Access is concentrated primarily in urban areas and the existing grid infrastructure is overloaded and suffers from poor operations and maintenance, leading to low quality power and frequent outages. Separately, multiple climate-related hazards confront Mauritania, including desertification, groundwater depletion, sea level rise, and flooding.

The Mauritania Threshold Program includes two projects: the Energy Project and the Climate Adaptation Project. For the Energy Project, MCC will operationalize key recent changes that have restructured and liberalized the energy sector, to provide capacity-building and operations support to the Ministry of Energy and Petroleum (MEP), the electricity utility (SOMELEC), and the multi-sectoral regulator. For the Climate Adaptation Project, MCC will provide capacity-building and project development support to the Ministry of Environment and Sustainable Development to develop fundable adaptation projects and boost the Government’s ability to implement environmental and social assessment processes across all sectors.

SUPPLEMENTAL INFORMATION

PROPOSED MAURITANIA THRESHOLD PROGRAM

Overview

The proposed Mauritania Threshold Program seeks to assist the Government of the Islamic Republic of Mauritania in addressing two constraints to economic growth: (1) expensive, unreliable, and unequal electricity services; and (2) vulnerability to climate-related hazards. MCC will assist the Government of the Islamic of Mauritania in creating more safe, accessible, and decent employment options for its people.

Background and Context

Country Background

Mauritania is the 11th largest country on the African continent by land area (1,030,700 square kilometers), though 75% of the country is uninhabitable desert. Due to its geographic location, Mauritania suffers from increasingly dire effects of climate change such as desertification, urban flooding, extreme heat, and coastal erosion. Climate change also negatively impacts fishing, an important economic activity that contributes an estimated 4 to 10 percent of Mauritania's Gross Domestic Product (GDP).

The population (approximately 4.8 million) is primarily concentrated in cities along the Atlantic coast and in the pastoral and agricultural zones along the borders of Senegal and Mali.

Overwhelmingly Muslim, most Mauritians descend from three groups: Berber peoples claiming Arabic origins ("Beydane"); the original inhabitants of the area at the time of the Berber conquest ("Haratine," the caste of formerly enslaved people); and non-Arab West African ethnic groups. French and Arabic are the most spoken languages today, although a range of West African languages are also spoken.

MCC identified five binding constraints to economic growth in Mauritania: (1) vulnerability to climate-related hazards; (2) reliance on commodity exports, which limits competitiveness; (3) expensive and unreliable electricity; (4) high cost and barriers to accessing formal credit; and (5) burdensome tax and business policy. MCC presented these constraints to the Government, which identified electricity and climate adaptation as the preferred problems to address via a threshold program.

Country Selection and Ongoing Eligibility

MCC's Board of Directors selected Mauritania to develop a threshold program in December 2022. At the time of selection, Mauritania passed 10 indicators including Control of Corruption. Though it failed both Democratic Rights indicators, Mauritania was on a trajectory of gradual reform following the 2019 election, which was the country's first peaceful transfer of power between democratically elected governments.

In FY 2024, Mauritania graduated to the higher income scorecard category, in which most indicators require better performance to pass. Mauritania is passing fewer indicators and fails the

Control of Corruption indicator because it is being compared to a new set of countries with higher average incomes, not due to any underlying backsliding in the country's policy environment. In fact, the government has continued to adopt democratic and economic reforms to strengthen participatory political processes, fight corruption, and address longstanding human rights issues. Though the country will continue to fail the Democratic Rights indicators, Mauritania's steady progress toward strengthening Political Rights and Civil Liberties will be reflected on the FY 2025 scorecard that will be released this fall.

The GIRM has also demonstrated political will to combat human trafficking and hereditary slavery, resulting in Mauritania's upgrade to Tier 2 on the U.S. Department of State's Trafficking in Persons (TIP) Report in June 2023 after three years on Tier 2 Watch List. Mauritania maintained its Tier 2 status in the June 2024 TIP Report. In August, the newly elected government noted plans to strengthen current anti-trafficking legislation. MCC will continue to encourage the GIRM to take steps to strengthen the fight against hereditary slavery and trafficking in persons, as well as undertake broader reforms to strengthen democratic governance in the country.

Threshold Program Overview and Budget

MCC engaged in a root cause analysis to determine the dynamics underpinning the binding constraints. The analysis found numerous root causes for the electricity constraint: planning and implementation of plans, weak implementation, and a poor enabling environment for private sector investment. For the climate constraint, MCC's analysis identified several similar root causes: unclear and overlapping ministerial responsibilities, poor capacity, and a weak regulatory environment.

The threshold program implementation period will last four years. MCC will utilize a portion of program funds on grant signature to facilitate program start-up. The program is expected to begin implementation in late 2025, following the recruitment of in-country staff and the selection of one main technical assistance contractor.

Table 1 presents an approximate budget for the proposed threshold program based on initial due diligence and appraisal.

Below is a summary describing the components of the proposed threshold program with the Government of the Islamic Republic of Mauritania. The budget and expected impacts are preliminary based on initial due diligence and project appraisal and are subject to change following threshold program negotiations. The anticipated budget for the Mauritania Threshold Program is up to \$27,000,000.

Table 1: Mauritania Threshold Program Budget (million in US\$)

| MCC Funding by Component | Total MCC Funding |
|---|--------------------------|
| 1. Energy Sector Project | |
| 1.1 Improving Energy Sector Planning and Operations | \$6,000,000 |
| 1.2 Strengthening Capacity for Energy Sector Regulation | \$3,000,000 |
| 1.3 Improving Off-Grid Planning and Integrating Private Sector Investment | \$2,850,000 |
| Subtotal | \$11,850,000 |
| 2. Climate Adaptation Project | |
| 1.1 Capacity Building and Planning for an Adaptive Future | \$5,750,000 |
| 1.2 Addressing Climate Adaptation through Strategic Planning, Decision Making, and Implementation | \$4,250,000 |
| Subtotal | \$10,000,000 |
| 3. Monitoring and Evaluation | \$600,000 |
| 4. Program Administration and Oversight | \$4,550,000 |
| Total MCC Funding | \$27,000,000 |

Proposed Projects

The project and activities to be negotiated are the Energy Sector Project and the Climate Adaptation Project.

The objective of the **Mauritania Energy Sector Project (MESP)** is to support the Government of the Islamic Republic of Mauritania to improve the capacity of the Ministry of Energy and Petroleum, electricity regulator, and the electricity utility to engage in inclusive power sector planning, grid operations, and electricity regulation, responding to the root cause of the high cost, unreliable, and uneven access of electricity. The MESP has three activities:

- **Activity 1: Improving Power Sector Planning and Operations:** This activity will build acceptable in-house grid expansion and operational planning capacity, taking climate change considerations into account. The key stakeholders to take part in this technical assistance intervention will be the MEP, the SOMELEC holding company, and all three of their subsidiaries.
- **Activity 2: Strengthening Institutional Capacity for Electricity Sector Regulation:** This activity will work to establish effective regulatory oversight, by enhancing the regulator's institutional capacity, assess its status of operations, develop analytical tools and plans and initiate a range of actions aimed at promoting efficient development of the energy sector.
- **Activity 3: Support for the Capacity Building of Rural Electrification Company:** This activity will be focused on building the new rural electrification company's capacity to fulfill its responsibilities to plan for and oversee rural electricity assets. Additional support may be provided to one or two off-grid electricity projects if conditions to funding are met.

The objective of the **Mauritania Climate Adaptation Project (MCAP)** is to improve the capacity of the Ministry of the Environment and Sustainable Development (MOESD) and selected line ministries to develop fundable climate adaptation projects and incorporate climate change and social impact into the environmental impact assessment process. The MCAP has two activities:

- **Activity 1: Capacity Building and Planning for an Adaptive Future:** This activity aims to improve the ability and capacity of select GIRM ministries to design and implement fundable (i.e., meeting the financing institution's requirements) climate adaptation projects from official climate finance sources. The approach is two pronged: (1) conduct participatory planning, develop, submit, and follow through on a full project funding application to an official climate finance source and (2) build institutional and human capacity to plan, qualify for, and implement additional adaptation projects utilizing official climate finance.
- **Activity 2: Addressing Climate Adaptation in Strategic Planning, Decision Making, and Implementation:** This activity aims to ensure that climate, social and environmental impacts are taken into account in public and private economic development and

infrastructure decisions and activities. This will be accomplished through legal and procedural enhancements to ensure that climate is considered early in strategic planning by GIRM decision makers. This activity will strengthen the Environmental and Social Impact Assessment (ESIA) process by improving capacity of the MOESD Department that conducts ESIA and Environmental Social Management Plan (ESMP) reviews, including their social soundness and climate risk assessment aspects.

Mauritania CN History

| CN Type | Date Submitted to Congress | Date Cleared by Congress |
|-------------------|-----------------------------------|---------------------------------|
| Threshold Program | October 23, 2024 | TBD |